

**FARM CREDIT OF SOUTHERN COLORADO ACA  
HUMAN RESOURCES COMMITTEE CHARTER**

**Adopted February 2006 (Rev 12/07, 12/08, 09/09, 09/10, 12/10, 01/12, 12/12, 10/13, 01/15,  
02/15, 10/16, 03/17)  
(Re-affirmed 12/11, 07/16)**

**Mission**

The Human Resources Committee (Committee) of Farm Credit of Southern Colorado (Association) is established by, and reports to, the Farm Credit of Southern Colorado Board of Directors (Board). This Committee is established to comply with Farm Credit Administration (FCA) Regulation 620.31 and FCA Bookletter BL-060. The role and mission of the Committee is to assist the Board in fulfilling its responsibilities to prudently manage compensation programs, align compensation practices and sound operations and long-term performance, and provide, in an open and transparent manner, accurate, comprehensive, and understandable disclosures on compensation programs and practices in accordance with regulations put into effect by the FCA. As part of its mission, the Committee also has the responsibility to ensure that incentives provided do not create risks that could threaten the institution's safety and soundness.

The Committee is responsible for reviewing and approving a recommendation to the Board of the overall compensation package for the Chief Executive Officer (CEO) and the overall compensation package for other Executive Officers. The Committee is also responsible for reviewing the compensation program for all Association employees. In doing so, the Committee takes into account salary programs, perquisites, short-and long-term incentives, deferred compensation, retirement and/or pension programs, supplemental pension programs for Executive Officers, executive employment and severance agreements, change-of-control provisions, succession planning and retention bonuses, employee benefit plans, and the independence of any advisers used by the committee.

The Committee will also have responsibilities with respect to Board compensation.

The Human Resources Committee also oversees Association Human Resource programs and policies in other areas such as performance management, and diversity and inclusion.

**Membership and Terms of Office**

- **Membership.** The Committee shall be composed of a minimum of 3 and a maximum of 12 Directors. The Association's board of directors will appoint the members of the Committee. The Committee will determine its own structure by voting on its Chairman and Vice Chairman.
- Only Directors are eligible to be members of the Committee.
- Only Directors who meet the independence criteria outlined in the Association Director Independence Criteria Policy and who are designated by the Board as independent members shall be eligible for appointment to the Committee.
- The Board Chairperson shall serve as a voting member of the Committee.

- **Terms of Office.** The term of office for each position on the Committee shall be for one year. The Board, upon recommendation of the Committee or otherwise, may remove any Committee member at any time.

### **Meetings**

- The Committee will meet at least twice a year and at such additional times as may be necessary to carry out its responsibilities. Meetings typically will be held in connection with regularly scheduled meetings of the Board, and any Board member may attend any meeting of the Committee. Meetings may be called by the Chairperson of the Committee or the Chairperson of the Board. A majority of the members of the Committee in attendance at a meeting of the Committee shall constitute a quorum.
- Voting will be a one member-one vote basis, with the Chair and Vice Chair permitted to vote on all matters needing Committee action.
- Meeting agendas will be prepared and provided in advance to Committee members, along with appropriate briefing materials. Minutes of all Committee meetings, including attendance, will be prepared, approved by the Committee and provided to the Board. Minutes will be retained for at least 3 fiscal years. Minutes will provide sufficient detail on reasons for decisions to avoid disputes regarding prior decisions. Committee members will be provided ready access to past minutes of the Committee for purposes of reference or review.

### **EXECUTIVE SESSION**

- The Committee may adjourn into executive sessions in order to discuss critical issues without members of management being present.

### **Responsibilities and Authorities**

In carrying out its mission, the Committee shall have the following responsibilities and authorities:

- Annually review the Association's compensation policy and/or plan for all association employees.
- **Compensation Philosophy**  
Annually review and make recommendations to the Board on the Associations overall compensation philosophy and ensure that this philosophy is conveyed in the annual compensation disclosure. Ensure an appropriate linkage of pay to performance to insure that total compensation packages are meaningful relative to the Association's long-term financial outcomes.
- **Review of Employee Compensation**  
Annually review compensation policy and plan for all employees of the Association.

- **CEO Compensation**

Annually review and make recommendations to the Board on the compensation program for the CEO including base salary, annual incentives and long term or retention incentives of the CEO as applicable.

- **Review and approval of Overall Compensation Program for Executive Officers.**

Annually, review and make recommendations to the Board for the overall compensation program for Executive Officers, including base salary, annual incentives, and retention incentives.

- **Incentives for CEO and Executive Officers.**

Carefully evaluate incentive plans for the CEO and other Executive Officers to ensure that incentive payments are based on the Association's long-term financial performance, are consistent with prudent risk-taking, and produce safe and sound outcomes. Ensure that those incentive plans align the interests of Executive Officers with the long-term financial health of the Association.

