



Minutes

Board of Directors • Compensation Committee

April 26, 2023 • 9:00 am – 12:00 pm (ET)

ReliabilityFirst Corporation
3 Summit Park Drive, Suite 600 • Cleveland, OH 44131

Closed Session

Call to Order – Chair Lesley Evancho called to order a duly noticed closed meeting of the Compensation Committee (Committee) on April 26, 2023 at 9:00 a.m. (ET). A quorum was present, consisting of the following Committee members: Lesley Evancho, Chair; Ken Seiler, Vice Chair; Joanna Burkey; Pat Cass; Courtney Geduldig; Antonio Smyth (virtual); and Jennifer Sterling. A list of others present during the Committee meeting is set forth in Attachment A.

Appoint Secretary to Record Minutes – Chair Evancho designated Niki Schaefer, ReliabilityFirst's (RF) Vice President and General Counsel, as the secretary to record the meeting minutes.

Antitrust Statement – Ms. Schaefer advised all present that this meeting is subject to, and all attendees must adhere to, RF's Antitrust Compliance Guidelines.

Approve Compensation Committee Meeting Minutes – Chair Evancho presented draft minutes from the December 6, 2022 Compensation Committee meeting, which were included in the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

Q1 Staffing Demographics & Diversity Strategy Update - Beth Dowdell, RF's Senior Director Corporate Services, began by discussing the new Human Resources (HR) dashboard measuring HR KPIs related to recruitment, workforce planning and Diversity, Equity, and Inclusion (DEI). She then discussed RF's recruiting metrics, noting that RF added six new employees in 2023, the average time to hire was 82 days, 33% of open positions were filled internally, and 100% of the candidate pool had diverse representation. Ms. Dowdell noted that although the candidate pools were diverse, the ultimate hires were not as diverse as RF wanted to see. A discussion ensued about adding more rigor to the hiring process, particularly thinking through whether backfilled positions could be filled by a lower-level employee than the original position. Ms. Dowdell talked about various efforts to improve racial diversity at RF, such as using recruiting firms that specialize in diverse candidates, and Ms. Burkey noted that this approach has worked at her organization. Ms. Dowdell noted that employees, particularly diverse employees, can be quite helpful in recruiting activities.

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Ms. Dowdell reported that RF has had strong employee retention numbers in the first quarter and discussed the efforts regarding leadership development and engagement. She then explained how one of RF's goals this year is to build out the plan for developing high potential employees. A discussion ensued about the changes in how work is conducted and how people are managed in a virtual work world.

Ms. Dowdell reported that from a demographic standpoint, 19% of RF staff are eligible to retire (which RF defines as sixty and over). While these employees are still high contributors, being aware of the gaps that can be created if/when they leave is important in ensuring resource adequacy. There was discussion on increasing RF's bench strength and the pipeline of employees. Mr. Seiler noted that PJM is focusing more on hiring people just out of school to improve demographic diversity. Ms. Dowdell described the challenges RF faces regarding not having the resources to train and develop people so new to the workforce. She then discussed that RF is also looking at whether someone who is high potential or retirement eligible is in a "critical" role. She also noted that RF continues to leverage the hybrid work model with employees coming in one day a week (either Wednesday or Thursday), with 25% of employees as fully remote.

Ms. Dowdell then reported that RF is currently at 8% ethnic diversity, which RF considers a number that needs to improve. She stated that RF is engaging in efforts such as hiring recruiting firms specializing in diverse candidates and expanding partnerships with specialized engineering groups like the National Society of Black Engineers. RF is also looking at other opportunities to have booths or other promotions at events that could be feeders to the RF employee candidate pool.

She then shared that females in leadership roles make up 30% of management staff, and discussed staff gender and age demographics. Ms. Burkey asked if people are working longer in general, and Ms. Evancho noted that her employer is seeing a considerable number of employees (28%) moving out of the Pittsburgh area now that they are fully remote. A discussion ensued about why retirements are being delayed, and then about the effects of flexibility at work on diverse employees, particularly women, with Committee members sharing the effect of stricter in-office policies at their respective organizations.

