



RELIABILITY FIRST

Agenda

Board of Directors • Compensation Committee

December 6, 2023 • 9:00 am – 12:00 pm (ET)

**Market Square Conference Center
Concourse Level
801 Pennsylvania Ave. NW
Washington, DC 20004**

**Room: Boardroom B
Attire: Business**

Closed Agenda

1. **Call to Order** 9:00 AM
Presenter: Lesley Evancho, Chair
2. **Appoint Secretary to Record Minutes**
3. **Antitrust Statement**
Presenter: Niki Schaefer, VP and General Counsel
4. **Approve Compensation Committee Meeting Minutes** 9:05 AM
Presenter: Lesley Evancho, Chair
Reference: Draft Minutes for the August 23, 2023 Compensation Committee Meeting.
Action: **Approve Minutes**
5. **Staffing Demographics & Diversity Strategy Update** 9:10 AM
Presenter: Hue DeLuca, Human Resources Manager
Description: Ms. DeLuca will present year-to-date data on RF's demographics, provide an overview of diverse candidate recruitment, and outline DEI initiatives for committee awareness on meeting corporate goals related to DEI.
Reference: Staffing demographics and DEI progress
Action: Information and Discussion
6. **2023 Corporate Goals Performance and Determination of Incentive Award** 9:20 AM
Presenter: Beth Dowdell, Sr. Director Corporate Services
Description: Ms. Dowdell will discuss the corporate performance as it relates to the 2023 corporate goals and make a recommendation regarding the Incentive Award percentage.
Reference: 2023 Corporate Goals results achievements and award recommendation
Action: **Discussion and Approval**

- 7. Overview of Merit Increases for 2023** 9:35 AM
- Presenter: Beth Dowdell, Sr. Director Corporate Services
 Description: Ms. Dowdell will discuss the aggregate of employee ratings and review the recommendations for merit increases.
 Reference: a) Merit Increase Presentation
 b) Letter from Pay Governance
 Action: **Discussion and Approval**
- 8. Review and Approve 2024 Retirement, Miscellaneous and Welfare Benefits as part of Total Compensation** 9:45 AM
- Presenter: Beth Dowdell, Sr. Director Corporate Services
 Description: Ms. Dowdell will review recommendations regarding the 2024 health, retirement, life insurance and miscellaneous benefits in accordance with the committee charter responsibility of setting total compensation.
 Reference: a) Health Benefits Recommendations Table
 b) Retirement Benefits Recommendations Table
 c) Miscellaneous Benefits Recommendations Table
 d) Life Insurance Recommendations Table
 Action: **Discussion and Approval**
- 9. Independent Director Compensation** 10:00 AM
- Presenter: Beth Dowdell, Sr. Director Corporate Services
 Description: Ms. Dowdell will present the philosophy used in determining independent director compensation along with the proposed increases for 2025 and 2026.
 Reference: Director Compensation
 Action: **Discussion and Approval**
- 10. Compensation Committee Policy and Procedures and Performance of Specific Duties Review** 10:15 AM
- Presenter: Lesley Evancho, Chair
 Description: Chair Evancho will review the Committee policies and procedures to ensure the Committee completed all necessary steps in the procedures, and will present a summary of the Committee's specific duties for review and approval.
 Reference: a) Compensation Committee Procedure
 b) Procedure on Corporate Incentive Awards and Payouts
 c) Compensation Committee Performance of Specific Duties for 2023
 Action: 1. Review Compensation Committee Procedure
 2. Review Procedure on Corporate Incentive Awards and Payouts
 3. **Accept Summary of Performance of Specific Duties for 2023**

CLOSED EXECUTIVE SESSION – COMMITTEE MEMBERS AND TIM GALLAGHER ONLY

- 11. 2024 Personal Goals for Tim Gallagher** 10:30 AM
 Presenter: Tim Gallagher, President, and CEO
 Description: Mr. Gallagher will discuss with the committee his personal goals for 2024.
 Action: **Approve CEO's personal goals for 2024**
- 12. President and CEO Employment Contract** 10:50 AM
 Presenter: Tim Gallagher, President and CEO and Lesley Evancho, Chair
 Description: Mr. Gallagher and Ms. Evancho will review the renewed employment contract for the President and CEO role.
 Action: **Discussion and Approval**

