

Policy Name:	Standard of Conduct Alabama Farm Credit, ACA
Organizational/Functional Area:	Administration
Board Approval:	September 2018
FCA Regulations:	612.2130, 612.2135, 612.2140, 612.2145, 612.2150, 612.2160 & 612.2165 & 612.2170

PURPOSE AND OBJECTIVE

The board of directors believes that the maintenance of high standards of industry, honesty, integrity, impartiality, and conduct by directors and employees of the Association is essential to ensure the proper performance of the Association's business and continued public confidence in the System. The avoidance of misconduct and conflicts of interest, real or apparent, is indispensable to the maintenance of these standards.

To achieve these high standards of conduct, directors and employees shall observe, to the best of their abilities, the letter and intent of all applicable laws, regulations, rules, policy statements, instructions, guidelines, and procedures of the Farm Credit Administration and the Association and shall exercise diligence and good judgment in carrying out their duties, obligations, and responsibilities.

Applicable Farm Credit Administration Regulations

612.2130 – Conflict of Interest – Defines a “conflict of interest” or the appearance thereof as existing when a person has a financial interest in a transaction, relationship, or activity that actually affects or has the appearance of affecting the person’s ability to perform official duties and responsibilities in a totally impartial manner and in the best interest of the employing institution when viewed from the perspective of a reasonable person with knowledge of the relevant facts.

612.2140 & 612.2145 – Directors Prohibited Conduct and Reporting – Prohibits a director’s participation in matters affecting the director’s financial interest, the use of information the director acquired in the position as director, or the use of the director’s position for favoritism. Also requires reporting of certain relationships and activities.

612.2150 & 612.2155 – Employee Prohibited Conduct and Reporting – Prohibits the employee’s participation in matters affecting the employee’s financial interest, the use of information acquired in the employee’s position, or the use of the employee’s position for favoritism. Also requires reporting of certain relationships and activities.

612.2160 – Covers Association Responsibilities to Ensure Compliance – Management must: ensure compliance; act promptly to preserve integrity and public confidence; adopt policies and procedures; and designate a Standard of Conduct Official.

OPERATING PARAMETERS

Devotion of Time to Official Duties (Criteria for Outside Employment or Compensation)

Employees are required to devote the full business time for which they are employed to the effective accomplishment of the duties assigned them. They shall not accept outside employment or compensation that could require the use of time that should be devoted to official duties or reflect adversely upon their ability, or perceived ability, to perform their official duties and responsibilities in a totally impartial manner. Under this provision, the assessment of the impact of an employee's outside activities on the performance of official duties must be addressed, as addressed and reflected through the evaluation process of that employee.

Transactions with Unincorporated Business Entities (UBEs)

All transactions between a director, officer, employee or agent and a UBE in which the Association owns an interest shall be conducted at arm's length, shall be in the Association's interest, and in compliance with the FCA's standards of conduct regulations and the Association's standards of conduct policy and procedures.

Improper Use of Official Property, Position or Information

No director or employee shall use any real or personal property, communication, transportation, or any other facility of this Association except as permitted by the Association's Electronic Communications Policy, or use his or her position or information gained in such position for any activities or business in such director's or employee's personal interest or the personal interest of another. Official stationary or any other means of communication used by and readily identified with the Association shall be used only in the conduct of official business and shall not be used to express opinions which do not represent the official position of the Association.

Cybersecurity

All directors, officers and employees must comply with the Association's cybersecurity policies and procedures and other standards for protecting the security of the Association's information.

Employment of Relatives

No relative of a director or Association officer shall be employed by the Association. No relative of an employee (other than an Association officer) shall be employed by the Association in a position, so that either the relative or the related employee is under the direct supervision of the other or where the relative or where the related employee, by virtue of his/her position has authority to take administrative or other action directly affecting the other. "Relative" is defined by the Farm Credit Administration ("FCA"), to mean spouse, parent, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, uncle, aunt, nephew, niece, grandparent, grandson, granddaughter, and the spouses of the foregoing. Employees residing together will be considered to be related for the purposes of this policy. "Officer" is defined by the FCA as the chief executive officer, president, chief operating officer, vice president, secretary, treasurer, general counsel, chief financial officer, and chief credit officer of each System institution, and any person not so designated who holds a similar position of authority.

