

TITLE: CODE OF ETHICS POLICY
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PURPOSE AND GENERAL POLICY STATEMENT

Security Credit Union prohibits any covered credit union individual from soliciting for themselves or a third party (other than the Credit Union itself) anything of value in return for any business, service, or confidential information of the Credit Union; and accepting anything of value (other than bona fide salary or wages; fees; and other compensation or expenses paid or reimbursed in the usual course of business) from anyone in connection with the business of the Credit Union either before or after a transaction is discussed or consummated.

A conflict of interest arises when an individual's position or responsibility presents an opportunity for personal gain apart from and beyond normal rewards of employment. Conflicts also arise when an individual's personal interests are inconsistent with those of this Credit Union and create conflicting loyalties. Conflicting loyalties can cause an employee to give preference to personal interests over the interests of SCU. The mere appearance of a conflict of interest should be avoided at any cost.

It is essential to the continued success of the Credit Union that each covered Credit Union individual conducts business in a manner that avoids actual, or the appearance of, a conflict of interest.

Conflicts of interest arise when a covered Credit Union individual attempts to influence a decision using "insider information" of the Credit Union that may result in personal gain for that covered individual or a relative resulting from the business of the Credit Union.

Covered Credit Union individual means an employee, officer, director, volunteer, agent, or attorney of the Credit Union.

Insider information is information learned through association with the Credit Union that can be used for personal advantage. This information cannot be used by a Covered Credit Union Individual, or by a friend of or relative of a covered individual, to enhance his/her financial position. Premature disclosure of any information that affects Credit Union business should be avoided and may be illegal.

Relative means any person related by blood or marriage or a similar relation (such as life partner or adopted/foster/stepchild.)

Personal gain means that a covered individual has a significant interest in an outside business or firm with which the Credit Union does business and receives a kickback, bribe, substantial gift, special consideration, or financial benefit as a result of his/her association with at the Credit Union.

Employees who violate Credit Union conflict of interest policies will be subject to corrective action including termination. Employees should contact their manager or Human Resources if they have questions or if they receive an inappropriate gift (such as one exceeding \$100). Our policies are not intended to interfere with the legal right of employees to participate in protected communication with other employees regarding the terms and conditions of their employment.

Covered individuals who violate Credit Union conflict of interest policies will be subject to disciplinary action, up to and including expulsion from their position.

We recognize the right of employees to participate in private activities outside their employment which are unrelated to our business. However, employees are hired and continue their employment with the understanding that our Credit Union is their primary employer and that other employment or business involvement which conflicts with our business interests, or the interests of our members is strictly prohibited. If an activity is contemplated which could result in a real or perceived conflict of interest, the employee must make full disclosure of the activity to Management for prior review and approval.

GUIDELINES

The following Code of Ethics sets forth general principles which both guide and protect covered employed individuals and which contain broad examples outlining expected employee behavior. Since it is impractical to address all possible ethical issues, specific questions about the propriety of conduct or business relationships should be brought to Management's attention. General examples are illustrative only.

- I. **INTEGRITY.** Covered individuals of our Credit Union have, as their first duty, to conduct themselves in a manner deserving of public trust and confidence, both on and off the job. Our Credit Union's reputation for excellence and fairness in our business activities is built upon each individual's ethical conduct. We expect all of our covered individuals to conduct themselves with utmost integrity and at the highest of ethical standards at all times.
- II. **INVENTIONS.** Some covered individuals may develop or invent new products, software, processes, or other intellectual property during employment or arising out of our employment relationship. As a condition of employment, the Credit Union retains exclusive ownership of such inventions, improvements, software, and other work created during employment or which arises out of our business.
 - A. Covered individuals must promptly inform their managers of each invention, software development, improvement, discovery, related documentation, or other work creation. They are also obligated to assist the Credit Union, without further compensation, in obtaining patent, copyright or other legal protection. However, such inventions remain Credit Union property whether or not they are otherwise legally protected.
- III. **CONFLICTS OF INTEREST.** To maintain independence of judgment, covered individuals (and their families and household members) must avoid any potential conflict or appearance of compromise that might arise because of economic or personal self-interest. Potential conflicts of interest include:
 - A. Outside activities which negatively impact the Credit Union. A covered individuals outside business activities compete or potentially could compete with the Credit Union or such activities could damage or impede Credit Union business.
 - B. Inappropriate use of Credit Union connections. A covered individual's business interests might benefit because of access to Credit Union information or through credibility associated with employment at the Credit Union.
 - C. Business transaction involving personal business, family, friends, and associates. Such transactions should be referred to Management and the potential conflict of interest should be disclosed.
 - D. Improper personal benefits. The covered individual, his/her family, or friends personally benefit, either directly or indirectly, because of actions taken by the covered individual on the job including profiting from the sale of goods or services.
 - E. Business interest in member/supplier connection. A covered individual represents the Credit Union in a business dealing with a member/supplier where the covered individual holds an interest in the member's/supplier's business.
 - F. Purchase of Credit Union assets. A covered individual purchases an asset from the Credit Union without appropriate Management approval.
 - G. Use of Credit Union facilities, equipment, or supplies for personal activities. A covered individual uses Credit Union equipment, supplies, or facilities for his/her personal benefit or for the benefit of an outside organization.

