

**AG NEW MEXICO, FARM CREDIT SERVICES, ACA**  
**Compensation Committee Charter**  
**Approved: November 15, 2011**  
**Revised and Approved: February 26, 2019**  
**Reaffirmed: December 22, 2020**

**PURPOSE AND OBJECTIVE**

The Board of Directors (the “Board”) of Ag New Mexico, Farm Credit Services, ACA (the “Association”) has established a committee of directors to be known as the Compensation Committee (the “Committee”), which is accountable and shall report only to the Board of the Association. The primary function of the Committee is to discharge the Board’s responsibilities with respect to matters involving the compensation of the Board and the Chief Executive Officer (the “CEO”), to review the Association’s compensation policies and plans for senior officers and employees, and to approve the Association’s overall compensation program.

While the Committee has the powers set forth in this Charter, it is not the duty of the Committee to approve the compensation of individual senior officers or employees. This is the responsibility of Association management.

The Committee will discharge these responsibilities by carrying out the activities and processes set forth in the following sections of this Charter. In doing so, the Committee shall have full access to all books, records, facilities, and personnel of the Association, outside professionals and advisors engaged by management, and is authorized to retain and terminate outside counsel or other experts considered necessary in discharging its role. This activity includes authority to negotiate the fees and retention terms for such outside advisors and submit to the full Board for approval. Any such outside advisors shall work for and report directly to the Committee and be independent of management.

Committee members are expected to remain current on compensation related issues by taking advantage of training that is made available through various Farm Credit sources or if deemed necessary by engaging an independent trainer.

This Committee will operate within the guidelines set forth by the Farm Credit Administration (“FCA”) in Bookletter BL-060 and relevant FCA regulations, and may utilize outside advisors, legal counsel, and Farm Credit Bank of Texas staff to ensure compliance with this directive.

**COMPOSITION AND TERM**

The Committee shall be comprised of at least three Board members. The Chairperson of the Board may not serve as the Chairperson of the Committee and may only serve as an ex officio non-voting member. Each member of the Committee shall be free from any relationship, specifically including relationships with senior officers, conflict of interest or appearance of a conflict of interest, which, as determined solely by the Board, would interfere with the exercise of his or her independent judgment as a Committee member. The Committee may consist of each member of the Board, provided that each member of the Committee satisfies the independence requirement, and the business of the Committee is separate and identifiable from the general business of the Board.

The term for each Committee member shall be one year. The Chairperson and members of the Committee shall be appointed by the Board Chairperson at the annual organizational meeting of the Board and shall serve until their successors are duly selected and qualified. The Chairperson of the Committee shall be the principal contact between the Committee and the Board and the Committee and Senior Management. The Board, upon recommendation of the Committee or otherwise, may remove any Committee member at any time. The Committee may elect a Vice-Chairperson, if it determines that this position is needed. Any Board member that is not a member of the Committee may participate on a non-voting basis.

### **MEETINGS**

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. Meetings may be called by the Chairperson of the Committee or by the Chairperson of the Board. A majority of the voting members of the Committee shall constitute a quorum. In the event that the Chairperson of the Board also serves as an ex-officio, non-voting member of the Committee, his or her presence shall not count towards the establishment of a quorum. The Committee shall have the authority to delegate any of its responsibilities to subcommittees, as the Committee deems appropriate. The Committee may meet with, and receive reports from management and professional advisors engaged by management or specifically by the Board. The Committee shall also hold executive sessions without management to discuss any matters that the Committee believes should be discussed privately or with its independent advisors.

The Committee meetings shall be separate from meetings of the Board, and the minutes and records of Committee meetings shall likewise be kept separate from the general minutes and records of meetings of the Board.

### **AUTHORITY, RESPONSIBILITIES AND DUTIES**

This Committee shall perform its duties consistent with this Charter, the Association's by-laws, governing law and regulations, and binding agreements, as the Committee or the Board deems necessary or appropriate. As such, the Committee shall document its determination that:

1. The Association's projected long-term compensation and retirement benefit obligations are appropriate to the services performed and not excessive;
2. Incentive-based compensation programs and payments are reasonable and proportionate to the service performed and structured so the payout schedule considers the potential for future losses or undue risks to the Association;
3. Senior officer compensation, incentive, and benefit programs support the institution's long-term business strategy and mission, as well as promote safe and sound business practices; and
4. Compensation programs designed for specific groups of employees, other than senior officers, pose no imprudent risks to the Association.

As a committee of the Board, the Committee shall report its activities only to the Board, and to the FCA upon their specific request. To discharge its responsibilities and duties, the Committee shall maintain an awareness of current compensation practices and their impact on the Association and shall, with such

assistance from management and/or its outside advisors as the Committee deems appropriate, perform the following duties:

1. Establish the overall compensation structure and executive compensation philosophy and principles of the Association and insure there is an appropriate relationship between compensation and performance.
2. Annually review and approve the corporate goals and objectives of the CEO, assist the Board in the performance evaluation of the CEO and recommend to the Board the base salary and incentive, and other compensation of the CEO.
3. Review the Association's compensation policies and plans, including bonus and/or incentive plans, for senior officers and all employees, and approve the overall compensation program for senior officers. This includes salary programs, perquisites, short and long-term incentive plans, deferred compensation, retirement and/or pension programs, supplemental pension programs for senior officers, executive employment and severance agreements, change of control provisions, succession planning, retention bonuses and employee benefit plans.
4. Ensure that incentive payments:
  - a. Relate to the long-term financial performance of the Association;
  - b. Encourage sound operations and prudent risk-taking;
  - c. Discourage unreasonable risk-taking;
  - d. Are reasonable and proportionate to the services performed; and
  - e. Are structured so that the payout schedule considers potential future losses or undue risks.
5. Review any annual communication from FCA regarding compensation for directors and make recommendations to the Board on regular director compensation.
6. Review the compensation discussion and analysis in the Association's annual report and determine whether it meets the regulatory requirements of FCA Regulation 620.6, and whether the discussion is prominent, inclusive and understandable.
7. Approve all compensation related disclosures to shareholders prior to publication in reports to shareholders, and ensure that all such disclosures articulate the Committee's compensation philosophy in an understandable manner., in accordance with FCA Bookletter BL-060.
8. Meet in executive session without the presence of management to discuss matters the Committee deems appropriate.
9. Notify FCA of any material changes in the Association's compensation policies and plans, and disclose such changes to shareholders in a timely manner.
10. Communicate with FCA regarding any changes in the authorities or responsibilities of the Committee as delegated by the Board.
11. Committee to conduct an annual self-assessment evaluation of the Committee's performance, including the performance of individual members of the Committee, and the adequacy and

relevance of this Charter and recommend any proposed changes to the board for their review and subsequent Board approval.

12. Communicate regularly with the CEO, senior officers (particularly those with human resource and risk management responsibilities), and all resources that have been contracted to assist the Committee or management.
13. Participate in surveys for Director Compensation and recommend to the Board any appropriate market-based adjustments for the Board's compensation package.
14. Work in coordination with the Audit Committee and the Board on any provisions contained in the Board policy regarding the reporting of Material and Significant Events.
15. Take minutes of Committee meetings and maintain records of all meetings, including attendance, for at least three fiscal years.