

Policy Name: **ETHICS AND HOTLINE POLICY**

Functional Area: **ALL AREAS**

Board Approved: **DECEMBER 2017**

FCA Regulations: **12 CFR §§ 612.2130 612.2303; Code of Ethics**

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## **PURPOSE AND OBJECTIVES**

The purpose of this policy is to establish a formal code of ethics for certain executive officers and other principal accounting officers of the Association and to confirm a third-party provider who can receive confidential, anonymous complaints relating to any alleged violation of law, regulation, or Association policy or any allegation of fraud, corruption, or operational weakness.

The objectives of this policy are to:

- Promote honesty and ethical conduct throughout the Association;
- Establish and communicate a control environment throughout the Association;
- Supplement existing FCA regulations and Association policy regarding Standards of Conduct;
- Establish and define a program adopted by the Audit Committee of the Association to receive and retain information about, and provide remedial actions involving, alleged incidents relating to the accounting, internal controls, or auditing matters of the Association;
- Provide for the confidential, anonymous submission of concerns by employees about questionable accounting or auditing matters.
- Maintain a program that provides an externally-facing reporting system for users, such as vendors, independent contractors, customers, suppliers, service providers, or other parties with whom the Association conducts its business.

The Association expects all of its employees, officers, and directors to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities, to comply with all applicable laws, rules, and regulations, to deter wrongdoing, and to abide by the Association's [Standards of Conduct Policy](#) and other policies and procedures adopted by the Association that govern the conduct of its employees.

This Policy and the Association's Code of Ethics for the CEO, Other Senior Officers, and Principal Accounting Officers will supplement and be construed as part of the Association's Standards of Conduct Policy and Standards of Conduct Manual.

## **OPERATING PARAMETERS**

The Audit Committee of the Association has established and monitors an ethics hotline/whistleblower program as set forth in this Policy and in the Standards of Conduct Manual. This program includes the following components:

- A communications and training plan to make employees and others aware of the program;
- Inclusion of audit committee members and directors in the notification protocol, as appropriate;
- Assigns responsibility for the monitoring of cases received through a third-party service to the Audit Committee;
- A reporting process to receive and monitor reports on the nature, status, and disposition of reported matters;
- A program to test the responsiveness of the service provider and the reliability of a process to exclude notification to any individuals named in a complaint.

The CEO, other senior officers, and principal accounting officers are required to sign a personal commitment confirming the attached Code of Ethics.

Lone Star is committed to doing the right thing. As such, Lone Star has adopted an Ethics Program for all employees, directors and agents that represent the Association. If an employee feels they have a concern or complaint that would involve using the Association's reporting hotline, please report the issue to Lone Star's third-party hotline/whistleblower (EthicsPoint) at:

- ❖ Toll-Free Telephone: 844-363-2092
- ❖ Website: [www.LoneStarAgCredit.ethicspoint.com](http://www.LoneStarAgCredit.ethicspoint.com)

If an employee has a concern or complaint that they feel does not need to involve the above reporting hotline/whistleblower, they are encouraged to direct the concern/complaint to their supervisor. However, if the concern/complaint involves their supervisor, they are encouraged to contact a member of senior management or the Association's Standards of Conduct Official, David W. Gossett at 864-370-2211 or [dgossett@nexsenpruet.com](mailto:dgossett@nexsenpruet.com)

## **ANTI-RETALIATION**

The Association will not tolerate retaliation against anyone for stepping forward with a concern or complaint made in good faith relating to any alleged violation of law, regulation, or Association policy or any allegation of fraud, corruption, or operational weakness through the hotline/whistleblower program or otherwise. A director, supervisor, or employee may not retaliate against any director, employee, or other person, in any way, for registering, or causing to be registered, a complaint or for cooperating with an investigation of a complaint. Retaliation, in the context of this Policy, is an adverse employment or other action against a director, employee, or other person because such person has made or supported a complaint. Examples of strictly prohibited retaliatory action include, but are

not limited to: (1) disciplining, changing the work assignment of, providing inaccurate work information to, or refusing to cooperate or discuss work-related matters with any director, employee, or other person because such person has registered a complaint; or (2) intentionally pressuring, falsely denying, lying about, or otherwise covering up or attempting to cover up conduct such as that described above.

Complaints involving anti-retaliation are distinguishable from complaints involving other kinds of complaints, which may be handled under a separate policy or procedure. Any implication or threat of retaliation because a director, employee, or other person has made a complaint or has cooperated in the investigation of a complaint should be brought to the attention of the employee's supervisor, or if the retaliation threat involves the supervisor, then to the Human Resource Manager, the CEO, and/or the Association's outside General Counsel, or if the retaliation threat involves a director or other person, then to the Human Resource Manager, the CEO, and/or the Association's outside General Counsel. Any person who receives such a complaint shall report the matter to the Association's outside General Counsel. Because of the sensitivity involved in such a complaint, each case will be promptly and thoroughly investigated by the Human Resource Manager, the CEO, and the Association's outside General Counsel or other appropriate delegate to determine whether the reported complaint has occurred; provided, however, any person who is made subject of the complaint shall not be involved in the investigation of such a complaint.

