

Holy Cross Energy Corporate Policies

Functions of the Board of Directors

Policy Number: 4.1

Original Effective Date: November 18, 2015

Revised Dates: October 1, 2019

1. OBJECTIVE

1.1 To clearly describe and enumerate the major functions of the Holy Cross Energy Board of Directors ("Board").

2. POLICY

2.1 The Board shall act to establish and maintain the legal entity called Holy Cross Electric Association, Inc., a/k/a Holy Cross Energy ("Holy Cross") by:

2.1.1 Ensuring that the legal requirements, as set forth in the Articles of Incorporation, the Bylaws, and other regulations are complied with regularly, including, but not necessarily limited to, all federal, state and local statutes and ordinances; all National Rural Utilities Cooperative Finance Corporation ("CFC") and CoBank regulations; and any federal or state taxing or regulatory agency requirements.

2.1.2 Altering, amending or repealing the Bylaws of Holy Cross pursuant to the Bylaws.

2.1.3 Appointing Holy Cross's Legal Counsel and any special Legal Counsel as may be needed.

2.1.4 Authorizing the President and Chief Executive Officer ("CEO") or designee to execute significant contracts or other legal instruments.

2.1.5 Seeing that accurate minutes of Board, member and member meetings are prepared, maintained and approved.

2.1.6 Authorizing litigation, including eminent domain proceedings as required.

2.2 The Board shall act as trustees of membership interest by:

2.2.1 Conducting membership meetings to adequately inform the members, obtain their ideas and suggestions, and to obtain their understanding and acceptance of Holy Cross's goals, policies, plans and programs.

2.2.2 Keeping itself as well informed as possible of changing member needs and how Holy Cross might meet those needs.

2.2.3 Being familiar with and complying with Corporate Policies ("Corporate Policy" or "Policy") and the Bylaws of Holy Cross.

2.2.4 Developing a systematic program to keep the Board growing in its abilities, skills and understanding.

2.2.5 Arranging for a periodic review of Board performance.

2.2.6 Assisting new Board members to develop greater understanding of Holy Cross and their basic responsibilities and authorities.

2.2.7 Protecting the assets of Holy Cross through use of adequate property and liability insurance coverages, bonding of employees as necessary, determining depositories for funds of Holy Cross, and by designating those authorized to sign checks, drafts, notes, contracts, deeds, mortgages and other instruments on behalf of Holy Cross.

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- 2.2.8 Establishing policies governing the investment of Holy Cross funds.
 - 2.2.9 Establishing policies governing the payment of travel, out-of-pocket and other expenses of Directors.
 - 2.2.10 Filling vacancies on the Board for any unexpired term of office in accordance with the Bylaws.
 - 2.2.11 Holding well planned and effective Board Meetings in compliance with the Bylaws.
 - 2.2.12 Establishing an effective member information program designed to communicate Holy Cross's objectives, goals, plans, policies and programs, to encourage active member participation and to obtain the members' understanding and support of Holy Cross.
- 2.3 The Board shall act to consider and adopt short and long-range plans by:
- 2.3.1 Determining, in consultation with the President and CEO, the vision, mission, strategic objectives and major goals of Holy Cross.
 - 2.3.2 Determining, in consultation with the President and CEO, the Corporate Policies of Holy Cross and seeing that these Policies are reviewed at least every three years to make sure they meet changing operating conditions and requirements.
 - 2.3.3 Reviewing and advising on major programs, services and activities pertinent to the strategic direction of HCE.
 - 2.3.4 Reviewing and approving the annual work plan and budget as developed and recommended by the President and CEO.
 - 2.3.5 Adopting general personnel and compensation policies to provide opportunities for growth and development of employees, as developed and recommended by the President and CEO.
 - 2.3.6 Considering and adopting, in consultation with the President and CEO, financial plans and policies essential to maintaining sound financial structures for Holy Cross.
- 2.4 The Board shall act to ensure efficient and effective operations by:
- 2.4.1 Authorizing, through the annual budget or official budget revision, the expenditure of funds for expenses, facilities and equipment necessary to carry out the objectives of Holy Cross.
 - 2.4.2 Establishing committees, when necessary, receiving reports and recommendations from special or standing committees and taking appropriate action as result of such reports.
 - 2.4.3 Selecting and employing a qualified President and CEO and delegating to that President and CEO such authorities and responsibilities as the Board may deem appropriate.
 - 2.4.4 Appointing the independent financial auditor.
 - 2.4.5 Appointing other outside consultants as may be needed, either by an affirmative vote of the Board or upon recommendation of the President and CEO.
 - 2.4.6 Reviewing periodic reports from the President and CEO or designee, so as to:
 - 2.4.6.1 Measure current year results against annual goals and budgets.
 - 2.4.6.2 Measure organizational performance against work plans and objectives.
 - 2.4.6.3 Advise where remedial or corrective action may be required.

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2.4.6.4 Prevent unauthorized action by management and employees of Holy Cross.

2.4.7 Reviewing the annual financial audit and the management letter with the auditor in person or electronically and directing such remedial action as may be necessary.

2.5 The Board shall act as a judicial body for Holy Cross when required by:

2.5.1 Hearing formal complaints brought before Holy Cross under the provisions of its Electric Services Tariffs, Rules and Regulations, as may be amended from time to time.

2.5.2 Being mindful of the fact that when the Board is sitting as a judicial body to hear formal complaints it shall represent the corporate entity Holy Cross as a whole, and not any particular group or individual thereof.

3. RESPONSIBILITY

3.1 The Board shall be responsible for the administration of and compliance with this Policy.

3.2 The Board Chair shall ensure this Policy is adhered to by Holy Cross Board members.