

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 strategic risk, reputation risk, financial and liquidity risk, collateral risk, credit risk, interest rate risk, legal risk, modeling risk (credit and operations), operational risk, counterparty risk, and business 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 of directors completes their annual organizational meeting. All new members appointed during the board’s organizational meeting will begin attending meeting 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, including the: (1); and (2) Drivers of Risk Assessment and Mitigation
3. Reputation Risk including an analysis of: (1) Borrower runoff (loans paid out report); and (2) Loans to new members; (3) Competition Analysis; (4);
4. Financial and Liquidity Risk of the Association including presentations and analysis of: (1) UPPR, which provide comparative analysis of the lending activities and risk measures of the associations comprising the AgFirst District; (2); (3) Allowance of Loan and Lease Losses; and (4) Association Cost Study representing the need or lack of need for amortizing fees.
5. Collateral Risk in the portfolio including FCA's Loan Portfolio Management Module – Collateral Risk and the Association's: (1) Collateral Evaluation Policy and Processes; (2) Real Estate Value Trend study; (2) Chattel Value Trend Study; (3) Loss Given Default criteria; and (4) Annual Component Value Analysis From Sales Database.
6. Credit Risk in the Association's portfolio including FCA's Loan Portfolio Management Modules for Risk Concentrations, Loan Underwriting and Stress Testing and the Association's:
 - a. Underwriting Policies and Processes, including
 - i. Probability of Default criteria
 - ii. Hold Limits tied to Probability of Default; Loss Given Default and Tenor of the Credit
 - iii. AgScore Underwriting and Activities
 - b. Reporting on the activities of each of the earnings engines for the Association which may include Domestic Lending (Local Service Area), Capital Markets, Mission Related Investments and Liquidity Investments
 - c. Analysis of Largest Borrowers and their impact on the Association's capital and single obligor limits
 - d. Concentrations geographically and by industry;
 - e. Exception Analysis for Underwriting including analysis of any patterns of practice and whether underwriting needs to be more or less restrictive
 - f. Pricing analysis of the portfolio including comparative analysis to Bloomberg pricing data (most comparable to commercial lending)
 - g. Policy and Procedure changes anticipated for review and approval by the Board of Directors such as the following:

- i. Interest Rate Policy,
 - ii. Interest Rate Plan, and
 - iii. Risk Management Policy
 - h. Special Assets Reporting, including a detailed listing of all OAEM, Substandard accruing, Nonaccrual and Other Property Owned assets in the portfolio greater than \$500,000. Status and activities on key assets are reported (as needed)
 - i. Business Development Reporting including:
Relationship Manager Business Development Sales Report providing details of sales activities in the discussion, underwriting and pending/closed phases.
 - j. Credit and Capital Enhancements Reporting including: (1) FSA Guarantees, including ; (2) Farmer Mac; (3) USDA; (4) SBA; (5) Rural Home Loans; (6) Qualified Residential Loans; (7) and others as may exist on an as needed basis.
 - k. Portfolio Stress Testing which may include but is not limited to (according to the economic and agricultural cycle), stress testing of real estate values, chattel values, commodity prices, operating expenses, non-farm income (wages and salaries).
7. Interest Rate Risk in the Association's portfolio via and Interest Rate Stress analysis.
 8. Legal Risk of the Association including foreclosures, bankruptcies, other litigation and any regulatory (FCA) and funding risk (AgFirst General Financing Agreement) for the Association. Note: These same items 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 (Rapid7/Insight Scanning); Disaster Testing and Productivity Analysis of as many employee positions as possible (currently Relationship Managers, Credit Analysis, Loan Closers and Loan Assistants).
 11. Counterparty Risk including an analysis of originating lenders of purchased participations, purchases of Association originations, FarmerMac as the provider of Long Term Standby Purchase Agreements and AgFirst as a funding source and as a purchaser of Association Originations.

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

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

Committee Meetings

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.

Approved by the Board of Directors: January 22, 2020