- H. Providing inappropriate discounts to select accounts. A covered individual waives/reduces Credit Union income relating to accounts where a conflict of interest may exist.
 - I. Diversion of business opportunities for personal gain. A covered individual diverts for personal gain, any business opportunity from which our Credit Union may profit.
 - J. Transactions involving vendor and business associates. Transactions involving vendors and other business associates must be conducted at “arm’s length” to ensure that even the appearance of a conflict of interest does not exist.
 - K. Processing personal transactions. Processing personal transactions to a covered individual, family, or household member’s account.
 - L. Biasing financial or other business. Using a Credit Union position to improperly interfere with or unfairly bias business decisions or other financial analyses.
 - M. Developing inappropriate relationships. Developing a relationship with a member or other business contact which may jeopardize a covered individual’s independent judgment.
- IV. **APPEARANCE OF A CONFLICT OF INTEREST.** The appearance of a conflict of interest may be just as damaging to the Credit Union’s reputation as an actual conflict. All covered individuals should objectively examine their actions periodically so that an outside observer (such as a member, government agent, vendor, or other individual) would have no reason to believe that a conflict of interest might exist.
- V. **GIFTS RECEIVED FROM EXTERNAL CONTACTS.** Covered individuals and their families and friends are prohibited from accepting anything of value (including gifts or cash) from outside business contacts. These exchanges may be seen as attempts to unduly influence business relationships.
- A. **Discourage Gifts.** The covered individual is responsible to tactfully discourage such gifts.
 - B. **Inform Management.** Covered individuals given gifts of more than nominal value must inform their manager immediately. All such cases will be subject to final review by Management, who will approve any exceptions in writing.
 - C. **Unacceptable Gifts.** Examples of inappropriate gifts or favors include:
 - a. Expensive entertainment.
 - b. Free or discounted travel or vacation facilities.
 - c. Free or discounted services or equipment.
 - d. Loans.
 - e. Clothing, jewelry; or
 - f. Any gift with a total value of \$100 or more.
 - D. **Acceptable Gifts (Exceptions to the Gift Rule).** Nominal gifts are acceptable when it is clear that:
 - a. The intent is not to try to exert any influence over Credit Union transactions.
 - b. The gift is unsolicited; and
 - c. The gift is a customary business courtesy. Covered individuals may accept typical business gifts of minimal value such as lunches, plants, pens, Christmas candy, or inexpensive entertainment.

- E. **Personal Gifts.** Covered individuals may also accept gifts or favors based on clearly identifiable family or personal relationships, under circumstances motivated by the relationship rather than business interests.
 - F. **Business Expense.** Covered individuals may also accept a business gift if the benefit would be paid by the Credit Union as a reasonable business expense, had it not been paid by the other person.
 - G. **General Public.** Covered individuals may also accept a business gift if the benefit is available to the general public under the same conditions it is available to the covered individual.
- VI. **GIFTS GIVEN TO EXTERNAL CONTACTS.** No covered individual may offer an external business contact a valuable gift in an effort to seek a favorable result for the Credit Union or for any personal interest. It is accepted and appropriate practice to give gifts of minimal value (see 6D above), but expensive gifts should not be given to members or potential members.
- VII. **OUTSIDE EMPLOYMENT.** Employees are expected to devote full attention and energy to their positions at our Credit Union. No outside employment or consultation is permitted which would impact job performance, encroach on working time, interfere with regular duties, or involve or appear to involve a conflict of interest. (See Outside Employment.) Any exception to this policy must be approved by Management.
- VIII. **OUTSIDE BOARD OF DIRECTORS.** Covered individuals are generally prohibited from serving on the board of directors of any organization that has dealings with the Credit Union.
- IX. **FINANCIAL INTEREST DISCLOSURE.** Covered individuals (or their families) must completely disclose financial interests held in any organization which may be considered a Credit Union competitor or business contact. If Management concludes that a real or perceived conflict of interest exists, appropriate action to resolve the conflict should be taken.
- A. **Full Disclosure of a Financial Interest.** The following should be included in the written disclosure of a financial interest:
 - a. A detailed description of the personal interests of the covered individual or his/her immediate family.
 - b. A full financial disclosure of all costs, commissions, and/or profits in any proposed or ongoing transactions; and
 - c. Identification of any potential or proposed transaction which may adversely affect the covered individual's job performance or create any real or perceived conflict of interest.
 - B. **Ongoing Monitoring.** Managers of covered individuals who are engaged in approved outside business activities must maintain an ongoing review of the situation to ensure that changed circumstances do not create violations of this policy.
 - C. **Diversion of Profits.** Covered individuals may not divert for personal gain any business opportunity from which the Credit Union may profit, unless the Credit Union has decided not to pursue the opportunity. However, even in instances where the Credit Union has chosen to forgo a business transaction, a covered individual must make full disclosure of his/her intentions to Management to ensure that no conflict of interest is created.

