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Board Charter

References: FCA Regulations 611.210, 611.210(a)(1), 611.210(a)(1), 611.210(b), 611.220, 618.8440

I. Purpose

The Mission Statement of Golden State Farm Credit, ACA is:

“To enhance the ability of the agricultural community to achieve business and personal goals by continuing to provide needed and competitive credit and financial services”

The Board adopts this Charter to bring clarity and focus to those key board composition and process areas that support the Board’s leadership and oversight role in the accomplishment of this mission.

II. Board Composition

A. Board Functions

These are the Board’s primary functions:

1. Developing the Association’s long-term vision and conducting the long-term planning and strategic thinking needed to realize the vision
2. Determining policy matters, periodically reviewing operations and being informed of the fulfillment of objectives, goals and performance
3. Understanding the Association’s primary and other lines of business, including:
4. the key business opportunities that may exist and the strategies to pursue them
5. the significant related risk areas presented and the tools to manage them
6. Putting effective management in place to conduct operations, especially through CEO hiring, compensation, evaluation, and succession planning programs
7. Delegating authority to management and holding management accountable for results
8. Overseeing the Association’s financial reporting and disclosure, compliance with laws and regulations and audit programs
9. Advancing the Association’s political interests and fostering an excellent public image

B. Roles and Responsibilities

The Board’s key roles and responsibilities are:

1. Maintaining linkage with the stockholders and customers
2. Maintaining high standards of ethics and excellence when conducting board business, e.g.:
 - a. Taking adequate time to prepare for and deliberate on matters coming before the Board
 - b. Asking the pointed questions and considering options
 - c. Reasonably relying on management, auditors, advisors
 - d. Exercising objectivity and autonomy to make independent, informed decisions
 - e. Staying alert to problems and taking action when necessary
3. Maintaining a healthy relationship with management
4. Determining the “rules of the road” for board communications with customers and important external parties
5. Preserving the confidentiality of boardroom discussions and Association business
6. Being willing to put the needs of the Association ahead of those of the individual

7. Being willing to have or acquire a knowledge of the cooperative structure
8. Fostering a healthy relationship with customers, CoBank, other associations, auditors, examiners and other similar key external parties

C. Qualifications

The Board will meet all by-law and regulatory board qualification requirements for service on the Board. The Board has determined its primary functions, as listed above, based upon a review of the nature and complexity of the Association's mission and business operations. Given the nature of its functions, the Board has found one or more of these additional qualifications to be desirable:

D. Elected Directors

1. Closely tied to the land, farming and agriculture
2. Residence or farming in Association's geographic territory
3. A background in the types of agriculture (commodities, markets, etc.) practiced in Association's territory
4. A basic understanding of financial and credit matters appropriate for a financial services cooperative
5. A working knowledge about disclosure and compliance (audits, financial statements, internal controls, regulations)
6. Background, education or experience in the areas of agribusiness, agricultural economics, or management
7. An understanding of the Association's financial strength and performance, competitive position in the marketplace and the impact of mergers in the financial services industry
8. Political background, experience or relationships

Recognizing that elected directors are nominated from the membership, the guidelines for the Nominating Committee to use in determining their qualification will include, but not be limited to the responsibilities of directors as presented in the most recently published edition of "The Director's Role, Farm Credit Institutions" published by the Farm Credit Administration.

E. Appointed Directors

For appointed directors the Board will look to those persons with such experience, background and knowledge as the Board determines necessary to diversify its membership or to add special areas of expertise which may include business, financial services, agriculture, agricultural economics, government, state or national politics, or marketing.

For appointed directors, the Board as a whole will compare prospective appointees' résumés with the qualifications presented in this Charter before confirming such director appointments. Additional guidance for qualifications may come from any other formal or informal source determined by the Board to be appropriate for their purpose.

F. Financial Expert

At least one director (elected or appointed) must be a financial expert as so designated by action of the Board. FCA regulations define a financial expert to be a person recognized as having education or experience in: accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations consistent with the breadth and complexity of accounting and financial reporting issues that can reasonably be expected to be raised by the Association's financial statements. Financial experts must report to the Board and must be free of any affiliation with the Association's external auditor or management.

