

## **BOARD COMPENSATION**

### **Responsibility**

To prudently manage compensation programs, aligning compensation practices with sound operations and long-term performance, and provide, in an open and transparent manner, accurate, comprehensive, and understandable disclosures on the Association's compensation programs and practices. 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; monitor executive development practices in order to ensure succession alternatives for the organization; 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 and/or legal counsel, as appropriate, and shall have sole authority to retain, terminate and determine the fees of any such consultant. Such advisers shall be independent of senior management.

### **Membership**

The Committee shall consist of three or more members of the Board appointed by the Chairman of the Board on an annual basis. The Committee Chairman and Vice Chairman will be appointed by the Board Chairman annually. In addition, the Chairman of the Board and the Chief Executive Officer may participate on a non-voting basis.

### **Meetings**

The Committee will meet at least two times each year with additional meetings as it may deem appropriate. The committee will meet in executive session at each meeting and shall reserve for such sessions all matters it determines should be discussed and voted on in executive session, including any matter that may be required by FCA regulations to be determined in executive session.

### **Minutes**

Actions taken and/or issues discussed at each meeting will be reported to the full Board. Minutes will be prepared and submitted to the Committee for review and approval.

### **Specific Duties**

- Determine corporate compensation philosophy, what the Association rewards, and convey that philosophy in the annual compensation disclosure.
- Analyze and justify the long-term liability to the Association in developing compensation packages and understand the financial commitment and total cost to the Association.
- Establish an appropriate linkage of pay to performance to ensure that total compensation packages relate meaningfully to long-term financial objectives and outcomes of the Association.

- Establish target objectives toward total pay (competitive, below, above), and then evaluate success at meeting target objectives.
- Assess the on-going competitiveness of the total compensation plan and review benefit plans to ensure competitive “fit”. Establish and periodically review policies in the area of perquisites and “fringe” benefits for key contributors.
- Ensure that retirement benefits are appropriate and not excessive. Fully understand key assumptions used to calculate compensation and pension plan obligations and the Association’s sensitivity of exposure to such assumptions.
- Annually review and approve the goals and objectives of the Chief Executive Officer, evaluate the Chief Executive Officer's performance in light of these goals, and set appropriate compensation levels based on this evaluation. Review market data and salary structure recommendations provided by AgFirst or other sources as appropriate.
- Review and approve management's recommendations and provide guidance on matters relating to senior officer compensation and appointments.
- Review and approve annual and long-term incentive compensation programs, including plan design, documentation, and incentive amounts to ensure such programs are consistent with the long-term financial performance goals of the Association. Incentive programs should be designed to reflect prudent risk-taking and produce safe and sound outcomes. Review the annual corporate plan and the appropriateness of financial measures and degree of difficulty in achieving targets. Recommend any bonus considerations outside established policies and guidelines.
- Annually review executive development and succession plan, as well as orderly succession to the post of CEO.
- Annually approve the association’s salary structure and merit matrix for senior management and other staff to be used in conjunction with the performance evaluation process.
- Review the Bank’s Affirmative Action Plan, Diversity Report and Turnover Report at least biannually.
- Review the annual disclosures as required under Section 620.5(h) of FCA regulations and as related to compensation programs and practices to ensure accurate, comprehensive and understandable disclosures.

The committee will not rely on its qualified public accountant in reviewing the compensation disclosure because such a review is generally not within the scope of the audit of the financial statements.

- Receive periodic training on compensation trends and updates including the tax, accounting, and legal consequences of compensation programs.

- Carry out special assignments from the Board Chairman regarding issues on compensation and employee benefits.
- Conduct an annual evaluation of the Committee's performance and make recommendations as needed to the chairman of the board regarding committee member appointments and removals.
- Review and recommend compensation for the Board.
- Review periodically the Committee's charter, and make appropriate recommendations to the full board.
- Review reports from the CEO regarding any severance plans and benefits offered under severance plans.

The Compensation Committee may at times handle duties and responsibilities of the Committee in concert with the Board at Board meetings.