ETHICS AND COMPLIANCE REPORTING POLICY

Effective Date: August 21, 2026

POLICY AT A GLANCE

PEC is committed to upholding our Value of **Integrity** by establishing expectations and obligations for reporting and investigating suspected violations of, or concerns regarding, PEC's Values, Code of Conduct, Policies and procedures, or relevant laws and regulations.

Reporting Obligation

- Reporting Suspected Violations or Concerns
- Cooperating and Compliance
- Prohibiting Retaliation

Conducting an Investigation

- Managing the Reporting System
- Maintaining Third-Party Annonymous Reporting Hotline
- Investigating Reports of Suspected Violations or Concerns

Communicating Results

- Maintaining Confidentiality
- Providing Findings or Follow-up Statements to Covered Individuals, Reporters, and Subjects of the Investigation
- Comunicating Results with the Board

1. PURPOSE

1.1. Pedernales Electric Cooperative, Inc. (the "Cooperative" or “PEC”) supports a culture of ethical behavior and adherence to conduct consistent with PEC’s Code of Conduct, including PEC Values and PEC Policies, including Conflict of interest Policies. Establishing straightforward and comprehensible processes for reporting suspected Code of Conduct violations is one aspect of promoting and maintaining an ethical workplace at PEC, and an important element of the PEC Compliance and Ethics Program. This Policy sets forth the responsibilities, and implementation of the reporting process. The PEC Board of Directors (“Board”) oversees and approves this Policy for the benefit of Members, employees, contractors, and other stakeholders.

2. SCOPE

2.1. This Policy applies to PEC employees, contractors, and representatives.

3. POLICY AND IMPLEMENTATION

3.1. This Policy outlines the various methods for reporting suspected violations of PEC’s Code of Conduct, PEC Values, and/or any PEC Policy, including the Conflict of Interest Policies.

3.2. Individual Responsibility and Accountability for Reporting Suspected Violations

3.2.1. All PEC directors, officers, employees and contractors, including contract or temporary workers, (together “Covered Individuals”) have an obligation to report suspected violations of PEC’s Code of Conduct, including PEC Values, and the Conflict of Interest Policies.

3.2.2. Covered Individuals shall report suspected violations to any PEC manager, director, officer, attorney, Human Resources department, or the Compliance department, (collectively “Management”) or through the Ethics and Compliance Hotline as described below.

3.2.3. Covered Individuals shall cooperate with any investigation or inquiry made pursuant to a report under this Policy, which may include personal interviews, reasonable review of emails, text messages and other documents, and requests for written statements signed by the reporting person(s) and others. Cooperation will not be considered reasonable if a Covered Individual does not share all reasonably requested information and Management, or an authorized investigator, is unable to conduct a full and fair investigation as a result. Actions that may be deemed as a failure to reasonably cooperate include, but are not limited to, refusal to participate in a personal interview, refusal to comply with a reasonable request for and review of documents, or to comply with a request for a signed written statement.

3.3. Integrity of Reporting

3.3.1. This Policy encourages and enables the reporting of suspected violations in good faith, as required by PEC’s Code of Conduct. No employee or contractor shall make a report solely to harass, intimidate, mislead, or otherwise delay, disrupt, or obstruct proper PEC business. Anyone who is found to have abused this Policy or otherwise made a report in bad faith will be subject to discipline up to and including termination.

3.3.2. Reports will be maintained confidential to the greatest extent possible, consistent with the need to conduct an appropriate investigation and take appropriate corrective action(s). Where confidentiality is necessary to preserve the integrity of an investigation (for example, to prevent destruction or falsification of evidence, protect witnesses or potential witnesses, or maintain the attorney/client privilege), persons involved shall be notified of the confidential nature of the investigation, and their obligations to maintain confidentiality.

3.3.3. Reports may be made anonymously. Anonymous reports are investigated to the extent possible using reported information.

3.4. Retaliation Prohibited

3.4.1. No retaliation shall be taken against anyone for reporting suspected violations or expressing concerns or inquiries in good faith under this Policy. Individuals who report in good faith may do so without fear of harassment, retaliation, or retribution.

3.4.2. Any employee who retaliates against any person who has made a good faith report under this Policy is subject to disciplinary action, up to and including termination of employment.

3.5. Reporting System Required

3.5.1. PEC shall maintain an objective process to receive reports and to timely and effectively review, investigate, and take action on any suspected or reported violations. PEC shall also maintain and publicize the availability of an independent, third-party mechanism for reporting suspected violations anonymously through the Ethics and Compliance Hotline.

