

# AGHERITAGE FARM CREDIT SERVICES, ACA/FLCA/PCA

POLICY: 204 – Standards of Conduct

Approved By: Board of Directors

Approval Date: January 4, 1991

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## Overview

At AgHeritage Farm Credit Services (“Association”), it is essential to maintain high standards of care, honesty, integrity, fairness, and conduct by Directors, Officers, and Employees of the Association to ensure the proper performance of the Association's business and continued public confidence in the Farm Credit System as a safe and reliable source of credit for agriculture and rural America. All Association Directors, Officers, and Employees shall observe the highest standards of conduct in the discharge of their duties and responsibilities. To achieve these high standards of conduct, Directors, Officers, and Employees shall observe, to the best of their abilities, the letter and intent of all applicable laws, regulations, policy statements, instructions and procedures of the Farm Credit Administration (FCA), including the Standards of Conduct (SOC) regulations at 12 C.F.R. Part 12.

The purpose of this Standards of Conduct Policy (the “Policy”) is to provide guidance to Directors, Officers, and Employees by establishing expectations of conduct and processes for identifying and resolving Conflicts of Interest. All Directors, Officers, and Employees will receive a copy of this Policy. It is important that they review this Policy and remain current with SOC training. The Standards of Conduct Official (SOCO) is available to respond to your questions and provide guidance.

## Definitions

For purposes of this Policy and other Association Standards of Conduct Procedures, the following terms are defined as set forth below:

**Act:** The Farm Credit Act of 1971, as amended.

**Agent:** Any person, other than a Director or Employee of the Association, with the power to act for the Association either by contract or apparent authority and who currently either represents the Association in contacts with third parties or provides professional or fiduciary services to the Association.

**Borrower:** Any person or entity that borrows funds from the Association. For purposes of the SOC Program, any associated procedures, and disclosure requirements, a reference to a “borrower” does not include a purchased Participation Interest borrower (“PPIB”) provided the following criteria are satisfied:

1. The Association has not issued stock to the PPIB;
2. The Association is not otherwise in a direct lending relationship with the PPIB;
3. The Association does not pay patronage directly to the PPIB;

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4. The Association is not in a control position for purposes of servicing decisions of the loan to the PPIB;
5. Any Employee, Director or Agent involved in the transaction or activity involving the PPIB had no input in the decision to purchase the participation interest; and

Any Employee, Director or Agent involved in the transaction or activity involving the PPIB did not use any confidential information about the PPIB in the transaction or activity and did not receive any benefit in the transaction or activity as a result of their position with the Association.

**Code of Ethics:** A written statement of the principles and values the Association follows to establish a culture of ethical conduct for Directors, Officers, and Employees, including, at a minimum, the core principals established under 12 C.F.R. § 612.2135.

**Conflicts of Interest:** A set of circumstances or the appearance thereof where a person has a financial interest in a transaction, relationship, or activity that could or does actually affect (or has the appearance of affecting) that person's ability to perform official duties and responsibilities in a totally impartial manner and in the best interests of the Association when viewed from the perspective of a reasonable person with knowledge of the relevant facts.

**Director:** A member of the Association's board of directors (the "board").

**Employee:** Any individual employed on a part-time, full-time, or temporary basis by the Association, including those identified as Officers of the Association. Persons not maintained on the Association's payroll (i.e., independent contractors) are not Employees for purposes of this definition.

**Entity:** A corporation, company, association, firm, joint venture, partnership (general or limited), trust (business or otherwise), or other business operations whether or not incorporated.

**Family:** Parents, spouses or civil union partners, children, siblings, uncles, aunts, nephews, nieces, grandparents, grandchildren, and the spouses of the foregoing whether arising from biological, adoptive, marital, or other legal means (e.g., stepparents, stepchildren, half-siblings, in-laws). The term also includes anyone residing in the household or who is a legal or financial dependent, regardless of any familial relationship.

**Financial Interest:** An interest in an activity, transaction, property, or relationship with a person that involves receiving or providing something of monetary value or other present or deferred compensation.

**Financially Obligated With:** Having a legally enforceable joint obligation with, being financially obligated on behalf of (contingently or otherwise), having an enforceable legal obligation secured by property owned by another person, or owning property that secures an enforceable legal obligation of another.

**Institution-Affiliated Party** (as defined in 12 C.F.R. § 612.2180(d) and 12 U.S.C. § 2271(4)):

1. A director, officer, employee, shareholder, or agent of a System institution;

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2. An independent contractor (including an attorney, appraiser, or accountant) who knowingly or recklessly participates in:
  - a) A violation of law (including regulations) that is associated with the operations and activities of one or more System institutions;
  - b) A breach of fiduciary duty; or
  - c) An unsafe practice that causes or is likely to cause more than a minimum financial loss to, or a significant adverse effect on, a System institution; or
3. Any other person as determined by the Farm Credit Administration (by regulation or on a case-by-case basis) who participates in conduct of the affairs of a System institution.

**Material:** The interest or transaction (or series of transactions viewed in the aggregate) is of such magnitude that a reasonable person with knowledge of the relevant facts would question the ability of the person who has the interest or is a party to such transaction(s) to perform their official duties objectively and impartially and in the best interest of the Association and its statutory purpose.

**Material Financial Interest.** A Financial Interest, transaction (or series of transactions viewed in the aggregate) that:

1. For purposes of business relationships, transactions, or activities involving Employees or Officers, Material Financial Interest means a Financial Interest, transaction (or series of transactions viewed in the aggregate) that exceeds \$5,000 in any 12-month period.
2. For purposes of business relationships, transactions, or activities involving Directors, Material Financial Interest means a Financial Interest or transaction (or series of transactions viewed in the aggregate) that exceeds \$10,000 in any 12-month period.

**Material Percentage.** Having five (5) percent of equity in or having the power to vote five (5) percent or more of any class of voting securities with respect to a Reportable Business Entity.