- **Association Employee Salary and Incentive Plans.**

Annually review and make recommendations to the Board on base salary plans and annual and long-term incentive plans for all employees of the Association. Carefully evaluate incentive plans to ensure that incentive payments are based on the Association's long-term financial performance, are consistent with prudent risk-taking, and produce safe and sound outcomes. Ensure that the incentive plans align the interests of employees with the long-term financial health of the Association.

- **Director Compensation.**

Review and make recommendations to the Board on director compensation periodically as appropriate.

- **Employee Benefits**

Annually, or more frequently if necessary, review the health and welfare and retirement benefits approved by the Farm Credit Foundations Plan Sponsor Committee and provided to Association employees and executives through Farm Credit Foundations to ensure that the Association's compensation programs are appropriate in light of competitive benefits of other employers and current Association benefits, provided through Farm Credit Foundations.

Make a report to the Board on the financial impact to the Association of any changes that Farm Credit Foundations has made to those benefits, and make recommendations to the Board on providing input to Farm Credit Foundations regarding those benefits.

Annually review the benefits provided to Association employees and executives outside the purview of Farm Credit Foundations and make recommendations to the

Board on any changes to these benefits to ensure the compensation programs are appropriate.

- **Human Resources.**

Oversee policies and programs regarding human resources, including the management succession program, the Association's Equal Employment Opportunity philosophy and the response to FCA's requirement for an Affirmative Action Plan. Annually, or as otherwise appropriate, review and make recommendations to the Board.

- **Compensation Disclosure.**

Review and approve the compensation disclosure information that is included in the Annual Financial Reports and ensure that disclosures are made in an open and transparent manner and provide accurate, comprehensive and understandable information on programs and practices in accordance with FCA regulations.

- **Liabilities/Metrics.**

Fully analyze and justify the long-term liability to the Association in developing compensation packages and fully understand the financial commitment and total costs to the Association. Utilize appropriate metrics to fully understand the potential financial outcomes of the compensation package as it pertains to the CEO and individual Executive Officers.

- **Retirement Benefits.**

Ensure that retirement benefits are appropriate and not excessive in light of bonus programs and other compensation already paid to executives.

- **Pension Programs.**

Ensure that pension programs are appropriately structured to, retain, and reward staff and that pension programs are appropriately funded. Understand key assumptions used to calculate compensation and pension plan obligations and the sensitivity of the Association's financial exposure to such assumptions.

- **Communication and Collaboration.**

Communicate and collaborate effectively with the CEO and other Executive Officers and managers (particularly those with Human Resources or risk management responsibilities) so that the flow of information between the Committee and management is not impeded. The Committee Chair is authorized to be the key contact between the Committee and management and between the Committee and the Board. The Committee Chair, in his/her discretion, may brief the Board Chair and advise him/her of any key decisions of the Committee in advance so that the Board is prepared to deal with the issue(s) when the Board meets.

- **Outside Professionals.**

Consult with, or employ as needed, professionals and/or external legal counsel who (i) report directly to the Committee, (ii) are independent of Executive management,

and (iii) bring the necessary perspective and expertise to work directly with the Committee on compensation-related issues.

- **Access to Advisers, Resources, and Personnel.**

Have direct access to any external advisers that management of the Association uses on compensation programs or practices and to institution resources and personnel, particularly Executive Officers and managers with Human Resources responsibilities, to obtain needed information and gain the best overall understanding of the compensation program.

### **Human Resources Committee Training.**

The Committee will make a concerted effort to participate in training events as they arise. For example, National Directors Conferences and internal training events. It is the Board's responsibility to ensure that Committee members receive adequate training from professionals on compensation trends and updates, including the tax, accounting and legal implications of compensation programs. A record of the training will be kept in the Board Training document.

### **Self-Evaluation.**

Perform an annual self-evaluation of the Committee's performance and communicate the results of the self-evaluation to the Board.

### **Resources Available**

The Committee shall have the authority to and authorize expenses, whether budgeted or unbudgeted, for independent counsel and other external advisers as the Committee deems necessary to carry out its duties. This may include the engagement and/or termination of any compensation consultants utilized to assist in evaluating the compensation related issues, of the Association's CEO, Executive Officers, or employees.

The Committee shall have the authority to use reasonable amounts of time of the Association staff to assist in the performance of its responsibilities, including the recording and preparation of Committee minutes.

### **COMMITTEE CHARTER**

Annually or as otherwise appropriate, the Committee shall review the Committee Charter and recommend that the Board re-affirm or amend the Committee Charter.

### **Reporting**

The Committee will prepare and furnish meeting minutes and otherwise report to the Board related to the work performed by the Committee to discharge its responsibilities and authorities. The Board Secretary is available to the Committee to record and prepare these minutes.

Ensure that the Board is kept informed of substantial or exceptional matters or developments pertaining to major areas of responsibility and if decision making is involved or a recommendation is developed, report on the process followed, the options considered and the rationale used to support the Committee's decision recommendation.