

### III. POLICY TYPE: GOVERNANCE PROCESS

#### J. POLICY TITLE: *DIRECTOR CODE OF CONDUCT*

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1. Purpose of this Code of Conduct. The membership places high expectations on the integrity of the Credit Union. The Credit Union's reputation is directly influenced by the integrity, behavior, actions and responsibility of the individual Directors and members of the Board of Directors (the "Board") as a whole. The purpose of this Code of Conduct is to provide guidance and standards to Directors to ensure that they conduct and perform the activities and business of the Credit Union in compliance with the law and in accordance with their fiduciary obligations and responsibilities.
2. Role of Board. The Board is the main decision making body of the Credit Union and is responsible for insuring that the Credit Union operates in accordance with all legal requirements and the principles of "safety and soundness." The Board also acts in a fiduciary relationship with the Credit Union and its membership. Accordingly, the Board expects itself and its members to adhere to ethical and businesslike conduct. This commitment includes proper use of authority and appropriate decorum when acting as Directors.
3. Responsibility of the Board and Directors. The Board has both legal and ethical responsibilities. Each Director carries substantial responsibility and accountability. However, an individual Director only has authority to act jointly with the other Directors through the actions of the Board. The Board commits itself to spirited and respectful dialogue, fair deliberations and a goal of consensus. Once a matter is decided by a vote of the Board, each Director shall communicate a single, unified position on the issue that reflects the decision of the Board and not communicate the positions of individual Directors or the nature of the deliberations that may have occurred. Directors shall not attempt to exercise individual authority over the organization except as explicitly set forth in Board policies.
  - a. A Director's communications with the President/CEO or with staff shall reflect the Director's lack of authority to speak for the Board in making the communication.
  - b. A Director's communications with the public, press and other entities shall reflect the same lack of authority of any Director to speak for the Board, except for conveying specifically stated Board directives.
4. Duties of Directors. Each Director has a fiduciary Duty of Loyalty to act with honesty and in good faith for the best interests of the Credit Union, and a Duty of Care to exercise the care, diligence and skill of a reasonable and prudent person under comparable circumstances in conducting the affairs of the Credit Union and its membership.

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5. Duty of Loyalty. A Director shall represent un-conflicted loyalty to the interests of the membership. This accountability supersedes any conflicting loyalty such as that to related parties, advocacy or interest groups and membership on other boards or staffs. It also supersedes the personal interest of any Director acting as a consumer of the organization's services. A Director shall avoid any conflict of interest with respect to his or her fiduciary responsibility. In performing duties, each Director shall:

- a. Not use corporate property, information or position for personal gain; soliciting, demanding, accepting or agreeing to accept anything of value from any person while dealing with the Credit Union's assets and resources; acting on behalf of the Credit Union in any transaction in which he or she or any of his or her relative(s) have a significant direct or indirect interest.
- b. Not use his or her position to obtain employment or compensation for anyone. A Director shall not become an employee or independent contractor of the Credit Union within three years of leaving the Board.
- c. Not fail to disclose his or her involvements with other organizations, vendors, or any other associations that produce a conflict of interest.
- d. Not self-deal or conduct private business or personal services between any Director and the Credit Union, except as disclosed and approved in accordance with the Code of Conduct and other applicable rules. If a Director considers investing in securities issued by a Credit Union member, vendor or competitor, the Director shall ensure that the investment does not compromise his or her responsibilities to the Credit Union. In the event of a conflict of interest, the Director shall immediately identify the transaction to the Board by written notice and refrain from taking any actions on it until the Board has reviewed, analyzed and approved the transaction.

The Board shall consider the following factors in making its determination: the size and nature of the investment; the Director's ability to influence the Credit Union's decisions; the Director's access to confidential information of the Credit Union or the other entity; and the nature of the relationship between the Credit Union and the member, vendor or competitor.

- e. Not take improper advantage of his or her position as a Director or use the position for personal gain or to compete with the Credit Union.
- f. Not take improper advantage of Credit Union property or use such property for personal gain or to compete with the Credit Union.

