

CONFLICT OF INTEREST AND BUSINESS ETHICS POLICY FOR SERC REPRESENTATIVES

It is the policy of SERC Reliability Corporation (SERC) that its directors, officers, employees and other representatives maintain the highest ethical standards in the conduct of SERC business. This policy shall apply to SERC's directors, officers, employees, industry subject matter experts (ISMES) participating on a SERC audit, or other SERC representatives, together known as SERC Representatives.

General Requirements Applicable to All SERC Representatives

SERC Representatives shall avoid and refrain from involvement in situations where there is a conflict of interest (Conflict). A Conflict arises where a SERC Representative's personal or financial interest is materially affected or may reasonably appear to be materially affected by his or her actions or decisions in his or her capacity at SERC. SERC depends upon the integrity of each SERC Representative to complete his or her own assessment of individual Conflicts. Each SERC Representative must recuse himself or herself from acting on behalf of SERC in any particular matter involving the subject of a Conflict.

The following are examples of categories that may give rise to a Conflict:

Financial Interests

A Conflict may exist if a SERC Representative has a material financial interest, or potential financial interest, whereby the Representative has or may have, directly or indirectly, through business, investment, or family: a material ownership, investment interest, or compensation arrangement in a particular entity (or its affiliate). In such a case, the SERC Representative must recuse himself or herself from acting on behalf of SERC with respect to any SERC transaction or arrangement with that particular entity (or its affiliate), and from participating in any SERC decision or action related to Reliability Standards and that particular entity (or its affiliate). It is considered a material financial interest for a SERC Representative to have direct investments in the securities or other financial interests of any SERC registered entity or its affiliates or in energy-focused mutual funds or exchange traded funds in an investment or retirement account.

Family

The financial holdings and/or employment of a spouse or minor child may be imputed to the SERC Representative, and therefore is considered a Conflict if the financial holdings and/or employment would be a Conflict if held directly by the SERC Representative.

Gifts

A Conflict may exist where a SERC Representative receives a gift that materially affects or may reasonably appear to materially affect his or her actions or decisions in his or her capacity at SERC.



Previous Employment

Prior employment with a Registered Entity within the SERC region or an entity with which SERC does business may create the appearance of impropriety, or may give rise to a Conflict, if a SERC Representative acts on a matter or participates in a decision-making capacity with regard to such an entity.

Future Employment

It is considered a Conflict for a SERC employee to participate personally and substantially, in a matter that would have a direct and predictable effect on the financial interest of a company with whom the SERC employee is seeking employment or has an arrangement concerning prospective employment. If this situation arises, the SERC employee should update their Conflict of Interest disclosure form. SERC's General Counsel will review the Conflict and notify the employee's manager to ensure work assignments are managed to avoid the creation of a potential Conflict. SERC's General Counsel shall forward all notices and recusal memos to Human Resources.

Other

It is considered a Conflict for a SERC Representative to negotiate or approve a contract, purchase, or lease on behalf of SERC where the Representative has a direct or indirect interest in, or receives personal benefit from, the company or individual providing the goods or services. SERC Representatives should consult SERC's President or General Counsel for further information on what might constitute a Conflict or if questions about a potential Conflict arises.

Exceptions

In the event a Representative has a Conflict or potential Conflict and wants an exception, he or she must request a written exception within thirty (30) days of a new Conflict or potential Conflict arising or becoming a SERC Representative. Where in the opinion of the President, a Conflict exists or may exist but does not have any significant impact on SERC or on the decisions or actions of the SERC Representative, the President may, after consultation with the General Counsel, permit such Conflict or potential Conflict to continue. In cases where the President or any other corporate officer has a Conflict or potential Conflict, the Chair of the Board of Directors may permit such Conflict or potential Conflict to continue. All exceptions to this Policy shall be documented.

Specific Procedures for the SERC Board of Directors and Board Committee Representatives

Each Director is required annually to disclose the entities with which it has a Conflict or potential Conflict. Directors are not required to disclose the nature of the Conflict, only the existence thereof. The SERC President or General Counsel shall be responsible for maintaining a current list of Conflicts for Directors. In addition, each Director is required to indicate whether or not it has a family or business relationship (as defined by the Internal Revenue Service) with any other SERC Director, Officer, or employee.