CLOSED EXECUTIVE SESSION – COMMITTEE MEMBERS ONLY

- 13. Review Executive Performance and Compensation** 11:10 AM
 Presenter: Lesley Evancho, Chair
 Description: Chair Evancho will lead a discussion on the annual performance of Tim Gallagher.
 Reference: a) CEO Evaluation of his 2023 Goals
 b) CEO Evaluation by Board Members – the BoardVantage Survey
 c) CEO's Draft Goals for 2024
 d) Excel Sheet on CEO Compensation History – review at committee meeting
 Action: **Discussion and Approval and Recommendation that Board Approve Salary and Incentive Compensation**
- 14. 2023 Merit and Bonus Allocation** 11:50 AM
 Presenter: Lesley Evancho, Chair and Committee
 Description: Chair Evancho will lead a discussion with the committee on the information presented earlier on 2023 goals. The committee will decide on the recommended merit increases and incentive pay out for staff.
 Action: **Discussion and Approval**
- 15. Next meeting: TBD**

Roster • Compensation Committee

Lesley Evancho, **Chair** • Independent (2025)

Ken Seiler, **Vice Chair** • PJM (2024)

Joanna Burkey • Independent (2025)

Pat Cass • Lead Independent (2023)

Courtney Geduldig • Independent (2024)

Antonio Smyth • AEP (2023)

Jennifer Sterling • Exelon (2025)

Draft Minutes for the August 23, 2023 Compensation Committee Meeting



RELIABILITY FIRST

PUBLIC

DRAFT - Minutes

Board of Directors • Compensation Committee

August 23, 2023

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 August 23, 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; 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 April 26, 2023 Compensation Committee meeting, which were included in the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

Succession Planning – Beth Dowdell began by discussing the importance of leadership development, investing time in robust succession planning and the alignment of that focus with the strategic plan. She talked through this year's format where Human Resources met with each Vice President, who then worked with their leadership team to discuss their teams. The executive team then reconvened to create a more compact, realistic succession plan. There was dialogue around the value of doing the full exercise every year, and the Committee decided that doing a full succession plan review every other year will provides the leadership team with time to make progress with staff in their development. The Committee decided that RF Management will provide yearly updates on leadership development for staff, to ensure the Committee maintains oversight of succession planning. Ms. Dowdell then discussed at a high level the existence of internal candidates for VP, Director, and Manager levels. She noted that some of RF's new hires are showing strong potential for management roles, but there is difficulty creating advancement opportunities due to the small size of the organization.

Ms. Dowdell then shared identified gaps, including a deeper understanding of the industry, more knowledge/involvement outside core areas, strategic thinking, presentation/messaging skills, and networking/building relationships. The Committee discussed how to give employees exposure outside the job they are hired for and the challenges of doing so, especially in a small organization. Stakeholder directors offered their own organizations up for training purposes as well. Ms. Dowdell then discussed critical roles in the organization, the threat of losing individuals who are single points of failure, and the efforts to protect against the risk that poses to RF. The Committee had dialogue about the challenges of strategically thinking about staffing for the future within the confines of a tight budget and a lean organization. The Committee then discussed the importance of focusing on broader skillsets versus primarily on technical expertise.

Ms. Dowdell then shared the diversity snapshot, which showed good progress with women but not as much for other diverse categories. Ms. Dowdell noted that more work needs to be done in the “now what” once an individual is on the succession plan, and the multi-year, multi-prong approach RF is implementing using the 70/20/10 model where RF is focusing on experiences over training. She discussed the staff advisory committee, which is a group of high potential individual contributors, and improvements that have been made to give them more impactful opportunities. She also discussed a competency assessment tool that RF will be rolling out in the fall and an implementation plan for leadership development within the organization. Mr. Cass shared that he would like to get consensus on what the hiring philosophy of RF is: whether it is “just in time” hiring or building bench strength.