**Mineral Interest:** Any interest in minerals, oil or gas, including but not limited to, any right derived directly or indirectly from a mineral, oil, or gas lease, deed, or royalty conveyance.

**OFI:** Other financing institutions which have established an access relationship with the Association under Section 1.7(b)(1)(B) of the Act.

**Officer:** The salaried Chief Executive Officer, President, Vice President, Secretary, Treasurer, General Counsel, Chief Financial Officer, and Chief Lending Officer of the Association, and any person not so designated but who holds a similar position of authority.

**Ordinary Course of Business:** When applied to a transaction, this term means:

1. A transaction that is usual and customary in the business in question on terms that are not Preferential; or
2. A transaction with a person who is in the business of offering the goods or services that are the subject of the transaction on terms that are not Preferential.

**Person:** An individual or entity (including sole proprietorships).

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**Preferential:** The transaction is not on the same terms as those prevailing at the same time for comparable transactions for other persons who are not Directors, Employees or Agents of the association.

**Reportable Business Entity:** An entity in which the reporting individual, directly, or indirectly, or acting through or in concert with one or more persons:

1. Owns a Material Percentage of the equity;
2. Owns, controls, or has the power to vote a Material Percentage of any class of voting securities; or
3. Has the power to exercise a Material influence over the management of policies of such entity from their status as a partner, director, officer, or majority shareholder in the entity.

**Resolved:** An actual or apparent Conflict of Interest is “resolved” when it has been addressed with an action such as recusal, divestiture, approval or exception, job reassignment, employee supervision, employment separation or other action, with the result that a reasonable person with knowledge of the relevant facts would conclude that the conflicting interest is unlikely to adversely affect the person's performance of official duties in an objective and impartial manner and in furtherance of the interests and statutory purposes of the Farm Credit System.

**Standards of Conduct Official or “SOCO”:** A person appointed by the Association’s board pursuant to this Policy to administer and report on the Association’s Standard of Conduct Program as well as investigate allegations of misconduct by Association Directors, Officers, Employees or Agents.

**Standards of Conduct Program:** The policies and procedures, including this Policy, internal controls and other actions the Association has implemented to put into practice the requirements of FCA SOC regulations.

**Supervised Institution:** A term which only applies within the context of a Farm Credit bank or an employee of a System bank and refers to each association supervised by that Farm Credit bank.

**Supervising Institution:** A term that only applies within the context of an association or an employee of an association and refers to the Farm Credit bank which supervises that association. The Supervising Institution of the Association is AgriBank Farm Credit Bank (“AgriBank”).

**System Institution or Institution:** Any Farm Credit System bank, association or service organization chartered under Section 4.25 of the Act, and the Funding Corporation. It does not include the Federal Agricultural Mortgage Corporation.

**Third-Party Service Provider:** Any person or entity that has entered into a business arrangement with the Association, by contract or otherwise, that could have a Conflict of Interest impacting their ability to impartially perform services in the best interests of the Association. This term may include a company with access to confidential or sensitive information or who has an ongoing relationship with the Association. Examples of Third-Party Service Providers includes Agents, independent contractors

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providing outsourced services, information technology service providers, real estate appraisers, attorneys, and accountants. Customers, utility companies, and companies that sell a license to use software are generally not considered Third-Party Service Providers.

**Transacts Business:** The purchase, sale, lease, ownership, or management of real or personal property, or the provision of services, such as a real estate agent/broker, the sale or placement of insurance, sales barn activities, and appraisal services; the borrowing or lending of money or other things of value; providing or receiving financial, professional, or other services; and any other similar transaction.

### Code of Ethics

The board has adopted a Code of Ethics, which is available to all Directors, Officers, Employees, Agents, Third-Party Service Providers, and shareholders on the Association's website. Directors, Officers, and Employees, and Agents will be required to adhere to the Code of Ethics and any other applicable SOC policies or procedures.

### Ethics Reporting and Hotline Policy

1. The board has adopted Whistleblower Policy authorizing the formation of the EthicsPoint Hotline, a hotline established to receive confidential, anonymous complaints from Employees, Officers, Directors, Agents or others relating to any violation of law, the Code of Ethics, Association (including this Policy), or allegation of fraud, corruption, or operational weakness. The EthicsPoint Hotline may be reached by one of the following methods:
  - a. Phone: 1-866-294-3558
  - b. Website: <http://www.ethicspoint.com>
2. The Association takes all reports of misconduct seriously and expects and relies on Directors, Officers, and Employees to identify potential ethical violations. Any retaliation, discrimination, or harassment is strictly prohibited against an individual who reports suspected or actual wrongdoing in good faith or who participates in good faith in a related investigation. Any Director, Officer, or Employee who has been determined to have retaliated against, discriminated or harassed a Director, Officer, Employee, Agent, or Third-Party Service Providers for making a good faith complaint or participating in an investigation in good faith is subject to disciplinary action, up to and including termination.

### Conflicts of Interest

1. **Identifying Conflicts of Interest.** All Directors, Officers, and Employees are expected to exercise vigilance in identifying actual and potential Conflicts of Interest, as defined herein.

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2. **Avoiding Conflicts of Interest.** This Policy cannot address every potential Conflict of Interest. Directors, Officers, and Employees are encouraged to use their conscience and common sense. In any potential Conflict of Interest situation, all Directors, Officers, and Employees should ask themselves the following:

- a. Could my personal interests interfere with those of the Association?
- b. Might it appear that way to others, either inside or outside of the Association, that my ability to perform my official duties to the Association impartially and objectively is impacted by a relationship or interest of mine, my Family, or an entity with which I am affiliated?

Note: If there is uncertainty or the answer is yes to any of above questions, the individual should disclose the interest or relationship and seek guidance from the SOCO.