Joint Employees

A. In General

Association (AFC) management is authorized to establish and maintain joint employee relationships with its affiliated associations in accordance with the requirements of this Policy.

No officer of the Farm Credit Bank of Texas (Bank) may serve as an employee of AFC and no employee of the FCB may serve as an officer of AFC. FCB employees may serve as employees of AFC provided that the AFC board of directors and management determines that the joint employee relationship is in the best interests of AFC and its stockholders and have authorized the joint employee relationship, received approval from FCA, if applicable and AFC reflects its allocated share of the expense for such joint employee in its financial statements.

1. An officer or employee of AFC may be an officer or employee of another district association where the AFC board of directors and management have determined that the joint employee relationship is in the best interest of AFC and its stockholders and have authorized the joint employee arrangement, and AFC reflects its allocated share of the expense of such joint officer(s) or employee(s) in its financial statements.

B. Written Agreements Required

In all cases involving joint employee relationships, AFC and the affiliated association shall enter into a written agreement delineating the joint employee's duties and responsibilities and providing for the allocation of the employee's compensation and benefits.

C. Definition of Joint Employee.

1. For the purposes of this Policy, the term "joint employee" refers to an individual who, by express agreement between AFC and the affiliated association,
 - a. is subject to the control of both AFC and the affiliated association/Bank with respect to the manner and means of the individual's work;
 - b. who owes a duty of loyalty to both AFC and the affiliated association/Bank;
 - c. whose work directly benefits both AFC and the affiliated association/Bank;
 - d. who is compensated by both AFC and the affiliated association/Bank; and,
 - e. who holds himself or herself out to third parties as an employee of both AFC and the affiliated association/Bank.
2. An AFC officer or employee generally does not become a "joint employee" of an affiliated association simply by performing activities that an affiliated association officer or employee could perform. Only where activities are prohibited as described in Paragraph E below would the performance of services in themselves be considered to give rise to a joint employee relationship under this Policy.

D. Disclosure and Determinations of Conflicts.

Prior to the beginning of a joint employee arrangement, each AFC officer or employee who is designated as a joint employee shall disclose the joint employee arrangement to AFC's Standards of Conduct Official. The Standards of Conduct Official shall determine whether there is any potential for a conflict of interest to arise in the course of the joint employee arrangement. The Standards of Conduct Official may impose conditions on the approval of such joint employee arrangement, such as, recusal from all deliberations and decisions that affect the association's direct note with AFC.

1. A conflict of interest could arise if an AFC officer or employee serving on AFC's Loan Committee acts as an officer for affiliated association with authority and responsibility to make decisions on behalf of the affiliated association that could adversely affect the affiliated association's performance of its obligations under direct note.

E. Prohibited Activities.

1. No AFC employee may perform services exclusively for a single affiliated association as a calling officer who identifies and pursues potential candidates for loans from the affiliated association and develops loan packages to present to the affiliated association for approval. Nothing in this Policy shall prevent an AFC employee from assisting any affiliated association in any such activities or related business development activities upon request on an ad hoc basis.
2. No AFC employee who has not been designated and approved as a joint employee in accordance with this Policy may perform the following accounting support activities:
 - i. certify affiliated association financial statements;
 - ii. purport to be an affiliated association employee or representative of the affiliated association in dealings with third parties with respect to accounting matters; or,
 - iii. provide substantially all direction to the association staff in accounting matters in the absence of the affiliated association's chief financial officer or equivalent affiliated association accounting officer, unless AFC's CEO and CFO determine that the affiliated association has a clear plan to have a chief financial officer or equivalent accounting officer on staff within a reasonably foreseeable time and the AFC's Standards of Conduct Official determines that there is no conflict of interest,

Political Activity

The political activities of directors and employees shall be consistent with the requirements of the Association's Political Activity and Interaction with Government Officials Policy

Exchange of Gifts and Favors among Directors and Employees of The Employing, Supervising or Supervised Institution

No director or employee shall solicit, give, exchange, or receive either for the benefit of the director or employee or for the benefit of any third party other than the Association, any gift, present, favors, or anything of value from or to:

- Any director or employee of the Association,
- Any director or employee of any district association, bank or OFI,
- Any director or employee of any other System institution,
- Any loan applicants or borrowers of the association, any district association, Bank or OFI,
- Any agent of the Association, Bank or any district association or OFI,
- Any vendor of the Association, Bank or any district association or OFI, or
- Any other parties doing business with the Association.