Q3 Staffing Demographics & Diversity Strategy Update – Hue DeLuca, RF’s HR Manager, opened by discussing the ten new employees hired in 2023, the average time to hire being 64 days (posting to start date) with 9% of open positions filled internally, and 100% diverse representation in the candidate pool, with three positions open currently. She then discussed age and gender demographics, as well as ethnicity. All are trending in the right direction, although there is a large percentage of retirement-eligible individuals to plan for, and significant room for improvement in ethnic diversity. Ms. Sterling asked about RF’s interview panels and whether there is diversity in the interview panel itself. A discussion ensued about plans to better diversify interview panels, such as adding a cultural ambassador to the panels, and training managers on building better interview panels.

Ms. DeLuca then discussed the hires for the year and the resignations to date. There was discussion about how 3% turnover is probably too low (which it was in some prior years), and even 6% is low turnover, but potentially the right number. The Committee then moved on to discuss DEI strategy and Ms. DeLuca shared that HR is re-envisioning that strategy which used to be heavily training-focused. Ms. Dowdell shared that RF has a DEI committee which focuses on three components: training, fun diversity activities, and marketing, but the strategy and vision of that group is being re-envisioned to take a step back to think about what is effective, what is the strategy and what outcomes does RF really want. There was consensus amongst the Committee and staff on the strategy 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 significant concerns about their progress. Given staffing issues and other external factors, the enforcement violation processing goal was the only one potentially in jeopardy.

Benefits Discussion – Ms. Dowdell provided a review of RF’s benefits. She began by discussing the ratio of employees electing the PPO plan compared to the HSA plan, and an interesting trend in new employees choosing the PPO plan over the HSA plan given unique health-related concerns. She then discussed the demographics of non-employees (family members) on the plans, as well as the premiums employees are paying on the plans versus market data. Ms. Dowdell also discussed a new broker RF is using that is providing helpful data, including data about the percentage RF pays of the employee’s health plan. Finally, Ms. Dowdell discussed the future benefits strategy and partnering with a new broker on a new approach to benefits with a focus on operational efficiency. She then transitioned to a discussion of the RF employee experience. She shared that the RF staff advisory group provided feedback that RF’s paid holiday schedule is behind the other Regions and NERC, and that RF is an outlier in the ERO in not providing a holiday for Juneteenth. Ms. Dowdell made a recommendation to add Veteran’s Day and Juneteenth as paid holidays, and the upon a motion duly made and seconded, the Committee approved the addition of these holidays.

Compensation Committee Review – Chair Evancho led a review of the Compensation Committee Charter, and a timeline for the Committee’s vote on the proposed changes. The Committee was supportive of all the proposed redlines in the package, which included 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. A motion to approve the Compensation Committee Charter revisions was made, seconded, and unanimously approved.

Annual Review of President and CEO – Ms. Dowdell discussed the annual review process for Mr. Gallagher, which includes surveys sent to the board and staff, discussions with peers by Ms. Evancho, and then a performance review at December Board meeting.

Next Meeting – Chair Evancho noted that the next Committee meeting will occur on December 6, 2023 in Washington, DC. at 9:00 AM (ET), Chair Evancho moved the Committee into closed session.

Closed Executive Session – Committee Members Only

Mid-year Review of President and CEO – Chair Evancho and Mr. Gallagher provided an update on the progress towards Mr. Gallagher’s 2023 goals and initiatives.

Succession Planning – Mr. Gallagher lead a discussion on succession planning for the Vice President and CEO roles at RF.

**Compensation Committee Minutes
August 23, 2023**

Adjourn – Upon a motion duly made and seconded, Chair Evancho adjourned the Committee meeting at 12:00pm (ET).

As approved on this sixth day of December, 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
Hue DeLuca
Beth Dowdell
Tim Gallagher
Diane Holder
Niki Schaefer