3. **Transactions or Relationships.** The following are a few examples of activities and relationships that are likely to create a potential or real Conflict of Interest:

- a. **Neptotism and Personal Relationships.** As outlined in the employee handbook and this Policy, certain reportable and restricted activities may extend to a Director's, Officer's, or Employee's Family relationships. Ensure that the relationship does not interfere, or appear to interfere, with the Director's, Officer's, or Employee's ability to act in the best interests of the Association or pose any appearance of a Conflict of Interest.
- b. **Other Personal Relationships.** Directors, Officers, and Employees may have close friends who are employed by, or conduct business with the Association or AgriBank. If the Director, Officer, or Employee deals with such a borrower, loan applicant, agent, or other Third-Party Service Provider, care should be taken to ensure that the friendship does not affect, or appear to affect, the Director's, Officer's, Employee's ability to act in the best interests of the Association.
- c. **Gifts, Meals, and Entertainment.** In some circumstances, the solicitation or acceptance of gifts, meals, or entertainment will constitute a real or apparent Conflict of Interest and are generally prohibited under this Policy unless an exception applies. Employees, Officers, and Directors should follow the guidance in the "Gifts or Favors" section of this Policy.

4. **Ordinary Course of Business.** A transaction occurs in the Ordinary Course of Business, as defined in this Policy above, when it is either (1) usual or customary in the business in question or (2) with a person who is in the business of offering the goods or services that are the subject of the transaction. Examples of transactions in the Ordinary Course of Business include the following:

- a. An Employee uses a local veterinary clinic to treat the large animals on Employee's farm, and one of the two veterinarians and owners of the clinic is a Director serving on the Association's board. The Employee pays standard fees for the treatment, medicines, and vaccines which are charged by the clinic to all customers, without any discount or preferential treatment.

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- b. A Director raises cattle and contracts with a nearby farm, owned by a borrower, to bale hay for the Director. The Director pays \$20 per bale which is the standard fee charged by the borrower.
- c. An external appraiser that regularly is contracted to perform appraisals of real property on behalf of the Association is a frequent buyer at the local feed and seed, purchasing products used at the appraiser's recreational hunting cabin and property at set, standard prices. The feed and seed is owned by a borrower, but the appraiser has not performed any appraisal services related to property owned by the borrower or loans to the borrower or the borrower's Family.
- d. The consultant engaged by the executive team to refresh and implement the Association's growth strategies discovers that one of the Association's Directors is a partner in the CPA firm that has prepared her personal taxes for the last five years. The firm charges the consultant standard, posted for tax planning and preparation services and is in the business of offering accounting services. The consultant and Director have never engaged in the course of her work with the CPA firm or her work for the Association.

These examples are intended to be a guide to assist in reviewing transactions to determine if they are made in the Ordinary Course of Business. Every transaction, relationship or activity should be reviewed on a case-by-case basis in applying the Standards of Conduct Policy and Procedure and questionable transactions should be raised to the Standards of Conduct Official for a determination.

### Directors, Officers, and Employees – Affirmative and Prohibited Conduct

1. **Requirements for Employees, Officers, and Directors.** Each Director, Officer, and Employee shall:
  - a. Comply with the Code of Ethics;
  - b. Maintain high ethical standards, including high standards of care, honesty, integrity, and fairness;
  - c. Act in the best interests of the Association;
  - d. Preserve the reputation of the Association and the public's confidence in the Farm Credit system;
  - e. Exercise diligence and good business judgment in carrying out official duties and responsibilities;
  - f. Identify and disclose to the SOCO Conflicts of Interest and circumstances or transactions that may have the appearance of creating a Conflict of Interest involving the Employee, Officer, or Director, the Employee's, Officer's, or Director's Family, the Employee's, Officer's, or Director's Reportable Business Entity;
  - g. Work with the SOCO to identify conflicts and resolve reported Conflicts of Interest and appearances of Conflicts of Interest;

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- h. Refrain from participating in official action or board discussion of a matter, transaction or activity if the Employee, Officer, or Director has a Conflict of Interest in a matter, transaction, or activity, and avoid voting on or influencing any decision directed at such a matter, transaction, or activity;
  - i. Avoid self-dealing and acceptance of gifts or favors that may be deemed as offered, or have the appearance of being offered, to influence official actions or decisions;
  - j. Timely report to the SOCO, or through the anonymous reporting procedures, any known or suspected activity by a person affiliated with the Association that the Employee, Officer, or Director suspects is illegal, unethical, or a violation of the Association's standards of conduct policies and procedures and Code of Ethics; and
  - k. Fulfill applicable fiduciary duties to the Association and its stockholders.
2. **Prohibited Conduct for Employees, Officers, and Directors.** A Director, Officer, and/or an Employee shall not:
- a. Participate, directly or indirectly, in deliberations on, or the determination of, any matter affecting, directly or indirectly, their Financial Interest, except those matters of general applicability that affect all stockholders/borrowers in a nondiscriminatory way;  

Note: Matters affecting Financial Interests include Financial Interests of Family or any Reportable Business Entity.
  - b. Use their position to obtain or attempt to obtain special advantage or favoritism for the Employee or Director, any Family of the Director, Officer, or Employee, or any Reportable Business Entity;
  - c. Divulge or make use of, except in the performance of official duties, any fact, information, or document not generally available to the public that is acquired by virtue of the Employee's, Officer's, or Director's position with the Association pertaining to protecting confidential information;
  - d. Solicit, obtain, or accept, directly or indirectly, any gift, fee or other compensation that is offered or requested based on the person's position as a Director, Officer, or Employee of the Association if it could be viewed as being offered to influence their decision-making, an official action, or to obtain information related to the Association's operations (*See "Gifts or Favors" provision below*);
  - e. Knowingly purchase or otherwise acquire, directly or indirectly, any interest (including mineral interests) in any real or personal property that currently is owned, or within the past 12 months was owned by the Association or AgriBank as a result of foreclosure, deed in lieu, or similar action, unless:
    - 1. The Employee, Officer, or Director acquires the property by inheritance;
    - 2. The Employee, Officer, or Director acquires the property by exercising their right of first refusal; or
    - 3. The Director acquires the property through public auction or open competitive bidding available to the general public; provided, however, the Director shall not acquire any such interest in real or personal property if the Director participated in the deliberations or decision to foreclose or to dispose of the



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property or in establishing the terms of the sale;

Note: This prohibition extends to property held or sold by a 4.25 service corporation or a System unincorporated business entity.

