

**FARM CREDIT SERVICES OF AMERICA  
GOVERNANCE GUIDELINES**

**EXHIBIT II – Audit Committee Charter**

**Organization**

The Audit Committee (“Committee”) is a standing committee of the Board of Directors (jointly, the “Board”) of Farm Credit Services of America, ACA/FLCA/PCA (jointly, the “Association”) which shall consist of at least three (3) Board members. After the annual Board re-organization meeting, the Chairperson and Vice Chairperson of the Board shall select Committee members. Members of the Committee shall, within a reasonable period of time after appointment to the Committee, be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure or accounting procedures. Members of the Committee must be free from any relationship that, in the opinion of the Boards, would interfere with their ability to exercise independent judgment as a Committee member. The Committee will meet or otherwise take action at least quarterly and may call additional meetings as needed. Meetings may be called by the Chairperson of the Committee or by the Chairperson of the Board. A majority of the Committee membership shall constitute a quorum. The Committee may also act through consent minutes signed by a majority of the Committee members in lieu of a meeting. An executive session may be requested by the vice president internal audit, the vice president compliance review or any Committee member through the Chairperson of the Committee and/or called at any time at the pleasure of the Chairperson of the Committee. The Committee may also meet in executive session with independent professionals as deemed necessary. The Committee will have the responsibilities delegated from the Board by approval of and as outlined in this charter. This charter governs the operations of the Committee.

**Purpose**

The purpose of the Committee is, on behalf of the Board, to monitor and provide oversight in connection with the Association’s financial reporting to shareholders and other stakeholders, the system of internal controls for financial reporting, and compliance with the Association’s Standards of Conduct and Code of Ethics as well as applicable laws and regulations. The Committee shall also review and recommend Board approval of the Association’s Financial Plan, Capital Plan, Interest Rate Plan, and patronage programs, and monitor and receive any required reporting with respect to such plans. In addition, the Committee shall be responsible for oversight, monitoring and any reporting associated with key Association Financial Compliance/Controls Enterprise Risk Management (ERM) risks and assigned Financial Compliance/Controls Board policies.

The Committee will also approve the engagement of the Association’s external auditor, including the review of audit services and approval of any non-audit services to be performed by the external auditor. The Committee shall provide oversight and monitoring of any internal audit functions.

**Duties and Responsibilities**

1. Review and provide oversight of the Association’s preparation of financial statements and review of the Association’s annual and quarterly reports to shareholders prior to release to ensure accuracy of the same.
2. Review and provide oversight of the Association’s policies, processes, procedures and practices, or changes in the same, related to the preparation of all financial statements and reports, including documentation in minutes of agreement or disagreement with any item under review.

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3. Review and provide oversight with respect to the impact of any significant Association accounting or auditing developments.
4. Review and provide oversight of the Association's system of internal controls for financial reporting, including any other controls relating to the Association's compliance with applicable laws or regulations and the Association's anonymous reporting program.
5. Review and provide oversight of the Association's review of and response to any material weaknesses in the Association's internal accounting structure identified as a reportable condition by the Association's independent auditors, including any corrective actions.
6. Appointment, retention and compensation of the Association's independent auditors, in addition to reviewing, providing oversight and assessing any audit services or providing prior approval of any non-audit services performed by such independent auditors.
7. At least annually, review and confirm the independence of the Association's independent auditors.
8. Approve annual audit plans and review and provide oversight of the Association's internal audit functions, including the effectiveness of the internal audit function, annual audit plans, the function's independence and authority, coordination with the Association's independent auditors, and compliance with the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*.
9. Review and provide oversight of the Association's response to any material weaknesses identified through the internal audit function, including any corrective actions.
10. Select, appoint or dismiss the Association's vice president of internal audit.
11. Approve, modify, or adjust the performance evaluation or compensation of the vice president of internal audit recommendations by the President and CEO of the Association.
12. Review and provide oversight of the Association's policies, processes, procedures and practices, or changes in the same, related to standards of conduct and code of ethics as well as criminal referrals, including:
  - the effectiveness of the standards of conduct and code of ethics program,
  - timely filing and reporting of criminal referrals,
  - standards of conduct and code of ethics and criminal referral training,
  - standards of conduct and code of ethics certifications by Directors and employees,
  - reporting with respect to the Association Boards and the Farm Credit Administration, and
  - monitoring of recommended corrective actions.
13. Select, appoint or designate, or dismiss the Association's vice president compliance review (the Association's principal standards of conduct official).
14. Approve, modify or adjust the performance evaluation or compensation of the vice president of compliance review recommendations of the President and CEO of the Association.

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15. Provide oversight and monitoring of the following key Association Financial Controls/Compliance ERM risks:
  - Financial Market Risk
  - Capital Risk
  - Data Integrity Risk
  - Fraud Risk
  - Regulatory, Compliance & Internal Controls Risk
  
16. Evaluate and recommend for Board consideration and approval the following Association business plans and provide ongoing monitoring of such plans:
  - Financial Plan
  - Capital Plan
  - Interest Rate Plan
  
17. Evaluate and recommend Board approval of the Association's patronage programs, provide oversight and monitoring of such programs, and evaluate and recommend Board approval of annual patronage declarations.
  
18. Provide oversight and monitoring of assigned Financial Controls/Compliance Board policies as outlined in the Board Governance Guidelines.
  
19. Develop and provide oversight and monitoring of any action plans resulting from the combined Committee and corresponding Coordinating Committee Subcommittee annual assessment results.
  
20. Hire, retain or terminate any independent professionals needed to assist the Committee, the internal audit function or the standards of conduct and code of ethics function in performing their duties and responsibilities, including, but not limited to, financial experts, external auditors, independent legal counsel or any other expert advisors. A two-thirds (2/3) super majority vote of the Association Board is required to deny the Committee's request for resources. In addition, the Committee shall have access to any financial expert advisors or other consultants engaged by Association leadership.
  
21. Perform any other duties or responsibilities expressly delegated to the Committee by the Board.