



## AUDIT COMMITTEE CHARTER

---

### **Purpose**

Each standing Committee of the Board has adopted a Charter specifically outlining the Committee's responsibility, membership, meetings and specific duties. Annually, the Chairman of the Board shall appoint Board members to serve on a committee. New Committee appointments will be effective January 1 of each year.

### **Role**

The Audit Committee is a committee of and reports directly to the Board of Directors. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities relating to the quality and integrity of the accounting, auditing, and reporting practices of the Association, and such other duties as directed by the Board. The Committee's purpose is to oversee the:

- Accounting and financial reporting processes of the Association
- Audits of the Association's financial statements
- Qualifications of the public accounting firm engaged as the Association's independent auditor to prepare or issue an audit report on the financial statements of the Association and annual Internal Controls over Financial Reporting (ICFR) to AgFirst Farm Credit Bank.
- Performance of the Association's independent auditors which is defined as any auditor or reviewer engaged by the association and includes for the purposes of this charter:
  - External independent auditor
  - Internal auditor
  - Internal credit reviewer
  - Internal appraisal reviewer

The Audit Committee is also responsible for review of the Farm Credit Administration (FCA) examination results. Consistent with this function, the Audit Committee encourages continuous improvement of and fosters adherence to the Association's policies, executive directives, and practices at all levels.

### ***Authority***

The Audit Committee will have the resources and authority necessary to discharge its duties and responsibilities. The Committee has sole authority to retain and terminate outside counsel or other experts or consultants for the Committee's use, as it deems appropriate, including sole authority to

approve related fees and other retention terms, subject to any regulatory or statutory limitations that may be in effect. A two-thirds majority vote of the full Board is required to deny an Audit Committee request for resources. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention. The Committee will have full access to the Association's books, records, facilities, and personnel. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Association, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

### ***Composition***

The Audit Committee shall be comprised of at least three 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. Members of the Committee should be knowledgeable in at least one of the following: public or corporate finance, financial reporting and disclosures, or accounting procedures. At least one member of the Committee must be a Board-designated financial expert (see Director Qualifications, Training and Evaluation Policy, "Director Composition Requirements").

The Chair and members of the Committee shall be appointed by the Chairman of the Board at the annual organizational meeting of the Board and shall typically serve until their successors shall be duly selected and qualified. The Committee will elect the Vice Chair of the Committee. New Committee appointments will be effective January 1 of each year. Committee members shall abide by all Bylaws, policies, procedures, and FCA regulations regarding membership, attendance, and conduct. Committee members may be removed at any time, with or without cause, by the Board Chair.

### ***Communications***

The Committee is expected to maintain free and open communication with the independent auditors, and management. The Committee will also have full access to all significant communications between the independent auditors and management. In addition, the Committee Chair as well as any Board-designated financial expert(s) shall have free and unhindered access to the Chief Financial Officer, Controller, and Risk Manager of the Association at all times. Any information obtained in these meetings shall be fully shared with all members of the Audit Committee.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. As part of its role to foster open communication, the Committee shall meet as often as needed, but at least once per year, with management and the independent auditors in separate executive sessions to discuss any matters that the Committee or any of these groups believe should be discussed. The Committee will also, as needed, meet in executive session with committee members only. The Audit and Credit Committees will meet jointly to receive the reports of credit and appraisal reviews, audits, or FCA examinations. The independent auditors will discuss the reports in person or via tele- or video conference. At a minimum, the Credit and Audit Committees will meet jointly at least semi-annually.

The Committee will cause to be kept adequate minutes of its proceedings, and will report on its actions and activities to the full Board of Directors. Minutes shall note any agreement or disagreement with any financial policy, procedure, letter, or report that has been reviewed. Members of the Committee will be furnished with copies of meeting minutes at the next scheduled meeting of the Committee.

The Committee will conduct a self-evaluation annually. Results of this self-evaluation shall be used to determine training needs and opportunities for strengthening the effectiveness of the Committee.

### ***Responsibilities***

The independent auditor reports directly to the Committee, and the Committee is responsible for reviewing the work of the independent auditor. All reports will be provided directly to the Committee by independent auditors. The Committee will then provide such reports, as needed to the Credit Committee in order to carry out their responsibilities.

The Committee has the authority to appoint or replace the independent auditor and to approve the fees and terms under which the independent auditor is engaged for the ensuing fiscal year. The Committee must also pre-approve any audit, audit-related, or non-audit services provided to the Association by the independent auditor. The Committee will evaluate annually the qualifications and independence of the independent auditor. This evaluation will include receipt of a written report (timing and frequency as determined by the Committee) from the independent auditor describing all relationships between the independent auditor and the Association, including all services provided and associated fees.

In addition, the Committee has other specific responsibilities in carrying out its oversight role which are delineated in the Audit Committee Responsibilities Calendar. The Responsibilities Calendar will be reviewed and updated at least annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices.

It is not the duty of the Committee to plan or conduct audits, to determine that the Association's financial statements are complete and accurate and in accordance with generally accepted accounting principles, to establish satisfactory internal controls or to perform any other responsibility of Association management. The Committee oversees the work of others to ensure compliance with laws and regulations or the Association's standards of business conduct, code of ethics, internal policies, procedures, and controls.

### **Authorities Retained for Board Approval or Action**

Amendments and modifications to this policy must be approved by the Board.