

Alabama Ag Credit, ACA Board Responsibilities and Standards of Performance

General

The Board of Directors (Board) of Alabama Ag Credit, ACA (Association) is ultimately responsible for the financial success and regulatory compliance of the Association. Directors are charged with the safe and sound operation of the business regardless of the various economic and financial conditions in local, domestic and international markets. They are accountable to the Association stockholders and to the investors of the Farm Credit System for:

- Understanding the Association's operations,
- Providing for competent hired management,
- Establishing sufficient control systems and processes that provide for safe and sound operations,
- Ensuring that information and disclosures to shareholders and investors are accurate, reliable and timely,
- Diligently and impartially performing their director duties,
- Exercising independent judgment, and
- Remaining loyal to the Association's best interests.

The Board establishes policies and strategies that govern how the Association carries out its business activities and its public policy mission. Directors select and evaluate the Chief Executive Officer, and they monitor and assess management performance in relationship to the approved business plan. The Board delegates day-to-day operations to management but remains responsible for ensuring that the Association operates within prescribed policies, in compliance with laws and regulations, and in a safe and sound manner.

Board Statement of Purpose

- To provide direction and oversight through policy-making and ongoing strategic advice to management to ensure that sound, adequate and constructive credit and closely-related financial services are provided to eligible borrowers on a profitable basis.
- To provide for continuity of management, fully capable of directing the business activities of the Association to effectively accomplish its mission, achieve business objectives and attain financial goals.
- To employ the assets of the Association stockholders to the best of the Board's collective abilities and in the best interests of the stockholders.

Board Responsibilities

- Employ and evaluate a Chief Executive Officer and establish delegated authorities and management compensation levels.
- Approve an annual strategic business plan developed jointly by the Board and the senior management team that includes a mission statement and both short-term and long-term operating objectives.

- Approve operating budgets, capital budgets and financial projections that include profitability expectations, capitalization plans, interest rate plans, marketing plans, and human capital plans.
- Approve staffing plans, succession plans, salary administration programs, employee benefit plans, and changes to any existing human resource plans.
- Monitor Association financial results and operating performance against established business plan objectives and ensure that management makes timely mid-course corrections when appropriate.
- Establish management information expectations and key performance indicator reporting requirements.
- Review findings of internal and external auditors and reviewers and require management responses to address any material findings or deficiencies.
- Approve changes in Association policies and revisions to Bylaws that do not relate to capitalization.
- Approve any proposed capitalization bylaw changes or structural changes such as mergers that will be submitted to stockholders for consideration.
- Approve patronage distributions and revolvments of equities.
- Authorize agreements between the Association and other institutions.
- Communicate with the Farm Credit Administration, the district Farm Credit Bank, and other System entities to stay abreast of emerging issues.

Director Skill Sets, Knowledge and Expertise

Each Farm Credit institution must have at least one director who is a financial expert. A financial expert is one recognized as having education or experience in accounting, internal accounting controls, or in preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the institution's financial statements. An outside director who is a CPA or has banking experience is usually named as the financial expert.

The following desired qualifications should be considered for all director candidates:

- The highest personal and professional integrity, ethical behavior and individual values.
- Post high-school educational background with a preference for bachelor's or advanced degrees in production agricultural areas, agribusiness, business administration, accounting, marketing or similar fields of study.
- Broad-based skills and experience, including service as a manager or director, in farming, agribusiness, general business or agricultural lending.
- The ability to exercise independent thinking, possess and exercise sound business judgment, and display a willingness to challenge conventional Board or management concepts and approaches.
- The ability to read and understand fundamental financial statements, including balance sheets, income statements, cash flow statements, and operating expense schedules.
- The ability to effectively use and navigate iPad-based technology including sending and receiving e-mail messages with attachments.

- Experience and professional accomplishments in agricultural or financial related areas.
- Stockholder-elected candidates should be engaged in, have previously managed, or otherwise have substantial knowledge of production agriculture, marketing and processing operations, other agricultural-related businesses and/or rural financing.

Standards of Performance

The Board has determined that in order to fulfill the foregoing responsibilities, it must individually and collectively meet the following performance expectations:

- Devote sufficient time to being an Association director including striving to attend all Board and committee meetings, the Association's annual meeting, at least one customer appreciation meeting per year, and selected district Farm Credit Bank and Farm Credit System meetings.
- Strive to study all meeting materials and Board information provided in advance of meetings and come to the meetings prepared and informed.
- Commit to ongoing learning activities, including regularly attending both internal and external training programs.
- Maintain a high level of personal integrity, comply with required Standards of Conduct disclosures, refrain from becoming involved in potential conflict of interest situations, and recuse one's self from votes or considerations in which the director or a family member may have an interest.
- Conduct an annual Board self-evaluation and develop appropriate training activities to enhance Board knowledge, expertise, and experience.
- Promote constructive relationships with Association stockholders, other Farm Credit System entities, the Farm Credit Administration, service providers, and the general business community.

Board and Committee Meetings

The Board typically meets monthly, with committee meetings generally held in conjunction with the regular Board meetings. The meetings are usually scheduled for a specific time of the month, and a Board meeting calendar is developed at the beginning of each year. Some special purpose meetings may be held via telephone conference calls. Farm Credit Administration regulations require that the names of any director who attends fewer than 75% of Board or committee meetings during a given calendar year be noted in the Association's annual meeting information statement.