



## Compensation Committee Charter

### **I. PURPOSE**

The Compensation Committee established by this charter is a committee of the Board of Directors of Southern AgCredit, ACA ("Association") which shall report only to the Board of Directors. The primary function of the Compensation Committee is assisting the Board in fulfilling its responsibilities with respect to matters involving the compensation of the Board and the Chief Executive Officer, to review the compensation policies and plans for senior officers and employees and to approve the overall compensation program for senior officers.

While the Compensation Committee has the powers set forth in this charter, it is not the duty of the Compensation Committee to approve the compensation of individual senior officers or employees. This is the responsibility of management.

The Compensation Committee will fulfill these responsibilities by carrying out the activities and processes enumerated in the following sections of this charter. In doing so, the committee has full access to all books, records, facilities, and personnel of the association, and the power to retain and terminate outside counsel or other experts considered necessary in discharging its oversight role, including sole authority to approve the fees and retention terms for such outside advisors.

### **II. Composition**

The Compensation Committee shall be comprised of at least three members, each of whom shall be a member of the Board of directors who is free from any relationship that would interfere with the exercise of his or her independent judgment as a Committee member as determined by the Board of Directors. The Compensation Committee may consist of each member of the Board, except that the Chair of the Compensation Committee shall not also be a member of the Association Audit Committee, provided that each member of the Committee satisfies the independence requirement.

The term of office for each position on the Committee shall be for one year. The chairman and members of the committee shall be appointed by the chairman of the Board at the annual organizational meeting of the Board and shall serve until their successors shall be duly selected and qualified. The Board, upon recommendation of the Committee or otherwise, may remove any Committee member at any time.

### **III. Meetings**

The Committee shall meet at least annually, or more frequently as circumstances dictate. Meetings may be called by the chairman of the Committee or by the chairman of the Board. A majority of the members

of the Committee shall constitute a quorum. The Committee shall have the authority to delegate any of its responsibilities to subcommittees as the Committee deems appropriate. The Committee may meet with, and receive reports from management. The Committee may also hold executive sessions without management to discuss any matters that the Committee believes should be discussed privately.

Meeting agendas will be prepared and provided in advance to Committee members, along with appropriate briefing materials. Minutes of all Committee meetings will be prepared, approved by the Committee, and provided to the Board.

#### **IV. Responsibilities and Duties**

As a committee of the Board, the Compensation Committee shall report only to the Board. To fulfill its responsibilities and duties, the Compensation Committee shall, with such assistance from management as the Committee deems appropriate, perform the following:

1. Review the adequacy of this charter on an annual basis, and recommend any proposed changes to the Board for approval.
2. Establish the overall compensation structure and executive compensation philosophy and principles of
3. Annually, review and approve the corporate goals and objectives of the CEO, evaluate performance and the base salary and incentive and other compensation of the CEO and make recommendations to the Board.
4. Annually, approve the overall compensation program for senior officers.
5. Annually, review the compensation policies and plans, including incentive plans [and benefit plans], for senior officers and employees. The Committee should review the long-term compensation and retirement benefit obligations and determine they are appropriate to the services performed and not excessive;
  - Incentive-based compensation programs and payments and determine they are structured to consider future losses and risks to the institution
  - Senior officer compensation and incentive-based programs and determine they support the long-term strategy and promote safe and sound business practices; and
  - Compensation programs for other select groups of employees.
6. Annually, the Committee should determine that incentive-based programs and payments:
  - Are reasonable and proportionate to the services performed;
  - Support the institution's business strategy for achieving stated goals and are in accord with the institution's human capital and marketing plans;
  - Ensure that the institution's compensation practices support the System's basic mission to serve all types of creditworthy agricultural producers; and
  - Are structured so payout schedules consider the potential for future losses or undue risks to the institution.

7. Review the annual communication from the Farm Credit Administration regarding compensation for Farm Credit System directors and make recommendations to the Board on regular director compensation.
8. Consider, on a case-by-case basis, exceptional circumstances for which additional compensation would be paid for the contribution of Board member's extraordinary time and effort in the service of the Association and its stockholders. Such circumstances could include the following: (1) merger of consolidation; (2) joint management, (3) financial difficulties that threaten the Association's viability, (4) Committee or other assignments; (5) service on the Tenth District Farm Credit Council Board of Directors, and (6) other extraordinary circumstances specifically approved by the Board. If the Committee determines that additional compensation is warranted, it will recommend the Board adopt a resolution that describes the exceptional circumstances involved, authorizes the additional compensation, and establishes the approximate time frame for the additional compensation. It is noted that the total amount of additional compensation for all exceptional circumstances may not exceed, on an annual basis any limits on compensation imposed by FCA Regulations.
9. Annually, perform a self-evaluation of the Committee's effectiveness in performing its responsibilities, the results of which shall be reported to the Board of Directors.
10. Maintain records of Committee meetings, including attendances, for at least 3 fiscal years.
11. Make regular reports to the Board of Directors regarding its activities.
12. Perform any other activities consistent with this charter, the Association's by-laws and governing law, as the Committee or the Board deems necessary or appropriate.

Committee Members:

Larry Killebrew, Chairman  
Reggie Allen  
Scott Bell, Board Chairman  
Allen Eubanks