

# **Shreveport Federal Credit Union**

## **Excessive or Luxury Expenditures Policy October 2010**

Approved by Shreveport Federal Credit Union's Board of Directors on October 28, 2010

Reviewed by Shreveport Federal Credit Union's Board of Directors on January 26, 2013

## Overview:

Shreveport Federal Credit Union is committed to fiscal responsibility and doing the right thing for its customers, associates and shareholders. Based on our normal business practices, we have created policies that manage expenditures and ensure appropriate management oversight. These policies are reviewed and are revised regularly to reflect changing business practices, laws and regulations.

The expense policies at Shreveport Federal Credit Union are designed to provide principles for prudent spending across multiple expense types, while also allowing reasonable flexibility to accomplish business goals. The existing policies reasonably limit excessive or luxury expenditures.

The “**Excessive or Luxury Expenditures Policy**” applies to Shreveport Federal Credit Union and each of the lines of business in its global operations (herein referred to as “Shreveport Federal Credit Union” or the “corporation.”) It supplements other Shreveport Federal Credit Union policies and is intended to address the following:

- What the corporation may consider an excessive or luxury expenditure
- Pre-approval for any potential excessive or luxury expenditure when applicable
- What is a prohibited excessive or luxury expenditure
- Applicable reporting of excessive or luxury expenditures
- Mandatory results of non-compliance with this policy

For the purpose of this policy, excessive expenditures are those that Shreveport Federal Credit Union would reasonably consider as beyond normal limits or lacking restraint for the normal course of the corporation’s business. As such, expenditure limits may differ between the lines of business.

The Excessive or Luxury Expenditures Policy is effective for all expenses or goods and services procured on or after October 28, 2010. Associates are required to read, understand, and adhere to this global policy as it applies to every line of business. Failure to adhere to this policy could result in the associate not being reimbursed and could further result in disciplinary action up to and including termination. Violations and perceived violations to, and exceptions from, this policy will be reported monthly to Managers, Risk Management Officers, the Chief Financial Officer, the Chief Executive Officer and the Board of Directors.

## **Covered Expenditures**

This policy covers reasonable expenditures for the following:

- Entertainment or events
- Office or facility renovations
- Transportation services

- Other similar activities or events related to associate or business development, reasonable performance recognition, or other similar activities for which we provide reimbursement to associates in the normal course of the corporation's business operations

## **Reporting**

Each month, reporting will be compiled and reviewed for the following:

- Excessive or luxury expenditures that required; and received prior approval
- Expenditures that reasonably appeared to be or were deemed to be excessive or luxury and did not receive prior approval
- Expenditures that were prohibited

Reporting will be reviewed by assigned Managers and Risk Management Officers as needed. Any expenditure confirmed to be excessive or luxury will be forwarded to Senior Managers, the Chief Financial Officer, the Chief Executive Officer and Board of Directors for further review.

## **Entertainment or Events**

Shreveport Federal Credit Union utilizes entertainment or events to drive business and revenue growth, build shareholder value and help advance our community and philanthropic objectives. These activities are carefully and thoughtfully evaluated to ensure that they are primarily focused on legitimate business purposes and not on extraneous recreational or non-business activities. Locations, venues, activities, food selections and entertainment are determined based on the following:

- The revenue-generating potential of the event
- Whether it is an appropriate use of company resources
- Whether there are alternatives available that would maximize cost savings and benefits

Reasonable expenditures occur when the costs of entertainment or events do not exceed the expected benefit to the corporation. Expected benefit will be measured by quantitative factors - including but not limited to the return on investment, return on objective, or value to the shareholder - and qualitative factors such as the business relationship or competitive advantage.

Entertainment or events that are focused on non-business activities or that are not intended to help advance our community and philanthropic objectives are prohibited.

Exceptions will be captured through reporting of all entertainment or events, and elevated to Senior Managers, the Chief Financial Officer, the Chief Executive Officer and Board of Directors.

Policy violations will be identified through periodic reviews of entertainment or events.

## **Office or Facility Renovations**

Shreveport Federal Credit Union facility related building and work space renovations are managed internally with standards for alignment of associate workstation, office size and interior finishes. Facility build-outs and interior renovations meet the functional needs of the business, customers and associates, as well as optimize real estate use across the portfolio in a manner consistent with normal operations for our industry. Additionally, Shreveport Federal Credit Union is committed to being a socially responsible company and considers the use of “**green**” materials and practices to be reasonable, prudent, and the right thing to do for our customers and communities.

Excessive expenditures for interior space build-out would include the following:

- Any component, finish or workstation/office size unreasonably above and beyond the standard
- Any request for exception to the standard (i.e. office size, finish or component) is reviewed for business functional need and cost impact to the project

Although requests for exceptions are rarely granted, one could potentially be escalated to Senior Managers, the Chief Financial Officer, the Chief Executive Officer and Board of Directors for approval before committing to the expenditure.

