



Audit Committee Charter

I. Purpose

The AgWest Farm Credit, ACA (the Association) Audit Committee (the Committee) is established by and reports to the Association Board of Directors.

The Committee assists the Board in fulfilling its fiduciary responsibilities to oversee and monitor the Association's audit controls including the Association's,

1. System of internal controls,
2. Financial statement integrity,
3. Internal audit function performance,
4. External audit function performance (including assessing the external auditor's qualifications and independence).
5. Processes for monitoring compliance with laws, regulations, and the code of ethics.

II. Authority and Responsibilities

Internal Controls

1. Evaluate the adequacy and effectiveness of the Association's administrative, operating (including information technology security and control), financial reporting, and regulatory compliance policies and other controls designed and implemented by management.
2. Regularly meet with the internal auditor and external auditor (as needed) to review their assessment of the adequacy and effectiveness of the Association's internal controls.
3. Review and discuss written reports from internal and external auditors and the Farm Credit Administration (FCA). Monitor management's response and actions to correct deficiencies noted in these reports.
4. Participate, if needed and appropriate, in the Operating Committee's meeting with the FCA to discuss the Association's FCA examination.

Financial Statement Integrity

1. Oversee the Association's preparation of each quarterly or annual report.
2. Review significant accounting and reporting issues and understand their impact on the financial statements.

3. Review and understand periodic accounting and financial reports and level of involvement of the external auditor.
4. Review and discuss with the external auditors and management the Association's audited financial statements and the external auditors' opinion with respect to such financial statements including the:
 - Significant financial reporting issues and judgments made in connection with financial statement preparation,
 - Nature and extent of significant changes in accounting principles and application of such accounting principles,
 - Effect of regulatory and accounting initiatives and off-balance sheet structures,
 - Issues with the adequacy of the Association's internal controls over financial reporting, and any special steps adopted to address material control deficiencies,
 - Inquiry regarding the external auditor's judgments of the quality of the Association's accounting principles (not just acceptability), including the clarity of financial disclosures,
 - Inquiry into accounting adjustments noted or proposed by the external auditors but "passed" as immaterial or otherwise,
 - Association disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" supplementing the financial statements,
 - Results of the financial statement audit, including any difficulties encountered and significant changes from the planned audit procedures. This review will include any restrictions on the scope of the external auditors' activities and/or access to requested information, as well as any significant disagreements with management.
5. Review and approve financially related press releases prior to issuance.
6. Approve the annual financial statements, including the financial statements in the Annual Report prior to its release, and recommend to the Board. The Board must also approve the annual financial statements.
7. Review and approve quarterly financial statements, including disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" prior to their release.
8. Review disclosures made to the Committee by the Association's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) during their certification process with a focus on significant deficiencies or material weaknesses in the design or operation of internal controls and any fraud involving management or other employees who have a significant role in the Association's internal controls.
9. Record in the minutes the Committee's agreement or disagreement with financial policies, procedures or reports that it has reviewed.

Internal Audit Function

1. Review and seek concurrence with the Board in the appointment, replacement, or dismissal of the Chief Auditor,
1. Ensure the Chief Auditor reports directly to the Committee and/or Board,
2. Retain responsibility for the compensation, retention, oversight, and annual performance assessment of the Chief Auditor (the Committee may consult with the CEO on the annual performance assessment and salary adjustment for the Chief Auditor),
3. Approve the Internal Audit charter,
4. Review and approve annually the internal audit function budget, staffing, and organizational structure,
5. Review and approve the annual risk assessment and the annual audit plan (and any changes to the plan) developed and recommended by the internal audit function,
6. Review the internal audit department's performance relative to the audit plan,
7. Ensure there are no unjustified restrictions or limitations for the internal audit function and that the function has access to all information needed.
8. Ensure the internal audit function has full responsibility for contracting with external parties to perform any contract audits according to the audit plan or special request,
9. Review all reports and findings resulting from the internal audit function's independent evaluation of the systems of internal control and continuing operations,
10. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards.

External Audit Function

1. To the extent practical, determine the appointment, compensation and retention of external auditors issuing audit reports of the Association. To the extent required, concur with the selection of the external auditors by the Farm Credit System Audit Committee and notify the Board of the selection.
2. Ensure the external auditors report directly to the Committee and Board.
3. Evaluate the qualifications, performance, and independence of the external auditors annually. In performing this review obtain and review a report by the external auditors describing:
 - a. The firm's or firm's internal quality-control procedures,
 - b. Any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues,

- c. All relationships, including permitted non-audit services, between the external auditors and the Association to assess the auditors' independence. In addition, the Committee will consider the opinions of management and the Chief Auditor.
4. Ensure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required.
5. Meet with the external auditors prior to an audit to discuss the planning, scope, staffing and procedures to be used on the annual audit, as recommended by the external auditors.
6. Review and approve the scope and planning of the annual audit by the external auditor of the Association's financial statements and internal controls, including coordination of audit effort with internal audit,
7. Review the interim and final reports of the external auditor with respect to the audits,
8. Pre-approve all other permitted non-audit services performed by the external auditors as negotiated by management. Approval of any non-audit services must be obtained from the Committee in advance of external auditors rendering such services. The Committee will not approve the engagement of the external auditors to render non-audit services prohibited by law or rules and regulations promulgated by appropriate rule-making bodies.
9. Verify compliance with the auditor independence provisions of part 621 of the FCA regulations,
10. Unanimously approve the Association's hiring of employees or former employees of the external auditors who participated in any capacity in the audit of the Association in the prior 12 months.

