

# Compensation Committee Charter

## Charters and Bylaws

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### **Mission Statement**

The Association Compensation Committee (Committee) is established by, and reports to, the Board. This Committee is established to comply with FCA Regulation 620.31, BL-060 and IM 2/23/2009. The role and mission of the Committee is to assist the Board in fulfilling its responsibilities to prudently manage compensation programs, align compensation practices with 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 promulgated 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 the overall compensation package for the Chief Executive Officer (CEO) and other senior 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 senior 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.

### **Membership/Terms of Office**

#### Membership

- The Committee shall be composed of at least three (3) members of the Board.
- 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 an ex-officio, non-voting member of the Committee.
- Annually, the Board shall appoint all members and the Chairperson of the Committee.

## Terms of Office

- The term of office for each position on the Committee shall be for one (1) 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.
- Committee 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 Chair of the Committee or the Chair 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 on a one member-one vote basis, with the Chair and Vice Chair permitted to vote on all matters needing Committee action.
- Directors who are not members of the Committee can attend meetings of the Committee.
- 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 and approved by the Committee. Minutes will be retained for at least three (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:

## Compensation Philosophy

- Annually review and make recommendations to the Board on the Association's overall compensation philosophy and ensure that this philosophy is conveyed in the annual compensation disclosure. Ensure an appropriate linkage of pay to performance to ensure 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 Job Responsibilities and Compensation

- Annually, review and make recommendations to the Board on the overall compensation program for the CEO, including base salary, annual incentives, and long-term or retention incentives of the CEO, as applicable.
- Annually, review and evaluate the Job Description and Performance Objectives and Responsibilities of the CEO and make recommendations to the Board.

### Review and Approval of Overall Compensation Program for CEO and Senior Officers

- Annually, review and approve a recommendation to the Board of the overall compensation program for the CEO and other senior officers, including base salary, annual incentives, and retention incentives.

### Incentives for CEO and Senior Officers

- Carefully evaluate incentive plans for the CEO and other senior 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 senior 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. Directors should be compensated appropriately for carrying out their fiduciary duties and responsibilities. Appropriate compensation is also critical in helping attract qualified individuals to serve as directors. In reviewing and recommending any changes to the director compensation, the Committee should consider all relevant factors including:
  - Appropriate reasonable and adequately documented compensation methodology.

- Reasonable compensation amounts(s) for time, effort and expertise required for the fulfillment of fiduciary duties.

#### Employee Benefits – Provided by Farm Credit Foundations

- Recommend for Board approval the nomination or selection of directors and leadership to serve on the Farm Credit Foundation board of directors and plan sponsor Committee as needed.
- Review as needed the welfare and benefits provided to the Association executives and employees through Farm Credit Foundations programs (taking into account any such benefits provided outside of such programs) to ensure that the same conform to and support the Association's total compensation philosophy.
- Advise the Board of the financial impact to the Association of any changes made to such benefits and recommend any input to be provided regarding the same.
- Ensure that retirement benefits are appropriate and not excessive in light of bonus programs and other compensation already paid to executives.
- Ensure that pension programs are appropriately structured to attract, 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.

#### Human Resources

- Oversee policies regarding human resources, including the management succession policy, and annually, or as otherwise appropriate, review and make recommendations to the Board. Recommending for Board approval and monitoring implementation of the Association's human capital plan which will include the following.
  - Description of the Association's workforce and leadership.
  - An assessment of the strengths and weaknesses of the Association's workforce and leadership.
  - A description of the Association's workforce and leadership succession programs.
  - Association strategies for ensuring diversity and inclusion within then workforce and leadership.

#### Compensation Disclosure

- Review and approve the compensation disclosure information that is included in the annual financial reports or Association Annual Information Statement (AMIS) 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 senior officers.

#### Communication and Collaboration

- Communicate and collaborate effectively with the CEO and other senior 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.
- The FCA expects the Compensation Committee to provide prompt notice to FCA of any material changes in the institution's compensation program and to then disclose this information to the institution's shareholders in a timely manner.

#### 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 senior 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 senior officers and managers with human resources responsibilities, to obtain needed information and gain the best overall understanding of the compensation program.

#### Compensation Committee Training

- Annually establish a schedule of training for the Committee and make other appropriate training opportunities available to Committee members. 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. Committee members should strive to attend such training.

#### Self-Evaluation

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

## Resources

The Committee shall have the authority to engage 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, or compensation related issues, of the CEO, senior 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 reaffirm or amend the Committee Charter.

## Reporting

The Committee will prepare meeting minutes and report to the Board work performed by the Committee to discharge its responsibilities and authorities.

The Board Secretary is available to the Committee to record and prepare the 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 or recommendation.

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**Related Documents:**

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