- f. Directly or indirectly borrow from, lend to, or become financially obligated with or on behalf of a Director, Officer, Employee, or Agent of the Association or AgriBank or a borrower or loan applicant of the Association, unless:
  - 1. The transaction is with a Family member;
  - 2. The transaction is in the Ordinary Course of Business as determined by the SOCO under this Policy.
  - 3. The transaction is undertaken in an official capacity and in connection with the Association's discounting, lending, or participating relationships with OFIs and other lenders.
- g. Violate the Association's policies and procedures governing standards of conduct or Code of Ethics.
- h. Enter into any transaction with the Association, directly or indirectly, unless the SOCO has reviewed the proposed transaction and its terms, and made a written determination approving the transaction as being in conformity with this Policy and all other SOC policies and procedures of the Association.
- i. Purchase any obligation of a System Institution, including any joint, consolidated or System-wide obligation, unless such obligation is part of an offering available to the public and the Employee, Officer, or Director either purchases it through a dealer or a dealer bank affiliated with a member of the selling group designated by the Funding Corporation or purchases it in the secondary markets. Additionally, Directors, Officers, and Employees should be mindful of the following prohibitions:
  - 1. Do not purchase or retire any stock in advance of the release of Material non-public information concerning a System Institution to other stockholders.
  - 2. If you are a director or employee of the Funding Corporation, do not purchase or otherwise acquire, directly or indirectly, except by inheritance, any obligation or equity of a System Institution, including any joint, consolidated or System-wide obligations, unless it is a common cooperative equity as defined in § 628.2 of the FCA regulations.
- j. Use the space, personal property, intellectual property, personnel, software, or equipment or other facilities of the Association for activities or business in such person's personal interest or the personal interest of another without prior authorization from the Chief Executive Officer and/or the SOCO. Even with such authorization employees must at all times comply with other Association Policies, included policies in the Employee Handbook and any Remote Work Agreements.

### 3. Prohibited Conduct for Employees and Officers Only. An Officer or Employee shall not:

- a. Serve as a director or employee of any commercial bank, savings and loan, or other

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non-System financial institution;

b. Serve as a director or employee of a non-System entity that Transacts Business with a System Institution within the Association's district unless the following exceptions apply:

1. The Employee or Officer may serve as a director or employee of employee credit unions; and

2. The Employee or Officer may serve as a director of a cooperative that borrows from the System under the Act's Title III authorities if the Employee or Officer meets the requirements of § 612.2150(b)(1)(ii).

Note: For purposes of this paragraph, "Transacts Business" does *not* include loans by a System Institution to a Family-owned entity or a Reportable Business Entity; service on the board of directors of the Federal Agricultural Mortgage Corporation; transactions with nonprofit entities; or transactions with entities in which the System Institution has an ownership interest.

c. Act as a real estate agent or broker unless the Employee or Officer is buying or selling real estate for their own use or for Family;

d. Act as an insurance agent or broker for the sale and placement of insurance, unless authorized by § 4.29 of the Act; and

e. Serve as a joint employee. Officers of the Association are not permitted to serve as employees of the AgriBank. The prohibition does not apply in the following situations:

1. The Employee is a non-officer Employee at both AgriBank and the Association, and employment expenses are appropriately reflected in each Institution's financial statements.

2. FCA granted a request for approval of joint employment of an Employee who, prior to January 1, 2023, was a non-officer employee of AgriBank and an officer of the Association pursuant to 12 C.F.R. § 612.2150(b)(4)(ii).

### Reporting and Resolution Process

1. **Annual Disclosure.** Annually, as of the Association's fiscal year-end, and at such other times as may be required by the board or to comply with other disclosure requirements herein, Directors, Officers, and Employees must file a written and signed statement with the Association's Standard of Conduct Official, which to the best of their knowledge, fully discloses:

a. Any interest the Employee, Officer, or Director has in any business matter, including any loan or loan application, to be considered by the Association or AgriBank in the current fiscal year;

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- b. All Material Financial Interests, including those arising in the Ordinary Course of Business, the Employee, Officer, or Director has with any Director, Officer, Employee, Agent, or borrower of the Association or AgriBank;
  - c. The names of any Reportable Business Entity of an Employee, Officer, or Director that the Employee, Officer, or Director knows or has reason to know, in the current fiscal year, transacted business with:
    - i. the Association;
    - ii. the AgriBank; or
    - iii. A borrower that Transacts Business with the Association or AgriBank;
  - d. The names of the Employee's, Officer's, or Director's Family that the Employee, Officer, or Director knows or has reason to know transacted business with the Association or at AgriBank any time during the current fiscal year;
  - e. Reportable gifts received or disposed of under this Policy in the current fiscal year;
  - f. Any other known or potential Conflicts of Interest and any other information requested on the disclosure forms;
  - g. If you are a Director or Officer of the Association, at least annually, you must also provide the SOCO with the information required for disclosure under paragraphs (a), (e), and (f) of 12 C.F.R. § 620.6 (disclosures in the Annual Report to Shareholders Relating to Directors and Senior Officers, regardless of whether you have provided these disclosures to others in the Association.
2. **Benchmarks and Thresholds.** In light of the varied agricultural businesses in the region that the Association serves, \$10,000 is below usual and customary transactions in an agricultural or other business operation in the Association's region. Common agricultural transactions, including goods (which includes feed, seed, fertilizer, livestock veterinary care products, etc.) and services of an operation (equipment repair, veterinary services, irrigation, and construction services), which generally far exceeds \$10,000 enter material financial interest amount and, if in the ordinary course of business, do not impact the impartiality or objectivity of the individuals involved. Due to the fact that employees are involved in individual loans increasing the potential for conflict of interest arising from employee interactions with borrowers, the threshold for Material Financial interest for employees is set at \$5,000 to maintain a lower threshold for reporting.
3. **Continuing Obligation to Disclose.** Any Director, Officer, or Employee who becomes or plans to become involved (to the best of their knowledge) in any relationship, transaction, or activity that could constitute a real or perceived Conflict of Interest shall promptly report such involvement in writing to the Association's Standard of Conduct Official prior to the undertaking thereof for a determination of whether the relationship, transaction, or activity is, in fact, a Conflict of Interest. Material transactions in the Ordinary Course of Business shall be disclosed on Director and Employee annual disclosures as set forth herein. However, unless otherwise specified herein, a Director or Employee is not required to obtain prior approval from the SOCO on the transaction in question so long as it is clearly in the Ordinary Course of