Ms. Dowdell then shared veteran and disability demographics, as well as the four pillars of RF's DEI strategy. Regarding DEI goals, she described the efforts RF is undertaking to increase workforce diversity, including a presentation at Howard University, speaking engagements at local high schools, and partnering with minority vendors such as catering companies.

She then described RF's efforts in creating a culture of inclusion, including events surrounding Black History Month, Chinese New Year, and Women's History Month. Ms. Dowdell discussed the lunch with leaders series, and the positive feedback RF has received on those events. Then she discussed sustainability and accountability efforts, including DEI certifications for DEI committee members, partnering with HRKS (a DEI training organization), and focusing on the actionable parts of DEI. She also mentioned DEI training for new staff on LinkedIn Learning to create a DEI baseline. Ms. Evancho shared

that LinkedIn Learning has been a useful platform for her organization, especially when there is a group discussion or activity after the course.

Finally, Ms. Dowdell discussed efforts to avoid blind spots through the employee engagement survey and wellness and training survey metrics. She reported that RF recently received a top workplace in Northeast Ohio award for 2023. A discussion ensued about broadening wellness incentives and incorporating mental health, and the benefits of the Calm and Headspace apps for staff to promote mental health.

Mr. Seiler noted the workforce challenges ahead for RF and the importance of remaining vigilant. Ms. Evancho commented on the breadth of activity for an organization of RF's size, which Ms. Dowdell noted is a concern she shares and shared her plans to look further into activities that may not be yielding results. Mr. Smyth shared that for hiring and onboarding, RF is in a lean, "just-in-time" hiring model, which may present challenges in terms of what RF wants to accomplish in the future. He commented that RF may need to start recruiting and hiring resources that can help the organization flex in the future. The Committee then decided to move to agenda item number 10 about hiring philosophy.

Hiring Philosophy – Tim Gallagher, RF's President & CEO, commented that a just-in-time hiring philosophy, while helpful for the budget, presents challenges on the diversity front. He also discussed talent losses and the difficulty in absorbing those losses, as well as the benefits of showing employees that there are opportunities to advance and progress through the organization. Mr. Gallagher then noted that the downside of hiring in anticipation of the future (instead of just-in-time) is cost, and that he recognizes the reaction of industry when RF adds staff. Mr. Smyth noted that he recognizes how lean RF staff is, and gave an example of RF coming to a FERC meeting with AEP to facilitate an important conversation and the strain that a key activity like that places on RF resources.

Ms. Evancho noted that RF needs to start looking at employee retention and development as a risk, and recommended looking at data for what jobs are difficult to hire, what areas are seeing the most attrition, and where does the data support a need. Mr. Seiler noted that industry could be more proactive based on trends everyone is seeing, and Ms. Sterling discussed the importance of facilitating knowledge transfer. Mr. Gallagher noted that there are activities like state-wide security tabletop exercises, which RF is uniquely positioned to perform, that contribute to reliability but require a significant resource investment. Mr. Smyth shared AEP's sincere appreciation for RF filling the gap with its tabletop exercise in Ohio, but also noted that as the needs of the industry change, RF's allocation of resources will have to change as well. A discussion ensued about the homework RF needs to do to present the business case for adjusting its hiring approach. Ms. Burkey said there is a fundamental choice to be made regarding whether RF focuses on statutory compliance or on smoothing out the risk curve. Mr. Seiler noted that the energy transition is coming, and that RF needs to be anticipatory in its actions.

2024 Staffing and Budget Discussion – Ms. Dowdell shared a presentation on staffing and the 2024 Business Plan and Budget (BP&B) that she presented to the Finance and Audit Committee (FAC) when seeking approval on headcount-related budget assumptions. First, she discussed RF's headcount request compared to the other Regions and NERC.

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Ms. Dowdell then spoke to the drivers behind headcount additions across the Regions, such as the changing resource mix, NERC/FERC oversight, increasing/changing Reliability Standards, an increasing number of Registered Entities, increasing security expectations, increasing outreach needs and expectations, and new ERO-wide tools such as Align/SEL.

