

Organizational Functional Area:	Human Resources
Policy For:	Excessive and Luxury Expenditures
Approved By:	HR Board Committee
Approval Date:	
Last Revision Date:	October 2016
Responsible for Updating Policy:	AVP Manager of Human Resources and Org. Development



## Excessive and Luxury Expenditure Policy

## **I. GENERAL POLICY STATEMENT**

Emclair Financial Corp. and Farmers National Bank of Emlenton (collectively, the Corporation) are committed to the highest possible standards of ethical, moral and legal business conduct. The Corporation prohibits 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 measure conducted in the normal course of business operations. This policy is not intended to limit or restrict ordinary and customary expenditures incurred by the Corporation, its officers and employees incurred in normal course of business operations.

## **II. POLICY STEPS**

### **Renovations:**

Renovations of Corporation facilities and office spaces should be relative to the approved project and current profit plan, and tracked within the capital expenditure policy of the Corporation. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. Office and facility renovations should be designed to: enhance operational efficiency, comply with applicable fire codes and ADA requirements, maintain a safe, sanitary and clean working environment, enhance the public image of the organization, improve employee morale, or such other worthwhile purpose as may be identified by the Corporation. By way of example, relocating or adding moveable work stations, improving the air flow or temperature, altering the wall, ceiling or lighting configuration of a work or storage space, establishing a new branch office or sales office shall not be considered “excessive” by their very nature. At no time should renovations be done that would have the appearance of being extraordinary, or excessive from a shareholder perspective.

### **Entertainment:**

Entertainment is defined as an activity that an Employee or Executive would use corporate funds for business development purposes relating to a current customer or prospective customer, or to further enhance the Corporation's marketing efforts.

Corporate sponsorship of excessive or luxury expenditures on entertainment or events is strictly prohibited. Prior written approval from the CEO, COO or the CFO shall be required for all expenditures where the per capita expenditure exceeds [\$500]. By way of example, off-site planning meetings and off-site Board of Directors meetings are considered a normal part of the successful operation of the Company and are not considered luxury or excessive events.

Management's expectation is that all expenses incurred by the Corporation (or reimbursable by the Corporation) are for business purposes, and are incurred to drive

business to the Corporation. Occasional events such as taking customers or prospects on trips, playing golf, eating dinner, or taking them to other events is a necessary part of the Corporation's marketing/business development efforts and is not deemed as "luxury" or a violation of this Policy. These expenses must be documented and detailed as to the benefit derived by the Corporation through the normal accounts payable process.

**Conferences:**

Staff is encouraged to attend conferences that are appropriate educational and/or business development opportunities. These conferences should be related to the financial services industry and have a direct correlation to their job. At times it may be appropriate that a spouse would travel to these conferences with a bank executive. Typically, these conferences are sponsored by vendors, banking associations, or other industry related entities.

**Employee Recognition/Holiday Parties:**

Employee recognition/holiday parties are part of an overall employee appreciation/retention process. These events should be local in geographic nature, and would include costs for such things as service awards and nominal door prizes. An event should not cost the sponsoring business unit more than an average day's payroll per employee.

**Board/Management Retreats:**

Retreats should only be used for educational and/or business planning purposes, and should continue to be viewed as appropriate business expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this policy should not limit a retreat that is focused on strategic planning or education.

**Aviation Services:**

Transportation for staff to outlying locations, including bank locations, conferences, business development purposes and merger and acquisition research, should be conducted in the most cost appropriate way for the Corporation. Modes of transportation to be used may consist of vehicle, commercial air or rail service. The selection of transportation services will factor in cost, efficiency and timeliness of travel. Private air services are not allowed without the approval of the Chairman of the Company's Board of Directors.

**III. POLICY ADMINISTRATION**

Expenses will be reviewed by the Controller. Any expenses that are not covered in this policy specifically, but may fall under the general guidelines of this policy, will be reviewed and approved by Executive Management and/or the Chief Executive Officer.

**IV. REPORTING AND INVESTIGATION**

If any employee becomes aware of a suspected or an actual violation of this policy by others, he/she has a responsibility to report it to their direct supervisor or to Human Resources. Employees should provide a specific description of the suspected violation,

including any information you have about the persons involved and the time of the violation. Whether reporting to a supervisor or the AVP Manager of Human Resources and Organizational Development employees may do so without fear of any form of retaliation. Management will take prompt disciplinary action against any employee who retaliates against a reporting employee, up to and including termination of employment.

Supervisors must promptly report any complaints or observations of a violation of this policy to Human Resources. AVP Manager of Human Resources and Organizational Development will work with the Audit Committee Chair to investigate all reported policy violations promptly and with the highest degree of confidentiality that is possible under the specific circumstances. If an investigation indicates that a violation of the policy has likely occurred, appropriate remedial action will be taken. If it is determined that an employee is responsible for a policy violation, he or she will be subject to disciplinary action up to, and including, termination of employment. Other action also may be taken to deter any future policy violations.

Anyone can communicate with the Audit Committee Chair, either anonymously or by name, by any of the following methods:

- In writing, addressed to the Audit Committee Chairman, by U.S. mail to
- Mark A. Freemer  
Varischetti Holdings, LP  
1228 Main Street Brockway, PA 15824
- By phone at (814) 265-8090 Ext. 840.
- By e-mail to [Mark.Freemer@varischettiholdings.com](mailto:Mark.Freemer@varischettiholdings.com)