

## **CHARTER FIRST SOUTH BOARD COMPENSATION COMMITTEE**

The Board of Directors of First South Farm Credit, ACA has established a Compensation Committee (the "Committee") with authority, responsibilities and specific duties as described below.

### **Purpose**

The Committee shall establish, review and approve the Association's total compensation philosophy, including the benefit programs; oversee the development and utilization of appropriate policies and programs to attract, retain, incent and reward high performing individuals; review and adopt strategies and actions to strive for diversity and inclusion within the workforce and management; monitor executive development practices in order to ensure succession alternatives for the Association; evaluate the performance of the chief executive officer; and report to the Board of Directors its recommendations and observations with respect to the foregoing, and with respect to the specific duties set forth below.

The Committee shall be provided with whatever resources it needs to fulfill its responsibilities, including outside consultants, as appropriate, and shall have sole authority to retain, terminate and determine the fees of any such consultant. In addition, the Compensation Committee will have easy and ready access to institution resources and personnel, particularly senior officers and managers with human resources responsibilities, to obtain needed information and gain the best overall understanding of the compensation program.

### **Membership**

The Compensation Committee shall be comprised of at least five directors as determined by the Board, each of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

The Chairman and members of the Committee shall be appointed by the Chairman of the Board with ratification by the full Board and shall serve until their successors shall be duly selected and qualified. This will occur during the first Board meeting following the annual meeting. If the Chairman of the Board is not a member of the Committee, he may serve as a non-voting member. The Chief Executive Officer and Chief Financial Officer may participate on a non-voting basis.

### **Duties of the Chair**

The following duties shall be the responsibility of the Chair as well as other additional duties that may be assigned from time to time by the Chairman of the Board.

1. Presides at meetings held by the Committee.
2. Sets the agenda for such meetings.
3. Determines the method of voting.
4. Calls executive session meetings.
5. Assigns responsibility of taking minutes to include executive sessions.
6. Notifies staff and/or consultants of any materials required by the Committee to carry out the business of the Committee.
7. Ensures materials and agendas are distributed to the Committee in a timely manner.
8. Adjourns the meeting.

## **Meetings**

The Committee will meet a minimum of two times each year with additional meetings as it may deem appropriate.

## **Minutes**

Minutes of each meeting will be prepared by the Chief Financial Officer and sent to Committee members for approval prior to submission to the full Board. Minutes shall be kept in sufficient detail on decisions made by the Committee to allow clarity for future discussions. The Compensation Committee shall maintain records of meetings, including attendance, for at least 3 fiscal years as required by FCA Regulation 620.31.

The Committee shall meet in executive session at each meeting. The Committee shall reserve for such session all matters it determines should be discussed/voted on in executive session, including any matter that may be required by FCA regulations to be determined in executive session.

## **Authority and Responsibilities**

The Committee has the following authority and responsibilities that have been specifically assigned by the Board and/or that are required by regulation. The Board may adjust existing authorities and responsibilities or assign additional authorities and responsibilities on either a continuing or one-time basis.

1. Review the adequacy of this charter on an annual basis, and recommend any proposed changes to the Board for approval.
2. Maintain an annual calendar which delineates actions required of the Committee during the calendar year.
3. Review and recommend compensation for the Board.
4. Review the compensation disclosures of the Association's financial reports to ensure compliance with laws and regulations and ensure that such disclosures are clear and understandable.
5. Review the compensation policies and plans for senior officers and employees and to approve the overall compensation program for senior officers. By so doing, the committee will determine that:
  - a) The Association's projected long-term compensation obligations are appropriate to the services performed, and not excessive;
  - b) Incentive-based compensation programs and payments are reasonable and proportionate to the services performed and structured so that the payout schedule considers the potential for future losses or undue risks to the Association;
  - c) Senior officer compensation, incentive, and benefit programs support the Association's long-term business strategy and mission, as well as promote safe and sound business practices; and
  - d) Compensation programs designed for specific groups of employees, other than senior officers, pose no imprudent risks to the institution.

6. In order to ensure an appropriate relationship of pay to performance, annually review the goals and objectives, evaluate performance, and establish the base salary, incentive and other compensation of the CEO. Recommend to the Board approval of all compensation actions for the CEO, including employment and severance agreements.
7. Review the Association's human capital plan and succession plans, specifically succession planning for the position of CEO.
8. Conduct an annual self-assessment of the Committee and its performance.
9. Attend training on compensation trends and updates to include the design and development of appropriate compensation practices and programs.
10. Rely on authoritative guidance from Farm Credit Administration in carrying out its duties.