

## **DIRECTOR CODE OF CONDUCT OVERVIEW AND PURPOSE**

Credit Union ONE is a federally insured depository institution. As such its operations and services are subject to public as well as shareholder (member-owner) scrutiny. It is important that the credit union and its Directors abide by the highest levels of professional and ethical conduct as a means of providing member-owner and public confidence in the credit union and the national banking system as a whole.

The series of policies and disclosures compiled in this Code of Conduct are intended to provide guidance and direction to the Directors of Credit Union ONE regarding their legal, ethical, and fiduciary responsibilities. In doing so, the Board of Directors become accountable to each other, employees, member-owners, and public at large. Transparency and full disclosure provide credibility and confidence that the institution is operating safely and soundly and within the bounds of acceptable ethical business standards.

The Board of Directors adopts this Code of Conduct with the intention of setting the highest standards for themselves, employees of the credit union, as well as any committee that serves the membership. Each Director is expected to conduct him/herself without regard to personal gain and in all cases for the best interests of the credit union and its members. Directors are expected to hold themselves and each other accountable to conduct themselves ethically and in compliance with all laws and regulations that govern the operation of the credit union.

The following policies and disclosures shall be reviewed annually by the Board of Directors and amended as determined necessary.



## **CREDIT UNION ONE CODE OF BUSINESS CONDUCT AND ETHICS FOR DIRECTORS**

### **Introduction**

The Board of Directors ("Board") of Credit Union ONE ("Credit Union ONE") has adopted this Code of Business Conduct and Ethics for Directors ("Code") for members of the Board of Directors of Credit Union ONE (each a "Director"). This Code is intended as guidance for Directors with respect to recognizing and handling ethical issues, as well as to provide information on how to manage unethical conduct and to assist in fostering a culture of openness and accountability within Credit Union ONE. The Code applies to all Directors and is intended to fulfill the requirements of OFIS Bulletin 2005-07-CU. Any member of the Supervisory Committee who is not also a Director is expected to read and comply with this Code.

While this Code addresses an array of situations, the Code does not provide a comprehensive or complete explanation of all applicable laws and responsibilities relevant to Credit Union ONE and its Directors. Each Director should ask questions about particular circumstances that may apply to one or more of the areas described in the Code. If not otherwise noted below, questions should be directed to the Chairperson of the Board, who will consult with the Chair of the Supervisory Committee. Under certain circumstances, the Chairperson of the Board and/or the Chair of the Supervisory Committee may, in their discretion, deem it appropriate to discuss a matter with the full Board, and/or seek the assistance of outside counsel.

The Board of Directors believes the quality of the Credit Union's leadership is one of the most important factors in its success. As a result, it is the Board's position that each Director must maintain a high degree of competence and understanding in all areas of the Credit Union's policies and act with the highest degree of ethical conduct.

The Board of Directors views its role in guiding the Credit Union as:

- Providing and sound financial stewardship of the assets of the credit union.
- Providing the membership with high quality financial services at competitive prices.
- Providing opportunities for the membership to improve their economic and social well being.
- Complying with all applicable laws and regulations.

Any waiver of this Code may be made only by the Board of Directors.

### **Qualification**

Each individual elected or appointed to serve as a Director shall meet all of the following criteria as established by the Michigan Credit Union Act:

- He or she is a member of the Credit Union, in good standing. "Member in Good Standing" shall mean maintenance of at least one share and no delinquencies reported on any loans to the Director or loans for which he or she is a cosigner for the previous 24 months.

- He or she is acceptable as a bonding risk by a bonding company licensed to do business in Michigan.
- He or she has not been removed as a Director, Officer, or employee of a financial institution by a federal regulator, a state regulator other than the OFIS Commissioner, or a court of competent jurisdiction.
- The Commissioner has not removed him or her as a Director, Officer, or employee of a credit union, financial institution, or other legal entity pursuant to the Commissioner's enforcement powers under any law of this state.
- He or she has not been convicted within the preceding 20 years of a crime involving dishonesty or breach of trust.
- He or she is not habitually negligent in paying his or her financial obligations to the credit union or other creditors. "Habitually negligent" shall mean that there are no reported delinquencies in the previous 24 months, the person has not filed bankruptcy in the previous seven years, and has not missed more than two payments on any obligations due to any creditor in any twelve month period.
- He or she has not been convicted by a court of competent jurisdiction of a violation, or found in violation by a court of competent jurisdiction or the commissioner, of any law of this state enforced or administered by the commissioner.

If an individual no longer meets any of the requirements of this policy while serving as a Director, he or she is immediately removed from that office without further action of the members or Board and the Credit Union shall appoint or elect a replacement to fill the vacancy in the manner described in the bylaws.