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Business and would not otherwise give rise to a Conflict of Interest.

4. **Newly Elected or Appointed Directors.** Unless a disclosure as a Director candidate under Part 620 of the FCA regulations has been made within the preceding 60-180 days, a newly elected or appointed Director shall report matters required to be reported pursuant to this Policy to the Association's Standard of Conduct Official within 60 days after the election or appointment and thereafter shall comply with the requirements of this Policy. Upon commencement of a newly elected or appointed Director's term, the Director will be provided with the needed resources, assistance, and materials to complete the Director's SOC disclosures.
5. **Newly Hired Employees.** A newly hired Employee or Officer shall report matters required in the above paragraphs to the SOCO no later than 10 business days after starting employment and thereafter shall comply with the disclosure and reporting requirements of this Policy.
6. **Continued Disclosure Until Cured.** Once a Conflict of Interest or required disclosure is reported, it should be reported annually as long as that relationship, interest, or activity forming the basis of the disclosure exists. The individual reporting the Conflict of Interest may note any ongoing action taken to resolve the Conflict of Interest in making the disclosure.
7. **Reporting Unethical or Illegal Activity or Violations of this Policy.** All Directors, Officers, and Employees must report, either to the SOCO or by using the Association's Ethics Hotline, any known or suspected activity by a person affiliated with the Association that the Director, Officer, or Employee suspects is illegal, unethical, or a violation of this Policy which includes any violation of the Code of Ethics.
8. **Form and Disclosure.** Disclosures required by this Policy shall be made in writing and shall be promptly submitted to the Association's Standard of Conduct Official and where applicable, by using the applicable Certification Forms. Employees, Officers, and Directors are also required to timely respond to any additional questions the SOCO may have with respect to the Employee's, Officer's, or Director's disclosures.
9. **Recusal.** In fulfilling their obligations as a Director, Officer, or Employee, it is a duty of each Director, Officer, or Employee to avoid even the appearance of impropriety, unethical behavior or Conflict of Interest. Accordingly, a Director, Officer, or Employee should not participate in any deliberations, meetings or actions which deal with matters in which the Director, Officer, or Employee may have a Conflict of Interest or the appearance of a Conflict of Interest, such as when the matter may affect the Director, Officer, or Employees' Financial Interest, either directly or indirectly. In such event, the Director, Officer, or Employee shall recuse themselves from any such deliberations, meetings or actions by providing a written notice of recusal. For Board meetings or board committee meetings, minutes should document any recusals. Further, An Officer or Employee shall provide a written notice of recusal, prior to such meeting, action or deliberations, to the SOCO. The SOCO shall maintain a copy of the notice of recusal within the Conflicts of Interest records maintained by the SOCO.
10. **Review Process.** The SOCO shall review, within a reasonable amount of time, all Employee, Officer, and Director disclosures, SOC concerns or allegations raised either to the SOCO or through the anonymous reporting procedure.
  - a. The SOCO has authority to investigate SOC issues as set forth herein, and should external resources, such as attorneys or consultants, be necessary to properly conduct an investigation, the SOCO shall engage such resources as the SOCO determines is

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necessary and appropriate. The SOCO should promptly report to the board any external services retained as part of an investigation.

- b. Employees, Officers, Directors and Agents are expected to cooperate in any such investigation and are authorized to provide the SOCO or the SOCO's designee or retained investigator with information requested as part of this review, recognizing the SOCO's existing confidentiality obligations to the Association;
  - c. As a part of this review, the SOCO will determine whether:
    - i. A real or apparent Conflict of Interest exists;
    - ii. Any alleged transactions are conducted in the Ordinary Course of Business or otherwise fall within an exception outlined in this Policy;
    - iii. Any reporting obligations are triggered by the information or report; and
    - iv. Whether further or an external investigation is needed or required by the Policy.
11. **Resolution Process.** Within a reasonable amount of time and following full review and/or investigation of a disclosure or allegation, the SOCO will make a written determination outlining any factual findings and determination for resolving the Conflict of Interest. (See Resolved definition.) These resolutions may include, but are not limited to recusal, approval or exception, divestiture, job reassignment, employee supervision, and/or Employee, Officer, or Director separation.
- a. **Recusal.** In the event that after reviewing the disclosure and Statement of Recusal Form, the SOCO determines there is in fact an actual, potential or perceived Conflict of Interest, the SOCO will communicate in writing the Employee's, Officer's or Director's continued obligation to recuse themselves from the transaction or activity creating a conflict as well as any additional parameters with respect to the transaction or activity. Similarly, in the event the SOCO determines there is no Conflict of Interest or that the Conflict of Interest may be resolved by means other than recusal, the SOCO, may, in writing, authorize the Director, Officer, or Employee to fully participate in all board or employment activities, communicating any other parameters with respect to the transaction or activity.
  - b. **Approval or Exception.** If the SOCO approves some or all of the Employee's, Officer's, or Director's disclosed transactions and/or activities, the SOCO will inform the Employee, Officer, or Director in writing of such determination and any conditions of approval (such as recusal). The SOCO will similarly document such action.
  - c. **Other Corrective Action.** When the SOCO recommends corrective action to resolve a Conflict of Interest or finds that a Director, Officer Employee, or Agent has violated the requirements of the SOC Program or the FCA SOC regulations, the SOCO must prepare a written determination explaining the SOCO's analysis and submit it to the individual with authority to implement the determination by taking appropriate responsive action. Corrective or disciplinary actions taken with regard to a violation of the SOC Program or FCA SOC regulations should be calculated to prevent recurrence, hold individuals accountable for noncompliance, encourage reporting and inquiry to the SOCO, and avoid retaliation. Consideration should be given to whether the individual(s) acted intentionally, recklessly or negligently and whether the

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violation is considered a breach of fiduciary duty.

