

ELECTRIC POWER RESEARCH INSTITUTE
BOARD OF DIRECTORS
CONFLICT OF INTEREST POLICY

Article I: Purpose

This conflict of interest policy is intended to protect the interests of the Electric Power Research Institute, Inc. (EPRI or “the Institute”) when it is contemplating entering into a transaction or arrangement that might benefit the private interest of a director of the Institute or might result in a possible excess benefit transaction in the view of the Internal Revenue Service. This policy is intended to supplement, but not replace, any applicable state and Federal laws governing conflict of interest applicable to the Institute.

Article II: Definitions

1. Interested Person

Any member of the EPRI Board of Directors who has a direct or indirect Financial Interest, as defined below, in a proposed transaction, is an Interested Person.

2. Financial Interest

A person has a Financial Interest if the person has, directly or indirectly, through business, investment, or family:

- a. An ownership or investment interest in any entity with which the Institute has or is negotiating a transaction or arrangement;
- b. A compensation arrangement with the Institute or with any entity or individual with which the Institute has or is negotiating a transaction or arrangement;
- c. A potential ownership or investment interest in, or compensation arrangement with any entity or individual with which the Institute has or is negotiating a transaction or arrangement; or
- d. A fiduciary obligation to another entity or individual with which the Institute has or is negotiating a transaction or arrangement.

A Financial Interest is not necessarily a conflict of interest. Under Article III, Section 2 below, a person who has a Financial Interest may have a conflict of interest only if the EPRI Board (or a Committee of the Board before which the transaction is pending or to

which the Board has delegated authority to enforce this policy) decides that a conflict of interest exists.

Article III: Procedures

1. Duty to Disclose

Before the Board of Directors or a Board Committee considers a proposed transaction or arrangement, any Interested Person must disclose the existence of the Financial Interest and be given the opportunity to disclose all material facts to the Board or Committee.

2. Determining if the Conflict Exists

After disclosing the Financial Interest and all materials facts, and after any discussion with the Interested Person, he/she shall leave the Board or Committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining Board or Committee members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest

- a. An Interested Person found to have a conflict with respect to a proposed transaction may make a presentation to the Board or Committee about the proposal but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.
- b. The Chairperson of the Board or Committee shall, if appropriate, request an external director or another disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- c. After exercising due diligence, the Board or Committee shall determine whether the Institute can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- d. If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the Board or Committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Institute's best interest, for its own benefit and whether it is fair and reasonable. In conformity with the above determination, it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy

- a. If the Board or Committee has reasonable cause to believe a member has failed to disclose an actual or possible conflict of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.
- b. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the Board or Committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.
- c. Without limiting the remedies above, all persons who knowingly enter into "excess benefit transactions" under Internal Revenue Code section 4958 may be subject to discharge or removal from his or her position with EPRI upon a vote by the Board; however, nothing in this policy is intended to characterize a relationship or involvement as a conflict or interest or as unethical conduct on the part of any director if such person has no actual knowledge of such relationship or involvement.

Article IV: Records of Proceedings

The minutes of the Board or relevant Committee shall contain:

- a. The name of the person who disclosed or otherwise was found to have a Financial Interest in connection with a transaction or arrangement, the nature of the Financial Interest, any action taken to determine whether a conflict of interest was present, and the Board's or Committee's decision as to whether a conflict of interest in fact existed; and
- b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, the factual basis for the Board or Committee's determination that the ultimate transaction was fair and reasonable and in the best interests of the Institute, and a record of any votes taken in connection with the proceedings.

Article V: Compensation

- a. A voting director of the Board who receives compensation, directly or indirectly, from the Institute for services, is precluded from voting on matters pertaining to that director's compensation.

- b. A voting director of any Committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Institute for services is precluded from voting on matters pertaining to that director's compensation.
- c. No voting director of the Board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Institute is prohibited from providing information to any committee regarding compensation.

Article VI: Annual Certification

Each director shall annually sign a statement which affirms such person:

- a. Has received a copy of this conflict of interest policy;
- b. Has read and understands the policy;
- c. Has agreed to comply with the policy;
- d. Understands the Institute is tax exempt and, in order to maintain its federal tax exemption, must engage primarily in activities which accomplish one or more of its tax-exempt purposes; and
- e. Has disclosed on the form provided by the Institute all requested information about potential conflicts of interest.

Article VII: Periodic Reviews

To ensure the Institute operates in a manner consistent with its tax exempt purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and are the result of arm's length bargaining; and
- b. Whether partnerships, joint ventures, and arrangements with management organizations, if any, conform to the Institute's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further tax-exempt purposes and do not result in private inurement, impermissible private benefit or in an excess benefit transaction.

- c. When conducting the periodic reviews provided for in this Article, the Institute may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the Board of its responsibility for ensuring periodic reviews are conducted.