X. **OTHER OUTSIDE ACTIVITIES.**

- A. **Participation in Community Activities.** Covered individuals are encouraged to participate in charitable, religious, educational, and community nonprofit activities. Management supports participation in such activities so long as employee job performance is not affected. However, unless approved by Management, Credit Union supplies, and equipment should not be used to solicit financial support or provide other assistance to community organizations.
- B. **Political Involvement.** Management believes that it is important for covered individuals to take an active interest in political and governmental affairs. All such involvement, however, must be undertaken during personal time and not as representatives of the Credit Union. Political contributions (including cash, goods, or services) may not be made on behalf of the Credit Union.
- C. **Seeking Political Office.** Covered individuals who desire to run for a political office should discuss this intent with Management to ensure that a conflict of interest would not be created and that political activities would not adversely affect job performance. In political matters and community affairs, personal viewpoints and activities should not be attributed to the Credit Union. Personal activities must be clearly separated from Credit Union business.

XI. **NON-BUSINESS RELATIONSHIPS.** Personal relationships with Credit Union competitors, suppliers, regulators, and other government officials are discouraged. Such relationships are clearly improper if they can be reasonably construed by others as influencing or obligating the covered individual in current or future business dealings or as attempts to improperly influence others.

XII. **EMPLOYEE RIGHTS UNDER THE NLRA.** Our Conflicts of Interest policy is not intended to interfere with employees' legal rights to engage in concerted, protected activities involving the terms and conditions of employment.

XIII. **REPORTING VIOLATIONS.** It is SCU's policy to abide by all applicable federal, state and local laws, rules and regulations and require all employees to do the same. Every employee is expected to assist in the implementation of this policy. Violations or suspected violations of SCU policy, or any violation or suspected violation of law should be reported to the employee's immediate supervisor, preferably in writing with the specific information known to the employee so that an investigation may be initiated. If confidentiality of reporting is a concern, SCU utilizes a Whistleblower Hotline provided by the Michigan Credit Union League. The hotline is an integral part of the credit union's compliance and ethics program and was established for credit unions, credit union officials, employees and others to report suspected fraud anonymously. There will be no retaliation against any employee who makes a good faith report pursuant to this policy.

Anonymous Reporting Process

When a call is made to the hotline the staff will ask the caller if SCU has a designated person who is to receive reports of fraud, irregular or other suspicious activity within the credit union. The Compliance Officer has been designated by SCU as the person whom the Michigan Credit Union League is to contact when a complaint is made. The contact number will also be posted on the HR page of the SCU intranet.

Michigan Credit Union League, Anonymous Whistleblower Hotline, 800-262-6285 ext. 193

XIV. **DOCUMENTATION.** As outlined in Credit Union procedure, copies of written reports of any disclosures made by covered individuals will be maintained by Management. Documentation of covered individual's written acknowledgement of compliance with this

code of ethics will also be maintained, as will any modifications.

XV. **CORRECTIVE ACTION.** The guidelines established in this section should be taken very seriously. Covered individuals who breach or disregard the conflict of interest/ethics policy will be subject to corrective action including termination and/or removal from an official position.

A. **Penalties for Violations of Bank Bribery Act.**

- a. If the value of the bribe (thing) exceeds \$1,000, then:
 - i. Both the credit union individual and person making the offer could be charged with a felony.
 - ii. Shall be fined not more than \$1,000,000 or three (3) times value of the thing given, offered, promised, solicited, demanded, accepted, or agreed to be accepted, whichever is greater; and/or
 - iii. Imprisoned not more than thirty (30) years.
- b. If the value of the bribe (thing) does not exceed \$1,000, then:
 - i. Both the credit union individual and person making the offer could be charged with a misdemeanor.
 - ii. Shall be fined; and/or
 - iii. Imprisoned not more than one (1) year.