G. Traits, Character and Temperament

To perform its roles and responsibilities the Board seeks members (elected or appointed) who have the following types of traits, character and temperament:

1. Commitment to customers and owners
2. Honesty and integrity
3. Ability to read people
4. Propensity to think in terms of systems and context
5. Ability to ask the right questions and press for answers
6. Ability to apply common sense to resolve problems or issues
7. An understanding of and appreciation for the differing roles of board and management
8. Effective communication skills
9. Having the courage to disagree in the course of deliberations, but then support the final decision
10. Willingness to regularly, faithfully and actively attend board meetings and functions

For appointed directors, who must be from outside the Farm Credit community, the Board will prefer those persons who are well known and influential and have a good reputation for their financial transactions.

H. Independence

Directors must exercise judgment independent of their own interest in deciding matters in the Association's best interests. The Board will be vigilant to ensure that independence is not jeopardized. Appropriate codes of ethics and standards of conduct are in place and will be followed to maintain the highest standards of ethics, honesty and integrity for the Association.

The Association is a financial service cooperative. The Board firmly believes that it is important to have members serve as elected directors. As members, they have a vested interest in making sure that the Association remains strong and successful. The Board will make certain that all needed controls or requirements are in place and applied so that the loan relationship does not compromise director independence.

To achieve these stated goals and standards, the Board has established the following criteria regarding independence:

1. Directors will be committed to maintaining the highest ethical and moral standards
2. Directors will understand and adhere to the Association's policies and practices regarding Standards of Conduct, including those prohibiting nepotism
3. Director transactions with the Association (other than loans) will be arms' length and represent fair value
4. No director will have any board, significant management position or material (five percent or greater) ownership interest in any entity that competes with the Association
5. To maintain the highest standards for director loans to ensure that objectivity in the boardroom is not compromised the Board requires that:
 - a. All director loans will be made and serviced on the same terms and subject to the same conditions as applied to borrowers generally
 - b. All director loans will be and remain in good standing, subject to such opportunity to address any loan deterioration and restoration to good standing as the Board may allow

I. Number

The Board's composition includes ten positions, five will be filled by candidates nominated from the south region, and five will be filled by candidates nominated from the north region. Two appointed director positions are required to comply with regulations for Farm Credit institutions with volume exceeding one billion dollars. Any changes in the number of Board members will be determined by the Board.

The number of directors on the Board must be sufficient to maintain linkage with the customers and stockholders and collectively have the qualifications and temperaments to perform the Board's functions and carry out its roles and responsibilities. The Board may consider other factors such as:

1. Need to generate, maintain focus on issues in the boardroom
2. Logistics and costs of assembling the board to conduct its business
3. Frequency of board meetings or other official duties
4. The use of committees to assist a larger board do its work

III. **Board Leadership, Organization and Processes**

The elected directors represent the breadth of the Association's geographical territory and offers industry expertise in commodities financed by the Association. Each elected director is an owner/operator of his/her own business operation and experienced in the complexities of running a business. In addition appointed directors provide a diverse, non-Farm Credit perspective to Association issues.

A. Chair

The chairman will preside at all meetings of the Board; will coordinate and direct the activities of the Board and will perform such other duties as required by the bylaws (typically presiding at stockholder meetings) or as the Board determines from time to time. The chairman will see that all orders and resolutions of the Board, regulations with respect to the Association, and all policies and procedures proscribed by the FCB are carried into effect.

It is the Board's desire to elect officers that are both willing and capable of providing appropriate leadership. Generally, the Board believes that the office of chairman should be filled and continues to be filled by directors who meet these criteria and who have been elected by the membership. For that reason the Board's philosophy is that the chairman's position should not be limited to some specified term limit or expected rotation.

To provide appropriate leadership in this position, desired roles and attributes for the chair include:

1. Ability to lead fairly but firmly
2. Willingness to welcome diversity of opinion
3. Ability to promote fair, open deliberation in a timely, orderly, and to the point manner
4. Ability to draw out leadership that may be dormant in the group
5. Capability of enforcing the Board's own agreed upon rules of conduct
6. Capability of representing the Board to the public, other system institutions, and other important external parties
7. Ability to prepare the vice-chair for leadership
8. A good understanding of group dynamics and decision making
9. Ability to maintain an open line of communication with management, especially the CEO
10. Ability to effectively facilitate board discussion and deliberation so that all views (including the chair's) are on the table as the Board goes about its business