Notwithstanding anything to the contrary, if, after investigation, any complaint is found to be frivolous and not made in good faith, or if a director, employee, or other person provides false information regarding a complaint, then disciplinary action may be taken by the Association against the individual who filed the complaint in bad faith or gave the false information.

### **Audit**

The Association's internal audit function is assigned the responsibility of testing the requirements of this policy for compliance.

### **AUTHORITIES DELEGATED AND RETAINED**

The CEO shall have the authority to implement provisions of this Policy and the program. The Audit Committee is responsible for approving and monitoring the procedures established for this program, including communications, testing, and reporting.

Annually, the Audit Committee will review compliance of the Code of Ethics with management and the Association's internal and external auditors.

The Board retains the authority to approve or amend the Policy.

### **REPORTING REQUIREMENTS**

Management will report matters involving ethics to the Audit Committee in accordance with the Association's procedures or as otherwise appropriate.

The Audit Committee will receive reports, as indicated by procedures, regarding the status and disposition of matters that are reported through the hotline/whistleblower program.

FCA will be notified immediately of any suspected internal fraud or other significant event involving insiders that is required to be reported, and any known or suspected criminal violation will be reported as required by the Association's [Criminal Violations – Reporting, Investigations, and Referral Policy](#) or as otherwise required by 12 CFR §§ 612.2300 – 612.2303.

**LONE STAR, ACA'S CODE OF ETHICS FOR THE CEO, OTHER SENIOR OFFICERS, AND PRINCIPAL ACCOUNTING OFFICERS**

The Association and its directors, officers, and employees have committed to conduct business in accordance with the highest ethical standards as set forth in the Standards of Conduct Policy, which is applicable to all directors, officers, and employees and which relates to ethical conduct, conflicts of interest, and compliance with the law.

This Code of Ethics applies to the CEO, other senior officers, and principal accounting officers. The Association is responsible for the preparation and distribution of its financial statements and related disclosures and for providing relevant information that is true, accurate, and complete to the Funding Corporation for use in preparing the Farm Credit System financial statements and related disclosures. The Association expects all of its employees to act in accordance with the highest standards of personal and professional integrity in all aspects of their activities, to comply with all applicable laws, rules, and regulations, to deter wrongdoing, and to abide by its Standards of Conduct Policy and other policies and procedures adopted by the Association that govern the conduct of its employees. This Code of Ethics is intended to supplement and be construed as part of the Association's Standards of Conduct Policy and Standards of Conduct Manual.

You agree to:

- A. Engage in and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.
- B. Avoid conflicts of interest and disclose to the Association Standards of Conduct Official any material transaction or relationship that reasonably could be expected to give rise to a conflict.
- C. Take all reasonable measures to protect the confidentiality of non-public information about the Association and its customers obtained or created in connection with the Association's activities and to prevent the unauthorized disclosure of this information unless required by applicable law or regulation or legal or regulatory process.
- D. Produce full, fair, accurate, timely, and understandable disclosures in Association reports and documents filed with, or submitted to, the Farm Credit Administration, in information provided to the Funding Corporation, and in other public communications made by the Association.
- E. Comply with applicable laws, rules, regulations, and Association policies, as well as the rules and regulations of self-regulatory agreements to which the Association is a party.

You are prohibited from directly or indirectly taking any action to fraudulently influence, coerce, manipulate, or mislead the Association's independent public accountant for the purpose of rendering the financial statements of the Association misleading.

You understand that you will be held accountable for adherence to the Code of Ethics. Your failure to observe the Code of Ethics may result in disciplinary action, up to and including termination of employment. Violations of the Code of Ethics may also constitute violations of law and may result in civil and criminal penalties for you, your supervisors, or the Association.

Please report any possible violation of this Code of Ethics to EthicsPoint by:

- **Toll-Free Telephone:** 844-363-2092
- **Website:** [www.LoneStarAgCredit.ethicspoint.com](http://www.LoneStarAgCredit.ethicspoint.com)

EthicsPoint is an anonymous ethics and compliance hotline for all employees of Lone Star Ag Credit.

EthicsPoint provides an externally-facing reporting system for users, such as vendors, independent contractors, customers, suppliers, service providers, or other parties with whom the Association conducts its business.

**Any individual contacting EthicsPoint will remain anonymous when reporting any possible violation of the Code of Ethics.**

**Commitment to Lone Star, ACA's Code of Ethics for the  
CEO, Other Senior Officers, and Principal Accounting Officers**

**I acknowledge that I have received and read Lone Star, ACA's Code of Ethics for the CEO, other senior officers, and principal accounting officers, I understand my obligations as an employee to comply with the Code of Ethics, and I agree to comply with the Code of Ethics.**

**I understand, acknowledge, and agree that my agreement to comply with the Code of Ethics does not constitute a contract of employment.**

\_\_\_\_\_  
**Signature**

\_\_\_\_\_  
**Printed Name**

\_\_\_\_\_  
**Title**

\_\_\_\_\_  
**Date**