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- g. Not fail to endeavor to avoid all conflicts of interest with the Credit Union, both actual and apparent. A “conflict of interest” occurs when a Director has a duty to more than one person or organization, but cannot do justice to the actual or potentially adverse interest of both parties. A conflict of interest includes the situation where the personal direct or indirect interest of any Director is inconsistent with the best interests of the Credit Union or interferes in any way with the performance of the Director’s duties owed to the Credit Union. In other words, a conflict may arise where a Director is acting for a purpose motivated by consideration other than, or in addition to, the best interest of the Credit Union. A Director is expected to perform his or her duties in a manner that does not conflict with the Credit Union’s interest. Although this duty does not prevent a Director from engaging in personal transactions and investments, it does demand that the Director either avoid or prevent situations where a conflict of interest might occur, or identify and resolve conflicts of interest in accordance with the procedures set forth below. Conflicts of interest may involve not only the business of the Credit Union but may also involve the business entities in which the Credit Union has an interest, and specific transactions with the Credit Union or an entity in which the Credit Union has an interest.

When the Board is to decide upon an issue about which a Director has a conflict of interest, the Director shall disclose the existence of such interest and the nature of the interest and shall absent himself or herself not only from the deliberations, but also from the vote on the matter. However, the Director shall be counted for purposes of determining a quorum.

6. Duty of Care. A Director owes a fiduciary duty to the Credit Union as a whole. A Director shall exercise the care, diligence and skill of a reasonably prudent person under comparable circumstances and be independent in judgment and actions. In performing duties, each Director shall:
- a. Not fail to make reasonable inquiries through the Board to ensure that the Credit Union is operating efficiently, effectively and legally towards achieving its goals.
  - b. Not engage in conduct likely to bring discredit upon the Credit Union.
  - c. Not fail to take all reasonable steps to be informed and satisfied as to the soundness of all decisions of the Board.
  - d. Not fail to undertake diligent analysis of all proposals placed before the Board and act with a level of skill expected from each Board member.
    - a. An individual Director may access any third-party expert approved by the Board to provide counsel or consultation to the Board or its committees. The Director may seek and/or provide additional information to the expert but may not direct the expert.

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- b. An individual Director may propose a new third-party expert to the Board for approval to engage if he or she believes that existing approved expert resources do not meet the collective needs of the Board for a given Board matter. To do so, the Director must provide sufficient information to the Board to demonstrate the value such proposed expert can provide and his/her qualifications to do so. The Board will vote on the Director's proposal.
  - a) If the proposed third-party expert is not approved by the Board, the individual Director is not authorized to engage that resource on behalf of the Credit Union.
  - b) If the proposed third-party expert is approved, the need for confidentiality agreements and other due diligence shall be observed, consistent with OnPoint's third party due diligence practices.
  - c) Approval of a third-party expert for a specific Board matter applies only to that matter.
- c. Information obtained from third-party experts for a Board matter shall be shared with the Board as soon as it is available. The Board may defer action on a proposal until the third-party information is shared unless the delay causes undue hardship on Credit Union operations.
- d. Third party expert information is not binding on a Board action.
- e. Not fail to keep informed of the policies, business and affairs of the Credit Union and of the statutes and rules to which the Credit Union is subject and by which it is governed.
- f. Not fail to establish policies necessary for effective corporate governance.
- g. Not fail to understand and review annual budgets, the strategic plan, financial statements and corporate actions.
- h. Not fail to act in confidence with all matters involving the Credit Union until disclosure is authorized or otherwise required under the law or the policies of the Credit Union. Confidential information is any written or oral information given directly or indirectly to a Director that is not generally known by, or being publicly distributed to, the membership of the Credit Union. Accordingly, any confidential information received by a Director by reason of his or her position on the Board shall be held in confidence and such information remains the property of the Credit Union. Each Director shall refrain from disclosing or allowing to be disclosed any confidential Credit Union information to anyone, and such

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information shall not be used for the Director's personal benefit or for the benefit of the Director's family, friends or associates, or by any other individual or entity other than the Credit Union.

- i. Not fail to conduct the business of the Credit Union in full compliance with the applicable laws, regulations, rules and regulatory orders, including but not limited to the Oregon Credit Union Act and the Bank Bribery Act.
7. Violations of Code of Conduct. In the event of an intentional or grossly negligent violation of this Code of Conduct of a material significance by a Director, the matters may be handled pursuant to the procedures set forth in Article VI of the Bylaws or the Board may refer the matter to the Supervisory Committee for action consistent with the Oregon Credit Union Act.

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**MONITORING:**

**Effective: 2/18**

**Supersedes: 5/10**

*Method(s):* Board Discussion

*Frequency:* Annually

*Month:* September

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