

**WHISTLEBLOWER POLICY**  
**PEDERNALES ELECTRIC COOPERATIVE, INC.**

BOARD ADOPTED: December 16, 2008

AMENDMENTS: June 15, 2009, March 15, 2010, April 19, 2010; October 17, 2011

**I. Purpose**

To ensure that the Pedernales Electric Cooperative, Inc. (the "Cooperative") maintains a whistleblower mechanism for individual employees, vendors, members, or any stakeholder (each of whom may be a "Whistleblower" under this Policy) to report workplace issues of fraud, waste or abuse, concerns about potentially unlawful or unethical behavior, or acts of financial malfeasance. It is the intent of this policy to protect all Whistleblowers from retaliation. The Whistleblower program is one of the tools for the Board of Directors to carry out its monitoring and oversight responsibility to protect the integrity of the Cooperative.

**II. Policy**

It is Pedernales Electric Cooperative, Inc.'s intention that no retaliation shall occur against any party who reports a concern about unlawful or unethical conduct, or acts of fraud, waste, or abuse. Any Whistleblower who is a Cooperative employee has an obligation to report in accordance with this Whistleblower Policy: (a) questionable or improper accounting practices, (b) suspected violations of the Cooperative's code of conduct or ethics policies, (c) suspected unlawful conduct, (d) violations or suspected violations of any Cooperative policy, and (e) Safety issues (each individually a "Concern"). All Concerns will be examined for potential fraud, waste and abuse elements. The Cooperative shall retain such parties necessary for intake of Concerns through a Whistleblower Hotline and to perform all investigation, reporting, and any other administrative tasks associated with the Whistleblower function ("Whistleblower Administrator").

Concerns that are Human Resources grievances will be forwarded to the Cooperative's Human Resources department. Conversely, any Human Resource Concern that has potential fraud, waste, or abuse application will be forwarded to the Whistleblower Administrator.

**A. No Retaliation**

This policy is intended to encourage and enable Whistleblowers to raise Concerns for prompt investigation and appropriate action. **No Whistleblower employee who in good faith reports a Concern shall be subject to retaliation in any form for making the report.** An employee who retaliates against someone who has made a good faith report about a Concern is subject to disciplinary action up to and including termination of employment.

**B. Reporting Concerns**

All Concerns reported through the Whistleblower Hotline will be accepted and administered by a Whistleblower Administrator. Any Whistleblower-like concern received by any means by Directors, General Counsel, any Manager, or

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employee shall be forwarded immediately to the Whistleblower Administrator. The Whistleblower Administrator with assistance from the General Counsel will report to the Board of Directors and to the Audit Committee as necessary and to the Chief Executive Officer through the Cooperative's General Counsel on a regular basis or as often or in any manner deemed appropriate by the Board in accordance with the Cooperative's Open Meetings Policy.

Certain Concerns will require escalation for immediate action and may include:

1. Threat of violence or physical harm to employees or customers;
2. Threat of business interruption; or
3. Notice of a high-risk incident expected to happen within the next 24 hours.

**C. Handling of Reported Concerns**

**1. Investigation Procedure:** All Concerns will be investigated by the Whistleblower Administrator and will be dealt with in a timely manner, with a sense of fairness, completeness, and in a confidential manner. The investigative process must be adequate to protect the confidentiality of the Whistleblower while gathering information necessary to resolve complaints or allegations. Every stage of the whistleblower process shall be coordinated through the General Counsel, including but not limited to any requests made to the Cooperative for records, scheduling interviews with Cooperative employees or other assistance by the Cooperative with any investigation. The General Counsel together with the Whistleblower Administrator will address (a) how information is to be received through the Whistleblower Hotline, (b) how information is to be distributed from the Whistleblower Hotline, and (c) how records of complaints and investigations are to be maintained. The Whistleblower Administrator will determine which Concerns will be managed as fraud, waste and abuse cases and which cases are forwarded to General Counsel for alternate disposition channels.

In the event a Concern implicates the General Counsel, the Board shall appoint an independent attorney who is not implicated in the Concern to coordinate the investigation with the Whistleblower Administrator. In the event a Concern implicates the Whistleblower Administrator, the General Counsel shall conduct the investigation. In the event both the General Counsel and Whistleblower Administrator are implicated in the Concern, the Concern shall be forwarded to the Board for appointment of an attorney to investigate the Concern.

**2. Follow-Up with Whistleblower:** The Whistleblower will be informed of the progress and/or outcome of the investigation in a timely manner unless: (a) the Whistleblower reported the Concern anonymously and left no means for follow-up, (b) indicates his or her preference not to be informed, (c) reporting would be detrimental to the Whistleblower, the Cooperative or the

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investigation, or (d) there are other sound reasons not to inform the Whistleblower. The Whistleblower Administrator must provide sufficient information to the Board for any case of (c) and (d) above wherein there may be good cause to not inform the Whistleblower. The Board will make the final determination. The Whistleblower Administrator, with assistance from the General Counsel if needed, is responsible for informing the Whistleblower if the Concern has been settled or closed. It is the Board's responsibility for the response and the content.

3. **Cooperation:** All Whistleblowers are encouraged to cooperate with the investigation of Concerns, which may include steps such as personal interviews, requests for and review of documents, and requests for written statements signed by the Whistleblower. Whistleblowers should not discuss the investigation, including any interviews or document requests, with anyone unless specifically instructed to do so by the Board or its Whistleblower Administrator or otherwise required by law.

**D. Acting in Good Faith**

Anyone reporting a Concern must act in good faith and have reasonable grounds for believing the information provided in a reported Concern indicates a violation of law, Cooperative ethics or other policies, or a matter of fraud, waste, or abuse. Allegations which are made maliciously, or with knowledge of their falsity, will be viewed as a serious disciplinary offense for employees and subject to disciplinary action up to and including termination of employment.

**E. Confidentiality**

Whistleblower Administrator Reports of Concerns, and any investigations regarding Concerns, shall be kept confidential under the Cooperative's Open Records Policy consistent with the need to protect the Whistleblower from reprisal and the need to conduct an adequate investigation. The Whistleblower has the option to report a Concern anonymously. However, anonymity may limit the Whistleblower Administrator's ability to conduct a complete and thorough investigation. Further, when a Concern is found to be made in bad faith the anonymity of the Whistleblower will not be guaranteed.

**III. Responsibility**

The Board of Directors shall ensure that this policy is implemented by the General Counsel and the Chief Executive Officer. It is the responsibility of all Directors, officers, stakeholders, employees and members to comply with this policy and report Concerns in accordance with this policy. The Board is responsible to ensure all reported Concerns are adequately investigated and resolved or brought to conclusion. All actions shall be tracked appropriately from intake to corrective action or completion.

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The Whistleblower Administrator shall ensure all information gathered for Whistleblower issues shall be maintained in a secure environment and be retained in accordance with PEC Records Management Policy and Retention Schedule or as otherwise specified by the Board. Access to these records will be restricted to only those authorized by the Board and in accordance with the Cooperative's Open Records Policy. Cooperative employees who violate the confidentiality of Whistleblower information will be subject to disciplinary action up to and including termination.

The Board shall review this policy on an annual basis.