- i. The Chief Executive Officer or the CEO's designee is authorized to implement the SOCO's determination and resolution with respect to Employees, Officers, and Agents of the Association reporting to management and to take other corrective actions deemed necessary and appropriate, with SOCO approval, to resolve the Conflict of Interest.
  - ii. The board will implement the SOCO's determination and resolution with regard to Directors, Agents of the board, and the CEO, taking appropriate corrective actions in accordance with the Bylaws and governing documents, in consultation with the SOCO. Potential responsive actions include but are not limited to the divestiture, committee reassignment, removal from board leadership roles, verbal reprimand (private but documented), written reprimand, or censure, stockholder disclosure, or director removal action. In circumstances where the board intends to take action to remove a stockholder director by stockholder vote, an opportunity to voluntarily resign may be afforded, in the discretion of the board. Because removal action against a stockholder elected director is a severe action, this should be reserved for circumstances where the SOC violation was found to be intentional, poses a security risk or other legal or regulatory exposure to the Association, presents material risk of harm to the reputation of or public confidence in the Association or the System as a whole, or involves a breach of fiduciary duty.
  - iii. The actions taken in this section include, but are not limited to, divestiture, job reassignment, disciplinary action (verbal or written reprimand, suspension, probation, termination), removal, and/or stockholder disclosure. Any such corrective actions shall be documented in writing by the SOCO, who will provide reasonable detail to the Employee, Officer, or Director on the issues raised and actions taken.
12. **FCA Enforcement Authority.** Pursuant to 12 C.F.R. § 612.2180 and 12 U.S.C. § 2267a, FCA has jurisdiction and authority to initiate certain actions and enforcement authority for up to six years following the separation of an Institution-Affiliated Party from a Farm Credit institution. This allows FCA to ensure the safety and soundness of the System in appropriate circumstances and to enforce its regulations, regardless of when the relationship with an individual or entity was terminated.

### Termination of Prohibited Transactions, Activities and Relationships

1. **Grace Period for Existing Directors and Employees.** A Director, Officer, or Employee who entered a relationship, transaction or activity, which at the time was allowed but is now prohibited by this Policy, or who otherwise discovers and discloses a relationship, transaction or activity prohibited by this Policy, shall have a reasonable time to terminate the relationship, transaction or activity. The Director, Officer, or Employee shall request in writing from the SOCO an allowance of time to terminate the relationship, transaction or activity. The prohibited relationship, transaction or activity shall be terminated as quickly as possible. The time granted shall normally be no more than ninety (90) days from the date the disclosure is made. If the Director, Officer, or Employee reasonably believes that they will require a longer

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time period to terminate the transactions, relationships or activities prohibited by this Policy, the Director, Officer, or Employee may submit a written request to the SOCO for a longer time period, which the SOCO may provide in the SOCO's discretion in consultation with the board.

2. **Grace Period for New Directors and Employees.** A newly elected or appointed Director or newly hired Officer or Employee who is involved at the time of election, appointment, or hiring in transactions, relationships or activities prohibited by this Policy shall have generally ninety (90) days from the Director's, Officer's or Employee's start date to terminate such transactions, relationships or activities. If the Director, Officer, or Employee reasonably believes that they will require a longer time period to terminate the transactions, relationships or activities prohibited by this Policy, the Director, Officer, or Employee may submit a written request to the SOCO for a longer time period which the SOCO may provide in the SOCO's discretion in consultation with the board.

### Standards of Conduct Official

1. **Designation.** The board shall designate a Standards of Conduct Official for the Association. The SOCO may be an Officer of the Association, a 4.25 chartered service corporation, or a qualified outside person contracted by the Association to serve as the SOCO.
2. **Authority.** The SOCO will be empowered with all of the following:
  - a. Direct access to the board for the purpose of discussing and reporting on matters related to the Association's SOC Program.
  - b. Authority to carry out the responsibilities set forth in this Policy.
  - c. Accessibility to all Directors, Officers, Employees, and Agents of the Association for the purpose of carrying out their responsibilities;
  - d. Legal authority to receive confidential SOC Program communications from all Directors, Officers, Employees, and Agents of the Association; and
  - e. Resources adequate for implementing a successful SOC Program.
3. **Responsibilities.** The SOCO shall, in addition to any other authorities and responsibilities assigned by the board:
  - a. Monitor FCA SOC regulations and related guidance in implementing and overseeing the SOC Program;
  - b. Provide guidance and information to Directors, Officers, Employees, and Agents concerning the provisions of the SOC Program and Code of Ethics;
  - c. Receive and review disclosures and reports required hereunder from Directors, Officers, Employees, and Agents;
  - d. Receive from Directors and Officers the disclosures required under § 620.6(a), (e), and (f) of the FCA regulations for treatment as a supplement to an individual's other SOC disclosures and reports;
  - e. Review any disclosures or reports made by any Agents or Third-Party Service Providers and coordinate with Management in accessing a current list of Third-Party Service Providers and Agents for providing updated SOC guidance and reminders;