Ms. Dowdell discussed the factors that will likely drive headcount needs in the future, such as outreach. She noted that Diane Holder has received numerous requests by state legislatures and regulators for testimony, presentations, and discussions about reliability related information related to the grid's changing resource mix. Mr. Gallagher mentioned the success of the testimony Ms. Holder provided to Illinois. Mr. Seiler cautioned that outreach work can be endless and that as RF goes further into this space, it will have to prioritize which endeavors are worth the time and effort. A discussion ensued about planning work, and Ms. Evancho shared that her organization started a scoring system to rank outreach requests based on factors such as audience and opportunity for influence. She offered to share her organization's checklist with the Committee.

Ms. Dowdell then discussed the justifications for each of the headcount requests. She stated that RF is requesting two CIP monitoring FTE's and one Operations and Planning FTE, and the Committee discussed whether compliance monitoring reductions are being made due to a need for staff and requested the Board be given visibility into those reductions. Ms. Dowdell then discussed the requests for one FTE in the Enforcement Department, one FTE in internal security, one FTE in IT, and one FTE in data analytics. She noted that the FAC approved moving forward with seven FTEs in the 2024 BP&B, and a deferred security FTE for 2025, who would focus on external-facing security activities such as tabletop exercises. Ms. Dowdell also discussed the use of additional reserves to offset the budget. She then noted some process changes RF intends to implement going forward.

2023 Corporate Goals Update— In the interest of time, Ms. Dowdell gave a high-level overview of progress on the 2023 goals and indicated that management has no concerns about their progress.

Employee Survey Results Update – Ms. Dowdell provided an update on RF's engagement survey, which resulted in RF winning The Plain Dealer's Top Workplace award for 2023. She noted that in the electric industry overall, industry engagement is going down, whereas RF's engagement went up a percentage point. Ms. Dowdell shared that in the areas where RF was weaker in previous surveys, there was significant improvement, which was encouraging.

Ms. Evancho noted that the statement "I feel included" at RF went down and suggested that follow-up questions should be asked on this item. Ms. Dowdell then discussed the rankings of management, including the executive team and directors and managers. Mr. Cass noted his surprise at the decrease in the statement "new ideas are encouraged at RF," and RF staff took an action item to investigate this decrease. Ms. Geduldig asked about what employee groups went down in score, and Ms. Dowdell noted there was a dip in IT Department scores, CIP Compliance Monitoring Department scores, and the 5-10 year employee scores. Ms. Dowdell noted a decrease in the benefits satisfaction scores, and the issues with transitioning to a new benefits provider that occurred at the same time

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as the survey. Finally, Ms. Dowdell discussed the areas of opportunity noted in the comments from staff, which included: pace of change in the industry, growth opportunities, technical issues with tools, visibility into company projects, workload, and staff recognition. The next steps for the survey are to review the results with staff and to create focus groups to work on prioritized areas of opportunity.

Compensation Committee Review – Ms. Schaefer led a review of the Compensation Committee Charter, and a timeline for the Committee vote on the proposed changes. The Committee was supportive of all the proposed redlines in the package, which were geared towards changing the name of the Committee to the Talent and Compensation Committee to more accurately reflect its jurisdiction, and clarifying the roles and responsibilities of the Committee. The Committee planned to vote on the final revisions at the August 2023 RF Board meeting.

Next Meeting – Chair Evancho noted that the next Committee meeting will occur on August 23, 2023. At 11:45 AM (ET), Chair Evancho moved the Committee into closed session.

Closed Executive Session – Committee Members Only

Executive Session – The Committee discussed confidential topics in executive session.

Adjourn – Upon a motion duly made and seconded, Chair Evancho adjourned the Committee meeting at 12:05 pm (ET).

As approved on this 23 day of August, 2023, by the
Compensation Committee,



Niki Schaefer
*Vice President, General Counsel and Corporate
Secretary*

Attachment A

Others Present During the Compensation Committee Meeting

Jeff Craig
Beth Dowdell
Tim Gallagher
Diane Holder
Niki Schaefer