### **Compensation**

Directors shall not receive compensation for their services as Directors. However, Directors may be employed and compensated by the Credit Union for services they provide as employees, but not as Directors. Any matter upon which the Board of Directors acts which involves the compensation or services to be rendered by a Director shall be acted upon in strict compliance with the Conflict of Interest section of this Policy as set forth below.

### **Discharge of Duties**

Directors are to discharge their duties in good faith and with a degree of diligence, care, and skill that an ordinarily prudent person would exercise under similar circumstances in a like position. As Directors of Credit Union, members of the Board are required to maintain the highest standards of personal and professional conduct.

In the discharge of his/her duties as a Director, it is recognized that the Board of Directors provides for the general direction and affairs of the credit union via strategic direction and policies, and does not manage the credit union's operations. The Management of the credit union is responsible for the operations of the credit union and it is considered inappropriate and a violation of this Policy to engage or interfere in management decision making related to operational issues, personnel decisions, policy implementation, or the general business operation of the credit union.

### **Conflicts of Interest**

Directors should avoid conflicts of interest between themselves and Credit Union ONE. A "conflict of interest" exists when a Director's private interest interferes or reasonably appears to interfere with the interests of Credit Union ONE. Conflicts of interest arise when a Director, or a member of his or her family, receives improper personal benefits as a result of the Director's position as a member of the Board. They may also arise when a Director takes actions or has interests that may make it difficult to carry out his or her duties to Credit Union ONE objectively and effectively.

Unless the matter involves setting dividends, loan rates, or fees for services, or other

general policies applicable to all Members generally, a Director shall not in any manner directly or indirectly participate in the deliberation or Board action that involves a conflict of interest. If a conflict of interest does exist, the Director with the conflict must promptly disclose the conflict to the entire Board and recuse him or herself from deliberation or action on the item for which the conflict exists

The following are examples of situations that may constitute a conflict of interest:

- Competing with Credit Union ONE for the purchase or sale of property, services or other interests.
- Serving as an Officer or Director of another organization if that organization competes in a material way with Credit Union ONE, or if such service would give the reasonable appearance of having a conflict of interest with Credit Union ONE.
- Having a material interest in a transaction involving Credit Union ONE, a member or a supplier of Credit Union ONE or one of its subsidiaries other than transactions entered into in the ordinary course of business on substantially the same terms as those with non-Director member-owners.
- Receiving a loan or guarantee of an obligation from a source other than Credit Union ONE where the loan or guarantee is intended to influence the Director's actions as a member of the Board or where the acceptance of such loan or guarantee would give the reasonable appearance of a conflict of interest in light of the Director's position with Credit Union ONE.
- Engaging in conduct or activities that disrupt or impair Credit Union ONE's relationship with any person or entity with which Credit Union ONE has or proposes to enter into a business or contractual relationship.

All Directors and any non-Director committee members shall annually complete a disclosure of form relating any known conflicts of interest or possible conflicts of interest.

### **Corporate Gifts**

The receipt of gifts, benefits or entertainment could create a conflict of interest or the reasonable appearance of a conflict of interest in certain circumstances. Directors are expected to adhere to the credit union's Bank Bribery Act Policy. In addition, the giving of some gifts may be inappropriate in a business setting. No Director in his or her capacity as a representative of Credit Union ONE may solicit, offer or give anything that is or may present the appearance of inappropriate conduct or a conflict of interest.

Practices that are acceptable in commercial business environments may be against the law for federal, state or local government employees or may be against the policies governing federal, state or local government employees. Accordingly, no gifts or business entertainment of any kind may be given by a Director in his or her capacity as a representative of Credit Union ONE to any government employee without the prior approval of the Chairperson of the Board who may consult with counsel.

### **Confidentiality**

In carrying out their responsibilities to Credit Union ONE, Directors often learn about confidential or proprietary information pertaining to Credit Union ONE, its member-owners, its suppliers and others who do business with Credit Union ONE. Directors must maintain the confidentiality of all such information entrusted to them, except when disclosure is authorized or legally mandated. Confidential or proprietary information of Credit Union ONE and affiliates and of such other companies, includes, but is not limited to:

- Any non-public information that would be harmful to the credit union or useful to

competitors if disclosed;

- Personnel matters;
- Matters involving actual or potential litigation;
- Real estate transactions;
- Other matters related to the strategic business endeavors of the Credit Union; or
- Disclosure of information concerning transactions between the Credit Union and its members or other persons.

### **Fair Dealing**

Credit Union ONE adheres to a policy of fair dealing in its activities. Directors should endeavor to deal fairly with Credit Union ONE's member-owners, suppliers, competitors and employees. No Director should take unfair advantage of anyone through manipulation, improper concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair dealing practice.

### **Protection and Proper Use of Company Assets**

Credit Union ONE assets should be used for legitimate business purposes. Directors should oversee the protection and efficient use of Credit Union ONE's assets, since theft, carelessness and waste have a direct impact on Credit Union ONE's profitability.