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- f. Review and act upon all SOC Program reports and disclosures, including documenting resolved and unresolved Conflicts of Interest and any other SOC determinations as outlined in this Policy;
  - g. Maintain all SOC Program records for a period of no less than six (6) years, including documentation that explains how conflicts are being handled;
  - h. Provide training for all Directors, Officers, and Employees, as outlined below;
  - i. Conduct investigations, as authorized under this Policy;
  - j. Report to the board those SOC or Code of Ethics issues as required in this policy.
  - k. Report promptly to the board and as applicable the Office of General Counsel, Farm Credit Administration all cases investigated required by 12 C.F.R. § 612.2170(d)(2) and the Associations Criminal Referral Operations Policy on Criminal Referrals.
4. **Duty to Investigate.** The SOCO shall investigate or cause to be investigated all cases involving:
- a. Possible violations of criminal statutes;
  - b. Possible violations of this Policy and any related procedures;
  - c. Possible prohibited conduct by a Director, Officer, or Employee pursuant to this Policy and any related procedures;
  - d. Complaints of misconduct received against Directors, Officers, and Employees; and
  - e. Actions, transactions, relationships, or events when the activities or suspected activities are of a sensitive nature and could affect continued public confidence in the Farm Credit System.
5. **Director and Employee Training.**
- a. **New Directors.** Newly elected or appointed Directors must receive standards of conduct training within 60 calendar days of the Director assuming their position.
  - b. **New Employees.** New Officers or Employees must receive standards of conduct training within 10 business days of beginning work.
  - c. **Periodic Training.** At least annually, the SOCO shall conduct training for all Directors, Officers, and Employees, which will include, at a minimum, updates to the SOC Program and Code of Ethics.
  - d. **Written Certification.** The SOCO must obtain written or electronic training participation certifications from every Director, Officer, and Employee and maintain those records in line with this Policy and the SOC regulations.
6. **Periodic Reviews.** The SOCO or a qualified designee will conduct scheduled periodic reviews of its SOC Program, including this Policy, to determine the continued adequacy of the program. Each review will assess consistency with Association practices, financial service industry best practices and FCA regulations, identifying any required updates as well as an analysis of the internal audit of the SOC Program and any changes to the scope that would be appropriate. Within a reasonable time following completion, the SOCO will present a summary report to the board outlining the SOCO's periodic review of the SOC Program.
7. **SOCO Reporting.** In addition to any other reporting requirements of the SOCO as set forth under this Policy, the SOCO shall report to the board as follows:



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- a. At each board meeting, report on any Material Conflict of Interest determination. For this section, a Material Conflict of Interest determination means any case the SOCO has a duty to investigate and/or disclose to the board under 12 C.F.R. § 612.2170(d) and this Policy.
  - b. The SOCO shall present to the board on an annual basis, or on a more frequent basis if required by the board, a summary report on Material Conflicts of Interest and Code of Ethics matters or SOC violations for the previous twelve (12) months. The summary report shall, at minimum,(a) summarize the SOCO's review of all annual disclosures required from Employees, Officers, and Directors, (b) specifically describe any Material Conflicts of Interest and their resolution, (c) summarize the standards of conduct training provided to Employees, Officers, and Directors over the prior 12 months.
8. **SOCO Conflict of Interest Disclosure.** The SOCO shall submit in writing and present a Conflicts of Interest disclosure to the board/designated board committee/other board's designee for approval as of the Association's fiscal year end. In the event that any pending Conflicts of Interest matters arising under this Policy involve the SOCO, such matters shall be referred to, investigated by and approved or resolved by the board/designated board committee/other board designee.

### Employee Devotion of Time to Official Duties

1. Employees of the Association are required to devote the full business time for which they are employed to the effective accomplishment of the duties assigned to them. They shall not accept outside employment or compensation or engage in any other activities that could require the use of time that should be devoted to official duties or that might affect continued public confidence in the Association or otherwise embarrass the Association or the Farm Credit System or reflect adversely upon their ability, or perceived ability, to perform their official duties and responsibilities in a totally impartial manner.
2. All Employees must receive prior written approval from their immediate supervisor for any outside employment, including self-employment. If a supervisor believes that a potential Conflict of Interest would result from any such outside employment, the supervisor shall make a recommendation of approval or non-approval of such Conflict of Interest and refer the report to the SOCO who shall determine if a Conflict of Interest would result from such outside employment. In the event of a potential Conflict of Interest, the Employee at issue shall not engage in such outside employment until the issue is resolved in the manner provided above.

### Employee Political Activity

1. No Officer or Employee of the Association shall hold a public office or be a candidate for such office unless the SOCO has, after investigation and consideration of all facts involved, determined in writing to the board that such candidacy or holding of public office would not bring justified criticism on the grounds of political activities or partialities or in any manner adversely affect the best interests of the borrowers or the operations and public image of the Association or Farm Credit System or impair the ability of the Officer or Employee to meet the requirements contained in this Policy of devotion of time to official duties. All determinations

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made hereunder shall be made by the SOCO.

2. No Officer or Employee shall take an active part or issue public statements relating to the nomination or candidacy of any person or participate in partisan political campaigns for national or statewide elective office, in any way that would implicate by support, endorsement, or otherwise, the Officer's or Employee's connection with the Association. This statement shall not be construed to prohibit an Officer or Employee from expressing the Employee's or Officer's personal opinion on political affairs or candidates or making voluntary campaign contributions.

### Nepotism

To enable management to make an impartial and objective view of its operations and to avoid the appearance of giving special advantage or favoritism in the hiring or promotion of Officers and Employees of the Association, the following restrictions shall be observed:

1. A Family member of a Director of the Association may not serve as an Officer of the Association.
2. A person may not serve as an Officer, Employee or Agent of the Association in a position that is under the direct supervision of a Family member or where the Family member has authority within the Association to take administrative or other action directly affecting the Officer, Employee or Agent.
3. In addition to the foregoing, the Association will not hire or engage as an Officer, Employee, or Agent a Family member of any Director or Officer or Employee of the Association absent an exception granted in unique circumstances with approval by the board, the Chief Executive Officer and the Standards of Conduct Official, who must resolve any potential Conflict of Interest and assess the business need justifying the exception.
4. In addition to the foregoing, when any two Employees become Family as defined in this Policy, one of the Employees (as determined between them) must leave employment with the Association absent an exception being granted as set forth in the subsection above. Any such departure shall be within a reasonable period of time as determined in the sole discretion of the Association.