B. Committees

In determining whether to create a committee the Board will evaluate whether or not the use of a committee will assist it in fulfilling a board function. When establishing a standing committee, the Board will follow these guidelines:

1. There will be a clear charter of authorities, composition and roles and responsibilities approved by the full Board
2. Committee members' qualifications will be tied to the board functions that the committee has been formed to address
3. The advantages and disadvantages of having the committee's membership comprise the entire Board or a subset of its members will be considered
4. The Board will establish any committee of the type or character required by FCA regulations

In addition to standing committees, the Board may from time to time establish such ad hoc committees as may be deemed useful or convenient for the conduct of particular matters of board business.

C. Board Member Development

1. **Director Elections/Board Vacancies:** The Board is committed to the principle that there be adequate representation from all areas of Association's territory and also, to the extent possible, that all major commodity groups financed by the Association are represented on the Board. The Board also considers other desired qualifications when providing information to the nominating committee during the election process or when filling vacancies. In that regard the Board will provide a copy of this Charter to the nominating committee for its use in determining eligible candidates during board elections. The Board will also furnish a summary of its annual evaluation to the nominating committee at its request.
2. **New Director Orientation:** To assist a newly elected or appointed director with the performance of his or her duties as a director:
 - a. The Board will review this Charter and discuss Association philosophy, culture and similar board level subjects with the director
 - b. The director will receive training and information on the structure, operations and business objectives of the Association in the overall context of the Farm Credit System
 - c. The director will receive information on the legal duties and responsibilities of board service
 - d. The chairman and the CEO will work with the director to target any areas where the director desires specific training and organize a process to obtain that training
 - e. New director orientation will be promptly completed as soon as practicable after the director is elected or appointed, but in no event later than one year after the director assumes his or her position on the Board.
3. **Director Training:** Making high quality and effective training programs available to Board and committee members is a high priority. To achieve this objective at least annually the Board will review training needs with the CEO (especially those that will aid the Board in obtaining or maintaining desired qualifications for the Board or for a Board committee) and develop a training plan or schedule to meet those needs.
4. **Evaluation:** The Board desires to maintain high standards of excellence in conducting board business. As needed, but at least annually, the chairman, or external facilitator will lead the Board through an informal assessment of its own performance during executive session. To guide this process the Board will look to such matters as the achievement of the standards and criteria set out in this Charter, regulatory evaluations, external financial and operational performance measurements and meeting key business plan goals and objectives.

The board conducts an annual self-assessment to determine its strengths and weaknesses. Identified weaknesses are addressed in focused training sessions, either in conjunction with scheduled board meetings or off-site seminars conducted by third-parties. Members of the board regularly attend district and system conferences to stay abreast of issues affecting Farm Credit and the agricultural economy.

D. Meetings

The Board will meet at such frequency and at such locations as may be necessary and convenient to fulfill its responsibilities and conduct its business. Meeting guidelines are:

1. A yearly calendar of proposed meeting dates, times and locations will be developed by the chairman and the CEO for the review and approval of the Board.
2. Materials relating to matters to be taken up at meetings will ordinarily be furnished to the Board sufficiently in advance of the meeting to give the members reasonable time to review and consider the upcoming board business.
3. Meeting agenda will be developed by the chairman with the input of the CEO and the approval of the Board.
4. The Board will use executive sessions as appropriate to promote open, candid and full discussion of sensitive or internal matters.

E. Reports

The Board will require reports, advice or other information to monitor performance, make decisions and keep informed on important issues affecting the Association.

Information will be derived from such sources, received at such frequency and presented in such form as may be satisfactory to the Board. Management will ordinarily serve the Board’s information needs. Depending on the circumstances and the perceived need, the Board may use external experts and advisors as an additional resource.

IV. Charter Review

The Board recognizes that for this Charter to be useful, it must be kept current and relevant. To that end, the Board will conduct a Charter review annually and make any changes that are needed to meet the Charter’s purpose.

Revision History

Version	Date	Owner	Summary of Changes
N/A	1/29/2014; 4/20/2016, 12/20/2017; 12/19/2018; 12/18/2019	ELT	N/A
1.0	1/22/2020	CEO	Administrative Update Only. Initial release to PolicyTech, added Document Number