Compliance

1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
2. Review the findings of any examinations by regulatory agencies and any auditor observations and management's response to them.
3. Review and assess policies, procedures, practices, and compliance with the Association's code of ethics and monitor its compliance with the laws, regulations, policies, and standards of ethical conduct.
4. Review the process for communicating the code of ethics to Association personnel and for monitoring compliance therewith.
5. Obtain regular updates from management and the Association's legal counsel regarding compliance matters.
6. Require periodic reports from management, the independent auditor, and internal audit function on any significant proposed regulatory, accounting or reporting issue to assess the potential impact upon the Association's financial reporting process,

7. Respond to any concerns identified by CoBank and/or Farm Credit System Audit Committee and conduct any audit committee activities that are necessary for CoBank and/or Farm Credit System Audit Committee to fulfill its chartered responsibilities,
8. Discharge any additional responsibilities and authorities as may be imposed by law or regulation.

Other Responsibilities

1. Discuss with management the Association's risk assessment and risk management, including Enterprise Risk Management (ERM).
2. Hold, at least annually, separate executive sessions with management, the Chief Auditor, and the independent auditors to discuss any matters the Committee or those groups believe necessary,
3. Review policies/procedures for the confidential, anonymous submission of questions, tips, or complaints regarding violations of law, regulation, or policy (including accounting, internal accounting controls or auditing matters) or fraud, corruption, or operational weaknesses, and for the receipt, retention, and treatment of the same (Whistleblower Program)
4. Report in its minutes its agreement or disagreement with any financial policy, procedure or report the Committee reviews,
5. Institute and oversee special investigations as needed,
6. Consult with the Association's legal counsel or outside counsel, as the Committee may deem appropriate, to discharge its responsibilities and authorities
7. Confirm annually that all responsibilities outlined in this charter have been carried out,
8. Annually through a self-assessment process, evaluate the Committee's performance, composition, effectiveness, and its support/resources,
9. Have unrestricted access to all books, records, facilities, and personnel of the Association,
10. Perform other activities related to this charter as requested by the Board.

III. Composition/Quorum Power to Act

1. The Committee members shall consist of at least three but no more than six directors as recommended by the Board Chair and Vice-chair (in collaboration with the CEO) and approved by the Board. Each director appointed to the Committee shall, in accordance with association standards of conduct policies and procedures, be free of any relationship that would interfere with the exercise of independent judgment as a Committee member. In appointing Committee members, the Board will also consider the personal characteristics and qualifications of those appointed to the Committee. All Committee members should be knowledgeable in at least one of the following: public and corporate finance, financial reporting and disclosure or accounting

procedures. Alternatively, they should obtain knowledge within a reasonable period of time after appointment to the committee.

2. The initial Chair and Vice Chair for the Committee shall be Barry Powell and Vicki Eggebrecht respectively. Thereafter, the Committee members will elect the chair and vice-chair of the Committee at the same time as the annual Board reorganization following Director Elections. The Committee chair must qualify as a financial expert. The Board may, at any time and in its complete discretion, remove any member of the Committee and may fill any vacancy on the Committee.
3. A majority of the total number of members shall constitute a quorum of the Committee. A quorum of the members of the Committee shall be empowered to act on behalf of the Committee.

IV. Procedures

Meetings/Reporting

The Committee will meet at such frequency as necessary and appropriate to fulfill its responsibilities and conduct its business. Committee materials (except sensitive material) will typically be distributed to all Board members as part of the Board package. All Board members may attend Committee meetings as guests.

The Committee chair may call an executive session at their discretion and with the consent of a majority of Committee members in attendance.

The Committee shall keep formal minutes of all meetings, including attendance. Minutes will provide sufficient detail on reasons for decisions to avoid disputes regarding prior decisions. Committee members will be provided ready access to past minutes of the Committee for purposes of reference or review. The Committee shall provide meeting minutes and reports of its actions to the Board at its next regularly scheduled meeting.

Resources

The Committee shall have authority to retain such consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms. The Association will provide any other monetary and non-monetary resources necessary for the Committee to fulfill its purpose.

Communication/Collaboration

The Committee Chair will be responsible for liaison with representatives of management to develop meeting agendas and information needed to make decisions. The Committee will communicate and collaborate with the President/CEO, the Chief Auditor, and the EVP – Chief Financial Officer, so that the flow of information between the Committee and management is not impeded.

Learning and Development

The Committee will establish, in cooperation with the Board and other Board committees, a schedule for learning and development as deemed necessary and/or recommended by management for its members to ensure that Committee members continue to develop their experience and effectiveness in areas of the Committee's responsibilities.

Self-Assessment

As part of the Board self-assessment process, the Committee will complete an annual self-assessment. The purpose of the Committee's self-assessment survey is to assist the board in evaluating the Committee's composition, the Committee's effectiveness and the support/resources provided to the Committee.

V. Delegation

The Committee may, in its discretion, delegate some of its duties and responsibilities to a subcommittee appointed by and responsible to the Committee.

VI. Disclosure of the Charter

This Charter will be posted on the Association's website and will be available in print to any shareholder requesting it.

VII. Charter Review

The Board recognizes, for this Charter to be useful, it must be kept current and relevant. To that end, the Board will conduct a Charter review at least annually and make any changes that are needed to meet the Charter's purpose.