### **Director Access to Employees**

Directors have full and free access to employees of Credit Union ONE. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of Credit Union ONE and will, to the extent appropriate, copy the President/CEO on any written communications between a Director and employee of Credit Union ONE.

### **Compliance with Laws**

It is Credit Union ONE's policy and practice to comply with all material applicable laws, rules, regulations, and bylaws. Directors should adhere, and cause Credit Union ONE to adhere, to the standards and restrictions imposed by those laws, rules and regulations in carrying out their responsibilities to Credit Union ONE. It is the Board of Directors' ultimate responsibility to ensure that the integrity of the credit union remains intact and to reduce reputation, legal and financial risks by ensuring compliance with applicable laws and regulations. It is critical that Management provide Directors with information necessary for understanding legal and regulatory requirements imposed upon the Credit Union and the Board. As such, Management is hereby authorized to hire professional counsel as necessary to ensure Management and the Directors have an appropriate understanding of legal and regulatory requirements for credit unions.

### **Continuity**

The Board of Directors has a responsibility to ensure that the Credit Union remains in sound financial and operational condition and is strategically positioned for future operations. As such, the Directors are required to retain oversight in crucial areas such as:

- Strategic Planning  
Directors will participate and work with Management to develop 3-5 year financial plans and other strategic objectives. This strategic plan shall provide clear annual goals and objectives and be the written statement of the Board of Director's vision of the Credit Union.

- Capital Adequacy  
In order to determine the appropriate level of capital and other measurements related to financial performance and net worth the Board of Directors will ensure that Management will maintain Guidelines to address this issue.
- Asset Liability Management  
The Board has adopted and maintains an Asset Liability Management (ALM) Policy which sets financial goals and limits to guide the decision making of the credit union in the day-to-day management of assets and liabilities.
- Succession Planning  
The Board of Directors shall maintain and annually review a written Succession Plan for the President/CEO position.

### **Attendance**

Each Director is required to devote sufficient time and effort to maintain a strong understanding and awareness of issues affecting the Credit Union. It is policy that all Directors attend all regular and special meetings of the Board unless otherwise excused. Board meetings may be held in person or by means of electronic communication devices that enable all participants to communicate simultaneously with each other.

It is important that Board meetings are an efficient use of time. It is policy that a clear agenda be developed prior to each meeting and that it is adhered to. Directors shall focus on business that needs to be addressed and only on relevant issues that directly relate to the Credit Union.

### **Orientation and Continuing Education**

All new Directors must participate in an orientation program, which should be conducted following the annual meeting at which new Directors are elected or the time the new Director otherwise joins the Board. This orientation will include presentations by Senior Management to familiarize new Directors with Credit Union ONE's strategic plans, bylaws, its significant financial, accounting, and risk management issues, its compliance programs, its various codes of ethics and policies, its principal officers, and its auditors.

Education is a necessary element of maintaining Director competence and the confidence of the Membership. As stewards of the assets of the membership of the Credit Union, all Directors are required to develop a level of confidence in the philosophical and financial topics necessary to discharge their legal and fiduciary responsibilities under applicable laws and regulations. Within reasonable budgetary constraints Directors are encouraged to gain and maintain this competency through attendance at various conferences and through other educational resources.

### **Expense Reimbursement**

Although no Director shall be compensated for his or her service as a Director, Credit Union will reimburse Directors for expenses incurred in the performance of their duties, and in accordance with the policies of the credit union. Reimbursement of Director expenses shall be made in compliance with OFIS Bulletin 2005-10-CU.

### **Removal**

A Director may be removed from his or her position for good cause as set forth in the Michigan Credit Union Act or the bylaws of this Credit Union. "Good Cause" shall include, but is not limited to

- Fraud or other illegal conduct
- Breach of confidentiality

- Conflict of interest that is not disclosed
- Violation of the standards set forth in the Director Code of Conduct
- Loss of bondability
- Failure to meet any of the eligibility requirements stated above
- Violation of the Michigan Credit Union Act, the bylaws of this Credit Union or any order or rule

### **Reporting Illegal/Unethical Behavior**

Directors should promote ethical behavior and an environment in which Credit Union ONE encourages employees to communicate openly with Supervisors, Managers and other appropriate personnel about observed illegal or unethical behavior and, when in doubt, about the best course of action in a particular situation encourages employees to report violations of laws, rules, regulations or Credit Union ONE's Code of Business Conduct and Ethics for Employees to appropriate personnel; and communicates that there will be no disciplinary action or retaliation of any kind taken or tolerated by Credit Union ONE as a result of an employee reporting in good faith a potential conflict of interest in another employee's activities or a suspected violation of law, rule, regulation, or provision of Credit Union ONE's Code of Business Conduct and Ethics for Employees.