3.5.2. The Chief Executive Officer ("CEO") or designee shall periodically provide the Board with aggregated data on the number and types of reports of suspected violations or concerns investigated. In no event shall any confidential report information or details be released to the Board or other persons without prior approval by the CEO or General Counsel.

3.6. Third Party Investigation

3.6.1. The Board or Management may, at any time, refer a report to an outside third-party for an independent investigation and recommendation.

3.7. Investigation Conclusion

3.7.1. Management shall provide a follow-up statement to Covered Individuals who report a suspected violation upon conclusion of any investigation or actions taken. Upon conclusion and when appropriate, Management shall also provide a follow-up statement to an employee or contractor who is the subject of an investigation. Appropriate information regarding the process and findings of an investigation shall be disclosed to the Reporter or the subject of the report to the extent necessary for context in the issuance of any discipline. The identity of any participants in the investigation and other facts or details about the investigation that are not required for context within the disciplinary process shall be kept confidential.

3.8. Ethics and Compliance Hotline

3.8.1. PEC has implemented and maintains an Ethics and Compliance Hotline for reporting suspected violations of PEC's Code of Conduct, including PEC Values, and the Conflict of Interest Policies. The Ethics and Compliance Hotline is administered by an independent, third-party Hotline Administrator. The Ethics and Compliance Hotline may be used to report suspected violations when a person is not comfortable reporting compliance or ethical violations directly to Management.

3.9. Confidentiality

3.9.1. All materials created pursuant to this Policy and in response to a report of a suspected violation, including any investigation materials, working papers, recommendations or reports, are confidential and exempt from disclosure under the Cooperative's Open Records Policy. All materials shall be maintained as private and confidential to the Cooperative and used for the purpose of implementing this Policy. However, disclosure required by law will not be considered a violation of this Policy.

4. DEFINITIONS

4.1. **Ethics and Compliance Hotline** – An independent, third-party mechanism established by the Board to report suspected violations of PEC's Code of Conduct, Conflict of Interest Policy, and PEC Values.

4.2. **Covered Individuals** – PEC directors, officers, employees and contractors, including contract or temporary workers.

4.3. **Management** – A PEC manager, director, officer, attorney, Human Resources department, or the Compliance department.

4.4. **Reporting Policy** – This Policy establishing an ethics and compliance reporting process and providing the responsibilities for implementation.

5. PROCEDURE RESPONSIBILITIES

5.1. The CEO is responsible for implementation and administration of this Policy.

5.2. Report to the PEC Board of Directors

5.2.1. The CEO, or designee, shall regularly provide an account to the PEC Board regarding aggregated data on the number and type of ethics and compliance reports. Reporting to the Board under this Policy is an exception to open session deliberation under the Board Meetings Policy.

5.3. Review of Policy

5.3.1. Management shall recommend to the Board any improvement or necessary actions that may enhance the purposes of this Policy.

6. POLICY ENFORCEMENT

6.1. The Board and Management shall enforce this Policy. Violations of this Policy may result in disciplinary or corrective action, up to and including, termination.

6.2. Report of Criminal Activity

6.2.1. If a report or investigation made under this Policy is finds a subject may be involved in criminal activity, any such information will be immediately reported to PEC's General Counsel or other member of the Legal department (as long as they are not a subject of the report). If the General Counsel or Legal Department determines that criminal activity occurred, such information shall be reported to the CEO (unless involved in the criminal activity), the PEC Board of Directors, and appropriate law enforcement or regulatory authority. PEC's General Counsel, in conjunction with law enforcement, shall determine whether the PEC investigation should continue and how communication about the investigation will occur.

7. REFERENCES AND RELATED DOCUMENTS

PEC Vision, Mission, and Values Statements

Code of Conduct

Conflict of Interest Policy - Employees

Disciplinary Action Policy (Within the Employee Handbook)

IRS Form 990 Part VI Section B 13

Board Meetings Policy

Date adopted:	August 18, 2015
Last reviewed:	August 21, 2026
Review frequency:	Every Five Years
Amendment dates:	September 19, 2016; October 16, 2017; October 16, 2020; August 21, 2026
Effective date:	August 21, 2026
Approver:	Board of Directors
Applies to:	All Members, employees, contractors, and PEC stakeholders.
Administrator:	Chief Executive Officer
Superseding effect:	This Reporting Policy supersedes and replaces the Whistleblower Policy and all previous Policies and memoranda concerning the subject matter. Only the Approver may authorize exceptions to this Policy.