

ESSENTIAL CREDIT UNION

POLICY: EXCESSIVE AND LUXURY EXPENDITURE 5:7

PURPOSE:

The purpose of this Policy is to establish parameters and internal controls to ensure the expenditures of Essential Credit Union (Essential or Credit Union) are not excessive in nature and are reasonably related to the Credit Union's business objectives and needs. This policy identifies expenditures considered excessive or luxury expenditures, creates processes reasonably designed to eliminate such expenditures, and establishes accountability for compliance. Routine operating expenses, capital expenditures, and other reasonable expenses are not prohibited by this policy.

POLICY STATEMENT:

The Credit Union has authority to provide compensation and benefits that are reasonable. This policy establishes a prohibition on expenditures that are excessive, or luxury expenditures as required by the Department of Treasury's Emergency Capital Investment Program regulations (31 CFR Part 35), and as may be required by other statutes and regulations.

This policy applies to all employees, officers, volunteers, and members of the Board of Directors (Board) regarding any expenditure of the Credit Union. In making any expenditure on behalf of the Credit Union, employees, officers, volunteers, and Board members should consider whether the expenditure is an excessive or luxury expenditure prohibited under this policy.

RESPONSIBILITY:

This policy is the responsibility of the Credit Union's Board. The Board will approve this policy and review compliance with the policy no less frequently than annually, and the summary data on excessive or luxury expenditures will be reported to the Board as part of the compliance review.

OVERVIEW:

Excessive and Luxury Expenditures are defined as any one of the following, to the extent such expenditures are not reasonable for staff development, performance incentives, or other similar measures conducted in the normal course of the Credit Union's business operations:

- *Entertainment or Events* - This category includes fees, dues, ticket costs related to social, athletic, artistic, or dining clubs' activities, celebrations or other events and similar expenditures. Expenditures under this category are expected to be used for business development purposes. Those purposes may include obtaining new members or Select Employee Groups (SEGs) and enhancing the Credit Union's reputation in the market. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment or event expenditures in an amount less than \$500.00 per occurrence, and \$2,000.00 on an annual aggregate basis per individual, are exempt from this policy. All expenses under this category should be documented with a detailed account of the ways the expenditure is related to business development.
- *Office and Facility Renovations* - This category includes costs and allowances for office renovation, including expenditures related to furniture, art, office personalization, interior finishing, design and decorations, and similar items and activities. Office and facility renovations and expenditures in an amount less than \$20,000.00 on an annual aggregate basis per individual are exempt from this policy. Additionally, any emergency repairs or renovations necessary to maintain an office environment that is safe and useful to employees and members shall be exempt from this policy.

- *Aviation and Other Transportation Service* – This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservations and travel agent expenses, and similar expenditures associated with transportation services (e.g., airline, train, rental cars, or vans). The selection of transportation services for business-related travel should include an assessment of the cost, efficiency, and timeliness of travel.

Mileage reimbursement according to current Internal Revenue Service mileage rates is exempt from this policy. Transportation services in an amount less than \$50.00 per occurrence, and \$1,000.00 on an annual aggregate basis per individual are exempt from this policy. Any costs exceeding these amounts must be pre-approved by the President/Chief Executive Officer (CEO) to be eligible for reimbursement.

The CEO may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures. The processes must be reviewed by executive management no less frequently than annually.

- *Tax Gross-ups* – This category includes reimbursement of any taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-US jurisdiction.
- *Other similar items, activities, or events for which the Credit Union may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses* – Expenditures related to other items not listed in the preceding categories are exempt from this policy in an amount less than \$500.00 per occurrence, and together with all expenditures permitted under this policy, may not exceed \$2,000.00 on an annual aggregate basis per individual. For the avoidance of doubt, reasonable capital investment in technology, equipment, and similar items that expand the long-term capability of an Emergency Capital Investment Program (ECIP) recipient to provide products and services to its members and community are not excessive or luxury expenditures.

The CEO may establish or delegate to an appropriate executive officer the authority to establish processes for the evaluation and approval of expenditures in the preceding categories that are not luxury or excessive expenditures and that are not otherwise exempt from this policy. These processes, as well as any additional threshold expenditure amounts, per item, activity, or event, or a threshold expenditure amount per employee receiving the item or participating in the activity or event under this policy, must be reviewed by executive management no less frequently than annually. Such approvals must be reported to the Board (which may be in appropriate summary form) no less frequently than annually.

EXCEPTIONS AND VIOLATIONS:

Any exception or violation of this policy must be promptly reported to the Credit Union's CEO, Compliance Officer, or Officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the Board no less frequently than annually. Exceptions and violations should be reported more frequently when the nature and severity of the violations warrant such a report. All employees, officers, volunteers, and directors of the Credit Union must adhere to this policy and be held accountable for compliance. Any employee or officer who violates this policy may be subject to disciplinary action up to and including termination of employment.

Any employee or officer aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor, the Credit Union's Compliance Officer, or the Supervisory Committee. The Credit Union prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of the Credit Union's code of conduct, laws, regulations, and other Credit Union

policies, including this policy. A finding of retaliation against any such employee or officer may result in disciplinary action up to and including termination. Failure to promptly report known violations by others may also be deemed a violation of the Credit Union's Code of Ethics and Standard of Professional Conduct.

Employees and officers may ask questions, raise concerns, or report instances of non-compliance with the policy and/or any of the existing underlying relevant policies by contacting Essential's Integrity in Action Speak Up Hotline at 855-390-0128.

CERTIFICATION:

On an annual basis, the Credit Union will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of whom must be either the CEO or the Chief Financial Officer (CFO)) certifying:

- The Credit Union is in compliance with this policy and
- The approval of any expenditure requiring the prior approval of any senior executive officer, and executive officer of a substantially similar level of responsibility, or the Board (or a committee of such board) was properly obtained with each such expenditure.

APPROVAL:

Contact: CEO

Previous Approval Date: New Policy

Resolved and approved by the Board of Directors:

Date: April 18, 2023

Robbie Bagaley

Board Secretary

Joey Justice

Board Chair

REVISION HISTORY

Revision Date	Excessive and Luxury Expenditure Policy	Owner	Last Updated By/Approval Date	Summary of Revisions
04/10/2023	2023	CEO	Compliance Officer	New Policy