Anything in excess or beyond reasonable variation of standard and not having approval is considered “prohibited” and is not acceptable for implementation. Examples include, but are not limited to:

- Expenditures for specialty or antique furniture
- Customized finishes
- Construction of non-standard office sizes or private restrooms

Exceptions will be captured and reported monthly. There are multiple controls in place to verify alignment to standards and to document reasonable exceptions.

In addition to oversight by functional and internal subject matter experts, formal tollgates are used to evaluate projects several times during the project lifecycle. A project cannot move forward and commit dollars to prohibited items; therefore, violations to this policy should not occur during the course of building or renovating.

## **Transportation**

Transportation services are allowed when reasonable for business development or safety purposes.

Upgraded transportation services are allowed when reasonable for business development, or safety purposes; or when it is the most cost effective method of transportation. Reasonable usage of upgraded transportation services for conducting the business of Shreveport Federal Credit Union is allowed. Use outside of reasonable business development or associate safety would be considered excessive and is not allowed.

Any exceptions would only be for emergency reasons, and at no time would an emergency exception be considered as excessive. Therefore no pre-approval process or reporting will be developed for purposes of this policy.

All transportation services reimbursements are subject to review; any violations found will be reported to Senior Managers, the Chief Financial Officer, the Chief Executive Officer and Board of Directors

## **Other Similar Activities**

Shreveport Federal Credit Union, as a normal course of business, encourages associates to manage expenses carefully. We also have a pay-for-performance culture that believes reasonable recognition awards and staff development opportunities are appropriate when rewarding significant achievements or increasing associate knowledge and business acumen. Any expenditure that would reasonably be considered beyond normal limits or lacking restraint in the normal course of the corporation's business would be considered excessive and would be prohibited. As such no pre-approval process will be developed for purposes of this policy.

Senior Managers have the responsibility to review and approve significant spending prior to payment request submission. Sampling of expenses submitted for payment or reimbursement are further reviewed for reasonableness. Any sampled expense that appears to be excessive will be escalated to the Chief Executive Officer for review and may be escalated further to the Board of Directors, and could result in the payment not being made.

Such items will be reviewed monthly by Senior Managers, Risk Management Officers, the Chief Financial Officer, the Chief Executive Officer and Board of Directors as needed.

Any expenditure confirmed to be excessive, will be escalated the Chief Executive Officer and Board of Directors.

## **Expected Role of the Board of Directors**

The Board of Directors is required by the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30) to adopt a policy regarding excessive and luxury expenditures. The Board has oversight responsibility for Shreveport Federal Credit Unions compliance with requirements of TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30).

In support of its oversight responsibilities, the Board shall have the following roles:

1. The Board of Directors must review and approve this Policy on an annual basis, or, in the event of subsequent amendments to the TARP Standards for Compensation and Corporate Governance as defined by the Department of the Treasury (31 CFR Part 30), in such time frame required by the amendment.
2. Ensure that the Chief Executive Officer and Chief Financial Officer have complied with the certification requests as it relates to this Policy.
3. Ensure that the Chief Executive Officer, Chief Financial Officer, Risk Management Officers and Managers review any exceptions to this Policy at the next regularly scheduled meeting following the granting of the exception.
4. Ensure that the Risk Management Officers and Managers review and monitor office and facility renovations for compliance to this Policy and report any discrepancies to the Chief Executive Officer and the Board of Directors.

## **Expected Role of the Administration, to include Senior Managers, Risk Management Officers, the Chief Financial Officer and the Chief Executive Officer**

In support of its oversight responsibilities, the Administration is responsible for the effective implementation of this Policy and the following roles:

1. Review the monitoring of expenditures addressed in this Policy to ensure compliance with this Policy.
2. Research, document and justify any exceptions to this Policy and report exceptions to the Chief Executive Officer and the Board of Directors.

3. Promptly recommend potential modifications of this Policy to the Risk Management Officers, the Chief Executive Officer and the Board of Directors to ensure it remains compliant.
4. Enforce consequences upon any employee(s) for violation of the Policy in one or more of the following ways:
  - Verbal or written counseling
  - Disciplinary action such as repayment
  - Suspension
  - Termination of employment
5. Ensure that this Policy is posted on Shreveport Federal Credit Union's internet web site.
6. The Chief Executive Officer and Chief Financial Officer have certified that the Board has established and approved an excessive or luxury expenditures policy, as defined in the regulations established under section 111 of EESA, will provide this policy to Treasury and its primary regulatory agency; that Shreveport Federal Credit Union and its employees have reviewed and have complied with this policy; and that any expenses requiring approval have been properly approved by Senior Managers, the Chief Financial Officer, the Chief Executive Officer and the Board of Directors.