If at any time a new Conflict arises after the signing of the annual acknowledgement and disclosure form, Directors are required to disclose that Conflict to the SERC President or General Counsel within 30 days, who will ensure that the list of Conflicts is updated and maintained.



Notwithstanding each Director's responsibility to abide by this policy, each Director shall retain the right to represent and/or defend his or her organization in any specific compliance action or potential compliance violation.

Prior to any meeting where SERC Directors are taking an action on behalf of SERC, SERC's General Counsel and Corporate Secretary must ensure that the current list of Conflicts is reviewed and will note any required recusals on the meeting agenda. If an additional Conflict exists or arises that is not noted on the agenda, the SERC Director with the Conflict or potential Conflict is responsible for raising it and recusing him or herself from any discussion or action on the matter with which he or she has a Conflict or potential Conflict. A review of current Conflicts is required for, but not limited to, Board Executive Committee meetings and Board of Directors meetings.

Specific Procedures for Technical Committee Representatives

A review of current Conflicts is also required prior to any procurement activities by SERC Technical Committees or any subparts thereof.

Specific Procedures for Employees

SERC requires that each SERC Employee fill out an annual disclosure form detailing any existing Conflicts. Annual Conflict of Interest acknowledgement and disclosure forms will be reviewed by SERC's General Counsel and maintained in the Human Resources and legal files.

SERC Employees must divest any conflicting financial interests within sixty (60) days of employment with SERC. An exception exists for a retirement plan or retirement savings plan, including 401k and pension plans, with an entity other than SERC, provided that the existence of such a plan is disclosed to SERC. Such retirement plans or retirement savings plans shall not include any direct investments in the securities or other financial interests of any SERC registered entity or its affiliates or in energy-focused mutual funds or exchange traded funds. SERC shall ensure that SERC Employee work assignments are managed to avoid Conflicts. Nonetheless, a SERC Employee must recuse himself or herself from participation in any particular matter involving the subject of a Conflict.

If at any time a new Conflict arises, SERC Employees are required to disclose that Conflict by updating their Conflict of Interest Disclosure form within 30 days. General Counsel will review the Conflict and promptly inform the appropriate manager and director. The list of Employee Conflicts will be reviewed at least annually to ensure that work assignments are distributed consistent with this policy.

In general, whether or not a Conflict exists, a SERC Employee may not act in a decision-making capacity with regard to an action or decision involving his or her former employer for one year following departure from that employer.

It will be considered a Conflict if a SERC Employee requests, accepts, or offers anything with a value of more than \$100.00, including but not limited to travel expenses, vacations, property, discounts, contributions, and goods or services from an industry stakeholder or any other person or entity doing business with SERC. Acceptance of an occasional business-related meal or transportation is permissible when the value involved is not excessive and clearly will not place the SERC Representative under any obligation to the donor. However, in order to prevent the perception of a Conflict, SERC Employees performing compliance monitoring and enforcement engagements should not accept meals from registered entities while on the engagement.



Gifts or offers of gifts that constitute a Conflict should be returned or declined, with an appropriate explanation. If a SERC Employee receives a prohibited gift that is not returnable (e.g., perishable), such gift may be given to an appropriate charity.

An employee's failure to observe the conflict of interest policy may result in disciplinary action, up to and including termination.

For a period of one year following employment at SERC, former employees shall not represent a Registered Entity (as an employee, contractor, consultant, etc.) in any dealings with SERC or attend any SERC meetings. This restriction does not preclude engaging in "behind-the-scenes" assistance or work.

Specific Procedures for ISMEs and Independent Contractors

This policy shall apply to ISMEs from the time that they are placed on an audit team until their involvement with the audit has been completed. SERC requires each ISME to fill out a conflict of interest questionnaire at the time of their assignment to an audit team. The appropriate audit manager and/or the Audit Team Lead will review, catalog, and maintain the ISME questionnaires and adjust the audit teams if necessary.

This policy will also apply to independent contractors during the time of their engagement with SERC, when the nature of work performed involves compliance monitoring and enforcement program (CMEP) activities or making business recommendations and decisions. SERC requires each independent contractor who performs CMEP activities or makes business recommendations and decisions to: (a) complete an annual disclosure form detailing any existing Conflicts; and (b) if at any time a new Conflict arises, to disclose that Conflict to the General Counsel within 30 days.