### Gifts or Favors

1. **Guidance on Gifts.** Directors, Officers, and Employees should not ask for or accept gifts, entertainment, educational opportunities, or any other favor if doing so might compromise, or appear to compromise their ability to make objective business decisions in the best interest of the Association or that may be viewed as intended to influence official action or decisions.
2. **Intra-System Prohibition.** Unless otherwise provided herein, no Director, Officer, or Employee of the Association shall ask for, give or receive any gift or present from or to any Director, Officer, or Employee of the Association or AgriBank.
3. **Customer Prohibition.** Unless otherwise provided herein, no Director, Officer, or Employee of the Association shall at any time ask for or accept any gift or present from any borrower or

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- loan applicant, for themselves or another Director, Officer, or Employee of the Association or the Supervising Institution or any Supervised Institution.
4. **Exception for De Minimis Value Gifts.** The prohibition on gifts under this Policy shall not apply to gifts valued at less than \$300 individually or \$750 in aggregate from one person in a given year that are exchanged as a part of acceptable social traditions.
  5. **Exception for Non-Business Events.** A Director, Officer, or Employee may solicit, give or receive a present otherwise prohibited under this section, provided the gift could not be viewed by a reasonable person as attempting to influence official Association business, in the following circumstances:
    - a. A gift exchanged at a non-business, personal event outside of and unrelated to the Association's business, between two individuals whose relationship with one another is based on a connection outside of the Association's business; or
    - b. A gift offered, solicited, given or received by Family of the Director, Officer, or Employee.
  6. **Exception for Customary Business or Social Gifts.** Directors, Officers, or Employees may accept or provide educational opportunities or entertainment (including, but not limited to, meals, sporting events, conference registration fees, lodging, transportation, and tickets) so long as (a) it is an event at which the giver is present and such event affords an opportunity to discuss business and/or develop business relationships and (b) the event or gift complies with Section XII-1 (Guidance on Gifts). Directors, Officers, and Employees may also accept, contribute to, or provide gifts made to other Directors, Officers, or Employees which are customary or social, such as wedding, baby, retirement, or sympathy gifts or contributions to a memorial fund, on behalf of the Association or a group of Directors, Officers, and Employees. Authorized entertainment, meals, educational opportunities, branded promotional gifts related to transactions or events, and travel expenses incurred by Officers and Employees with respect to current or potential borrowers or referral sources to support the legitimate business interests of the Association for business development purposes are not considered Gifts under this Policy and are governed by other Association Policies, including, but not limited to, the HR-Vendors Conflicts of Interest Policy and the Marketing-Business Relationships with Vendors and Insurance Companies Policy.
  7. **Reportable Gifts.** An Employee, Officer, or Director must promptly report any gift, tangible or intangible, received, accepted, and/or disposed of, in excess of the De Minimis Value of gifts. Such a disclosure can be made using the Director, Officer, or Employee Standards of Conduct and Code of Ethics Certification forms.
  8. **Disposing of Impermissible Gifts.** Unless a gift received by an Employee, Officer or Director is subject to one of the exceptions listed above, an Employee, Officer, or Director who receives an impermissible gift must dispose of the gift in accordance with the procedures set forth below. The obligation to dispose of a gift that cannot be accepted under this Policy is independent of the Association's decision regarding corrective or disciplinary action.
    - a. **Gifts of tangible items.** The Employee, Officer, or Director must promptly return any

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tangible item to the donor or pay the donor its market value. An Employee, Officer, or Director who cannot ascertain the actual market value of an item may estimate its market value by reference to the retail cost of similar items of like quality.

- b. **Gifts of Perishable Items.** When it is not practical to return a perishable item, the Employee, Officer, or Director may, at the discretion of the SOCO, give the item to an appropriate charity, share the item with the recipient's office, or destroy the item.
- c. **Gifts of Intangible Items.** The Employee, Officer, or Director must promptly reimburse the donor the market value for any entertainment, favor, service, benefit, or other intangible. Subsequent reciprocation by the Employee, Officer, or Director does not constitute reimbursement.

### Agents and Third-Party Relationships

1. **Business Practices; Administration and Corrective Action.** To avoid misconduct and Conflicts of Interest, either real or apparent, by Third-Party Service Providers, the Association utilizes safe and sound business practices in the engagement, utilization, and retention of qualified and reputable Agents, including through the implementation and adherence to the Association's HR-Vendor Conflict of Interest Policy and the Procurement and Finance and Audit-Disposition of Supplies, Services, and Fixed Assets Policy. The Association shall take appropriate investigative and corrective action in the case of a breach of fiduciary duties by the Agent or failure of the Agent to carry out other agent duties as required by contract, policy, procedure, FCA regulations, or law.
2. **Policy for Agents.** The Association has adopted a separate Standards of Conduct Policy for Agents which will be distributed to all Agents of the Association.
3. **Third-Party Service Providers.** Upon engagement, the Association will make the Code of Ethics available to all Third-Party Service Providers, including any Agents. Third-Party Service Providers are expected to comply with the Code of Ethics and to disclose any known Conflicts of Interest to the SOCO and comply with other institution expectations of vendors, including confidentiality, data privacy, and data security requirements.

### Audit of the SOC program

1. **Internal Audits.** The Association's designated internal Audit Firm will also from time to time conduct internal audits of the SOC Program, which will be designed to review the effectiveness of advancing the SOC Policy and this Procedure, identifying weaknesses, recommending and reporting necessary corrective actions, and cover the entire SOC Program across the Association.