



AU.16 Luxury or Excessive Expenditures Policy

Organizational Functional Area:

Executive

Board Approved:

July 28, 2022

Last Revision Date:

June 1, 2021

**Department/Individual Responsible
for Maintaining/Updating Policy:**

Chief Financial Officer

VCC SOCIAL ENTERPRISES EXCESSIVE EXPENDITURES CONTROL POLICY

DIRECTOR'S OVERVIEW

This policy applies to VCC Social Enterprises (VCCSE) and its subsidiaries.

POLICY SCOPE

VCC Social Enterprises (VCCSE) and its subsidiary, VCC Bank (VCCB), prohibit excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives or other similar measures conducted in the normal course of business operations of the Bank. This policy applies to all employees, officers and directors of VCCSE and its subsidiary, VCCB.

Renovations

The cost of renovations of facilities and office spaces should relate to the approved current budget and/or strategic plan. An exception to this is allowed in the event management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for either employee or customer use. At no time should renovations be conducted that would be considered luxurious or excessive relative to their use or purpose.

Entertainment

Entertainment is defined as an activity that an employee, officer or director would use corporate funds for business development purposes relating to a current customer(s) or prospective customer(s) or to further enhance the Company's marketing efforts, strategic plan implementation, or community support.

Our expectation is that all expenses ultimately paid by the Company would be for company purposes and used to steer and/or increase business to the Company, or deepen or expand the Company's "presence." Occasional events such as taking customers, prospects or community or business leaders to dinner, playing golf, or other such events they would find pleasurable is a necessary part of the Company's marketing and strategic efforts and is not deemed as violation of this policy. These expenses should be documented and detailed as to the benefit derived by the Company. Events and parties focused on customers for the purpose of attracting and/or further developing their business would not fall under this policy.

Conferences

The Board encourages our staff to attend conferences that provide appropriate educational opportunities. These conferences should be related to the financial services industry and have a direct correlation to the employee's job. Typically, these conferences are sponsored by vendors, banking associations, or other industry related entities. The cost (including location) of conferences should be balanced with the benefit of the conference and the availability of less costly alternatives, if any. At times it may be acceptable that a spouse travels to these conferences with the Company employee or director. In the event a spouse travels to the event, the spouse's travel expenses will not be paid by the Company.

Employee Recognition/Holiday Parties

The Board of Directors believes that employee recognition/holiday parties are important in terms of employee appreciation and employee morale. Accordingly, this policy does not prohibit expenditures in conjunction with such events. However, such employee events must be local as neither overnight nor travel expenses will be paid by the Company and the expenses associated with such an event should not cost the Company more than approximately an average day's gross payroll. Other events, such as a company picnic or the occasional department party, should be just a fraction of that cost and deemed reasonable in relation to the number of attendees and activities.

Board/Management Retreats

Board retreats may only be used for educational purposes with the corresponding expenses deemed reasonable in relation to the educational or strategic value of the retreat. It is recognized that Board education is a vital part of attracting and maintaining a dynamic director base, and this policy does not prohibit a retreat that is focused on strategic planning or board education.

Aviation Services

Transportation for Company staff to outlying locations, including but not limited to schools, conferences, business development meetings, and merger and acquisition research, should be conducted in the most cost appropriate way for the Company. Modes of transportation to be used for such analysis, for example may consist of vehicle, train, or commercial air service. The use of private air services is prohibited. A determination of transportation analysis will factor in cost, efficiency and timeliness of travel.

Violations of Policy

Violations of this policy will lead to disciplinary action, up to and including immediate termination of employment.

Administration

The CFO is responsible for the day-to-day administration of this policy, and the CEO is accountable for overall adherence to this policy and must approve any exceptions. Strict adherence to this policy is mandated for all Company employees. Violations of this policy shall be promptly reported to the Board of Directors.

This policy and any amendments hereto, shall be posted on the Company's Internet website at www.vacommunitycapital.org and provided to the U.S. Department of the Treasury and the Federal Reserve.

Appendix A

Annual Officer Certification

Policy: Excessive or Luxury Expenditures Policy

Date Originally Adopted: January 27, 2011

Date Last Revision/Approval by BOD: July 23, 2020

This is to certify that I have read, understand and agree to comply with VCC's Excessive or Luxury Expenditures Policy, adopted on _____.

Print Name

Signature

Date