



OVERVIEW

Qualified and capable directors are essential to maintain strong governance practices and the safety and soundness of the Association. This policy will identify desirable qualifications for directors including the skills, knowledge, abilities, and experience necessary to serve on the Board. In a member owned cooperative, with directors elected by members, there may be instances when otherwise qualified candidates lack expertise in technical areas. Any such lack of expertise can be supplemented with experienced appointed directors and with training for Board members. Intelligent, capable, and motivated Board members will be provided with the resources to gain the knowledge necessary to effectively serve on the Board.

This policy supplements, but does not supersede, applicable terms of the bylaws with respect to Director Eligibility and qualifications.

SPECIFIC POLICIES AND ACTIONS

A. Eligibility

With the exception of outside directors, all directors must be voting members of the Association as required by the bylaws. An individual is not eligible to serve as a director, if in the prior year the individual was employed by a Farm Credit System institution. Association Directors cannot serve as a director of any other System institution simultaneously, except that an Association elected director who is elected to the ACB Board of Directors (CoBank) may continue to serve as an Association director only until the first meeting of the Association Board following the annual Association election of directors. An Association Director cannot serve as director, officer, employee, or agent of any other non-System financial institution authorized to make the same types of loans as the Association.

B. Character

Directors are expected to have high ethical standards, a strong work ethic, and be dedicated to the interests of the Association and its members. Strength of character is the most essential qualification for a Director and is the foundation for an effective Board.

C. Credit Quality

Unless there are extenuating circumstances that are temporary in nature, it shall be the philosophy of this Board that members whose credit quality has been substandard on the most recent credit review should not be eligible for election or re-election as an Association director and would be obligated to withdraw his or her name from consideration.

D. Expertise

Board members should have and/or develop knowledge and experience in one or more of the following areas: agricultural economics, accounting, risk management, financial reporting, legislative activity, governance, compensation, agricultural operations, and credit processes. It is expected that Board members will have different levels of knowledge and experience but that Board members will complement each other to provide the necessary expertise for effective Board operation.

E. Representation

Board members should represent the different types of loans within the Association, the different territories in the Association, and the different agricultural practices in the Association.

F. Appointed Directors

Appointed directors will be used to supplement expertise and representation on the Board. Qualified candidates should address needs identified on the Board as part of its self-evaluation process and with regard to character and expertise candidates will be assessed on substantially the same basis as elected Board members.

G. Financial Expert

The Board will have at least one financial expert with education or experience in accounting, internal accounting controls, or preparing or reviewing financial statements for financial institutions or large corporations. The skill level of the financial expert must be consistent with the complexity of Association financial statements and business activity. The financial expert may be an elected or appointed director depending on qualifications and expertise.

H. Committee Activity

Board members will serve on committees consistent with their knowledge, expertise, interests, and the needs of the Association. Provided that adequate training is made available and other committee members have requisite experience then an otherwise inexperienced Director can serve on a committee to gain knowledge and expertise in a new area. Activity to broaden the overall expertise of a Board member should be encouraged.

I. Education and Training

The Board will identify specific needs for education and training as part of the annual self-evaluation process. The governance committee will develop the training curriculum for the Board. All directors will receive new Director Orientation training as soon as practical after election to the Board.

J. Board Self-evaluation

As part of the annual business plan the Board will conduct a self-evaluation to identify the needs of the Board was respect to knowledge, expertise, and training.

K. Coordination with Nominating Committee

The Board will coordinate with the nominating committee for consideration of qualifications for directors. This policy will be provided to the nominating committee and, if requested by the nominating committee, a summary of the Board's self-evaluation will be provided to the nominating committee.

L. Policy Revisions

This policy will be reviewed annually by the governance committee with recommended changes reported to the Board for consideration and review at the next scheduled Board meeting.

RESCISSIONS

This policy supersedes all previous action of this Board on this subject which are hereby rescinded **effective October 25, 2016.**

APPROVAL

Approved by Board of Directors: October 25, 2016

REFERENCE

FCA Regulation § 611.210 Director Qualifications and Training
FCA Bookletter BL-009