



## **RISK MANAGEMENT COMMITTEE CHARTER**

### **Purpose of Committee**

The Board of Directors (“Board”) of Southwest Georgia Farm Credit (“Association”) has created a committee of directors and employees to be known as the Risk Management Committee (“Committee”) for the purpose of assisting the Board in fulfilling its fiduciary and oversight responsibilities for risks inherent with a lending institution including business risk, strategic risk, reputation risk, financial and liquidity risk, collateral risk, credit risk, interest rate risk, legal risk, modeling risk (credit and operations), operational risk, and counterparty risk.

### **Committee Membership**

The Committee shall be composed of at least three board members, the management, and the key unit directors and officers of the Association. Committee members shall be free from any relationship that would interfere with the exercise of independent judgment as a Committee member. The Committee Chairman shall be the Association’s Chief Lending Officer or Chief Credit Officer and the Vice Chairman shall be the Association’s Chief Financial Officer. The Committee Chairman will have the responsibility of briefing the Board Chairman of any key decisions or recommendations in advance of Committee/Board meetings.

Board members shall be appointed annually by the Chairman of the Board, in collaboration with the Governance Committee. The Board’s “financial expert” must be a member of the Risk Management Committee at all times.

No Board member of the Committee shall accept any consulting, advisory, or other compensatory fee from the company other than in connection with serving on the Committee or as a member of the Board.

All Committee board members will remain on the Committee until the previous year’s annual report has been approved and submitted to the Farm Credit Administration in March each year, regardless of when the Board completes their annual organizational meeting. All new members appointed during the Board’s organizational meeting will begin attending meetings subsequent to the later of the annual organizational meeting or the approval/submission of the previous year’s annual report.

Management may substitute an alternate Board member to serve on the Committee in the place of an absent member when needed for action item approval purposes.

### **Committee Duties and Responsibilities**

The Committee shall review and discuss as needed and bring to the Board of Directors recommendation of any policy changes as applies to:

1. Business Risk, representing commodity outlooks, Enterprise Wide Risk Management, and the drivers of risk assessment and mitigation.
2. Strategic Risk
3. Reputation Risk
4. Financial and Liquidity Risk
5. Collateral Risk
6. Credit Risk, including:
  - a. Underwriting Policies and Processes
  - b. Reporting on the activities of the earnings engines for the Association
  - c. Analysis of Largest Borrowers
  - d. Concentrations geographically and by industry
  - e. Exception Analysis for Underwriting
  - f. Pricing analysis of the portfolio
  - g. Policy and Procedure changes anticipated for review and approval by the Board of Directors
  - h. Special Assets Reporting
  - i. Business Development Reporting
  - j. Credit and Capital Enhancements Reporting
  - k. Portfolio Stress Testing
7. Interest Rate Risk in the Association's portfolio
8. Legal Risk of the Association, which may also represent Reputation Risk for the Association.
9. Modeling Risk, including Excel and shelf models for credit and operations
10. Operational Risk of the Association, including software systems

#### Counterparty Risk

The Committee shall have the power to conduct or authorize investigations into matters within the Committee's scope of responsibilities. The Committee shall have unrestricted access to members of management and relevant information. The Committee may retain independent counsel, accountants, or others to assist it in conducting any investigation.

The Committee will make regular reports to the Board. The Committee will review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

#### **Reporting Responsibilities**

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The Committee Chairman will report on the activities of the Committee to the full Board via the Committee's meeting minutes.

## **Committee Meetings**

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The Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. Meetings can be called by the Chairman of the Board, the Chairman of the Committee, or the Chief Executive Officer. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and held on record.