

Excessive and Luxury Expenditures Policy

Board Approved

December 15, 2022

Effective Date

July 1, 2022

Excessive and Luxury Expenditures Policy

1. **PURPOSE** The purpose of this policy is to establish parameters and internal controls governing the expenditures of St. Francisville and Bank of St. Francisville (together with its subsidiaries and controlled affiliates, referred to hereafter as BSF). Expenditures of BSF should be customary, prudent, consistent with applicable laws and regulations, and reasonably related to BSF's business objectives and needs. This policy identifies expenditures that are excessive or luxury expenditures, creates processes that are 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.

2. **AUTHORITY** BSF has the 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 the Treasury's Emergency Capital Investment Program regulations (31 CFR Part 35), and as may be required by other statutes and regulations.

3. **RESPONSIBILITY** This policy is the responsibility of BSF's board of directors (Board). The Board has approved this policy and will review compliance with this policy no less frequently than annually, and summary data on excessive or luxury expenditures will be reported to the Board as part of the compliance review.

4. **SCOPE** This policy applies to all employees, officers, and directors of BSF about any expenditure of BSF. In making any expenditure on behalf of BSF, employees, officers, and directors should consider whether the expenditure is an excessive or luxury expenditure that is prohibited under this policy.

5. **EXCESSIVE OR LUXURY EXPENDITURES** "Excessive or luxury expenditures" means excessive expenditures on any of the following to the extent not reasonable or appropriate expenditures, specific to an individual Officer or employee, such as business development, staff development, reasonable performance incentives, or other similar reasonable measures conducted in the normal course of BSF's business operations:

(1) **Entertainment or events.** This category includes fees, dues, tickets costs related to social, athletic, artistic, and dining clubs, activities, celebrations or other events, and similar expenditures, specific to an individual employee. Expenditures for charitable contributions and charitable events are not prohibited under this policy. Entertainment or events expenditures in an amount less than \$10,000 per instance, and \$100,000 on an annual aggregate basis per individual, are exempt from this policy.

(2) **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 decoration, and similar expenditures, specific to an individual Officer or employee. Office and facility renovations expenditures in an amount less than \$2,000 per instance, and \$10,000 on an annual aggregate basis per individual, are exempt from this policy. Expenditures related to branch, building, or other improvements or renovations where the entire facility is improved are not subject to this policy.

(3) **Aviation or other transportation services.** This category includes charter fees, tickets, slip or docking fees, vehicle installment payments, reservation and travel agent expenses, and similar expenditures

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associated with transportation services (e.g., airline, train, rental cars, or vans) specific to an individual Officer or employee. Mileage reimbursements according to current Internal Revenue Service mileage rates are exempt from this policy. Transportation services in an amount less than \$5,000 per instance, and \$50,000 on an annual aggregate basis per individual, are exempt from this policy. Also exempt from this policy are the expenses related to travel for Directors, Advisory Directors, and employees who participate in the regular professional training, group-based strategic planning, corporate training & advisory meetings, as determined and approved annually by the Board. The President may establish or delegate to an appropriate executive officer the authority to establish processes for reimbursement of reasonable travel expenditures which processes must be reviewed by executive management no less frequently than annually.

(4) Tax gross-ups. This category includes any reimbursement of taxes owed with respect to any compensation. This category does not apply to tax equalization agreements for employees subject to tax from a non-U.S. jurisdiction.

(5) Other similar items, activities, or events for which BSF may reasonably anticipate incurring expenses or reimbursing an employee for incurring expenses. Expenditures related to other items not listed in the preceding categories (ex. hotel for trainings, meetings, or conferences) are exempt from this policy in an amount less than \$10,000 per instance, and together with all expenditures permitted under this policy, may not exceed \$150,000 on an annual aggregate basis per individual.

For the avoidance of doubt, reasonable capital investments in technology, equipment, and similar items that expand the long-term capability of an ECIP recipient to provide products and services to its customers and community are not excessive or luxury expenditures.

The President 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 must be reviewed by executive management no less frequently than annually, 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. Such approvals must be reported to the Board (which may be in an appropriate summary form) no less frequently than annually.

6. EXCEPTIONS OR VIOLATIONS Any exception or violation of this policy must be promptly reported to BSF's, (i) President, (ii) officer with primary responsibility for BSF's compliance function, or (iii) officer designated with primary responsibility for overseeing the administration, monitoring, and compliance with this policy. Exceptions and violations must be reported to the Board of directors no less frequently than annually, or more frequently as the nature and severity of violation may warrant. All employees, officers, and directors of BSF must adhere to this policy and will 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 that is aware of any circumstance that may indicate a violation of this policy is required to report such circumstance to their supervisor or BSF's Risk Management Team member, Risk Officer, or Compliance Officer. BSF prohibits retaliation against any employee or officer for making a good faith report of actual or suspected violations of BSF's code of conduct, laws, regulations, or other BSF policies, including this policy. A finding of retaliation against any

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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 BSF's code of conduct. Employees and officers may ask questions, raise concerns, or report instances of noncompliance with this policy and/or any existing policies by contacting a member of the Risk Management Team (RMT), or BSF's Risk Officer or Compliance Officer.

7. CERTIFICATION On an annual basis, BSF will deliver to the Department of the Treasury a certification, executed by two senior executive officers (one of which must be either the ECIP recipient's principal executive officer or principal financial officer) certifying that:

(i) BSF is in compliance with this policy and

(ii) the approval of any expenditure requiring the prior approval of any senior executive officer, any executive officer of a substantially similar level of responsibility, or the Board (or a pre-defined Board committee), was properly obtained with respect to each such expenditure.