This paragraph shall not apply to items exchanged as part of customary business or social amenities as determined under guidelines established by the Standard of Conduct Official and approved by the Board of Directors.

Circumstances Under Which Gifts May be Accepted by Directors and Employees From Outside Sources

No director or employee shall at any time solicit or accept gifts, presents, favors, or anything of value from loan applicants, borrowers, agents, vendors, or any parties doing business with the Association. This paragraph shall not apply to items exchanged as part of customary business or social amenities as determined by the Standard of Conduct Official and approved by the Board of Directors.

Recusal From Official Action

Directors and employees shall not participate directly, or indirectly, in deliberations on, or the determination of, any matter, affecting, directly or indirectly, their financial interests, or the financial interest of any relative, any person residing in their household, any business partner, or any entity controlled, or such persons alone or in concert, except those matters of general applicability that affect all shareholders/borrowers in a nondiscriminatory way. Directors and employees shall be prohibited from becoming financially obligated with a borrower or applicant of the Association if the obligation would result in the need to substantially alter the director's or employee's duties and responsibilities to avoid an act prohibited by Section 612.2140 and 612.2150. Any recusal shall be documented in writing showing the nonparticipation and absence of the director or employee during any such deliberation or determination. The Standard of Conduct Official shall periodically monitor such documentation to determine compliance with the requirement for recusal from official action.

Standard of Conduct Procedures

Standard of Conduct Procedures will be developed that, at a minimum, are consistent with this policy and meet the criteria of Section 612.2165.

These procedures may contain provisions that allow certain directors and employees to enter into certain types of relationships and activities subject to such appropriate limitations as the procedures may provide. The procedures shall establish such requirements and prohibitions as are necessary to promote public confidence in the Association and the System, to preserve the integrity and independence of the supervising process, and to prevent improper conduct that may have an adverse impact on the Association or the System. Such procedures shall give due consideration of potential adverse effect of any activities permitted under the procedures and shall establish such requirements and prohibitions as are necessary to promote public confidence in the institution and the System to preserve the integrity and independence of the supervising process and prevent improper conduct that may have an adverse impact on this institution or the System, and the potential that said activities could affect the impartial judgment of directors or employees, or detract from their performance of official duties.

Documentation

A Standards of Conduct manual shall be developed that contains all applicable FCA regulations, this Standard of Conduct policy, the Code of Ethics, and all related Guidelines and Procedures, including provisions for the disclosure of activities and relationships and sample forms necessary to document compliance with the policy and procedures. The manual must be distributed to each director and employee, who shall acknowledge in writing that they were provided a copy of the manual and understand the Standard of Conduct regulations, policy, and procedures.

Code of Ethics Policy

A Code of Ethics shall be developed, published and distributed to each director and employee. The chief executive officer, and all other designated officers and employees shall acknowledge they have received, read, understand and will comply with the Code of Ethics for the preparation and distribution of financial statements and related disclosures and for providing relevant information that is true, accurate, and complete.

AUTHORITIES DELEGATED TO MANAGEMENT AND REPORTING REQUIREMENTS

A Standard of Conduct Official shall be designated by the Board of Directors, who shall: receive reports required by policy or Farm Credit Administration regulations, record actions taken to resolve each case, and make investigations and report promptly to the board of directors, chief executive officer and the Farm Credit Administration all cases, the investigation of which establishes a violation of the Standard of Conduct or the Code of Ethics that results in the removal of a director or discharge of an employee, or where the violation may have an adverse impact on continued public confidence in the Association, or the System. All reports shall be made after an investigation which shall be completed timely within a reasonable amount of time depending upon the circumstances of each case. All significant employee reporting will be disclosed to senior management and any reporting for the chief executive officer, chief financial officer, and chief credit officer will be reviewed, as appropriate, with the board of directors or Audit Committee. The CEO shall make an annual report to the board of directors on all activities reported by the Standard of Conduct official.

AUTHORITIES RETAINED FOR BOARD APPROVAL AND PROCESS FOR ADDRESSING EXCEPTIONS

The Board of Directors will oversee policy development and final approval of this policy. Any changes to the policy will require approval by the Board of Directors. Exceptions to this policy will be approved only by the Board of Directors.