



RELIABILITY FIRST

PUBLIC

## Minutes

### Board of Directors • Compensation Committee

December 7, 2022 • 9:00 am – 12:00 pm (ET)

Ritz Carlton, Pentagon City  
1250 S. Hayes Street • Arlington, VA 22202

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#### Closed Session

**Call to Order** – Chair Geduldig called to order a duly noticed closed meeting of the Compensation Committee (Committee) on December 7, 2022 at 9:04 am. (ET). A quorum was present, consisting of the following Committee members: Joanna Burkey; Brent Greene, Antonio Smyth; Jennifer Sterling; Pat Cass; and Simon Whitelocke. A list of others present during the Committee meeting is set forth in Attachment A.

**Appoint Secretary to Record Minutes** – Chair Geduldig designated Niki Schaefer 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, ReliabilityFirst's (RF) Antitrust Compliance Guidelines.

**Approve Compensation Committee Meeting Minutes** – Chair Geduldig presented draft minutes from the October 19, 2022 and the November 21, 2022 Compensation Committee meetings, which were included in the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

**Staffing Demographics & Diversity Strategy Update** - Ms. Dowdell presented information regarding the 2022 turnover, retention, and vacancy rates. She reported that the turnover rate was 7% and the retention rate was 93%. RF hired eleven new employees in 2022, which decreased from thirteen hired in 2021. The average time to hire for open positions in 2022 was 44 days, which was down 39% from 2021.

Ms. Dowdell noted that since the last board meeting in August, RF had not had any new hires so the data on diversity had not changed. Overall, ethnic diversity is not improving as much as gender and age diversity. This is an area RF plans to focus on in 2023 by targeting specific industry minority groups to establish partnerships. She stated that RF had success in 2022 ensuring that the candidate pools are diverse, and wants to build upon that in 2023 with these additional partnerships.

Ms. Dowdell then showed disability data now indicating that 9% of staff state they have a disability. RF was able to obtain more accurate data by explaining to staff why RF collects

the data and asking everyone to update their information. Ms. Burkey complimented RF's improvement in gender diversity numbers and women in leadership numbers.

Ms. Dowdell shared some data mining and dashboard work HR undertook to showcase important aspects of RF's DEI efforts, as well as data related to high potential employees and their career trajectories at RF. She also discussed the launch of a public DEI webpage to be more transparent externally as many potential candidates want to see what companies are doing in that space. Ms. Dowdell then discussed an emotional intelligence training at a recent management meeting provided by a minority owned female business, that was accompanied by an offer to follow up with individuals to help improve their individual emotional intelligence scores. She shared RF's goal to take training to the next level and move away from education on topics to focus on changes to actions and behaviors. She noted having training partners who know RF can make training more effective. Ms. Burkey noted that at HP, they've partnered with a single trainer on DEI related issues and that has been successful.

Ms. Dowdell noted that some companies are cataloging microaggressions to help identify where there are opportunities to focus staff training. These logs are not used to performance manage the person involved, but rather are to learn from the data and have training opportunities targeted at demonstrated needs. She also noted the new trend in DEI is to add "B" for belonging, since inclusion and belonging are two driving factors in employee engagement and retention.

Ms. Dowdell discussed new demographic data pulled from census data in the RF region, to see how reflective RF's employee population is of the environment and where there are opportunities for improvement. She also noted RF has had some successful speaking engagements with staff going to local schools and STEM programs. There was Committee discussion on the importance of being ambassadors for the industry, the criticality of people, and the potential to work with NERC on these efforts through the ERO People and Collaboration group. The Committee also discussed education, STEM, and various partnerships with community colleges, underserved communities and veterans.

Ms. Dowdell then discussed the HR metrics dashboard and using data to help focus DEI activities in 2023. The goals for 2023 include the DEI committee members (10 people) receiving a DEI certification, broadening and deepening relationships with industry groups to pull in more diverse candidate pool, and balancing staff and manager training with fun activities that focus on diverse cultures. Ms. Dowdell discussed taking a more strategic approach to RF's training plan in 2023 and laying out the different categories for each type of training. Specific to DEI, RF plans to do four DEI staff trainings a year and balance them with the lighter fun activities to avoid burnout. In prior months, RF had celebrated various cultural, ethnic, and religious events with their associated foods.

**2022 Corporate Goals Performance and Determination of Incentive Award** – Ms. Dowdell discussed RF staff's actions to achieve the 2022 corporate goals, highlighting the Data Loss Prevention work and the work done across the company mining data and creating visualizations from that data. Mr. Gallagher noted how helpful the dashboards prepared by the Data Analytics Department are with meetings with external stakeholders.

Ms. Dowdell discussed that RF has been moving applications to the cloud in support of RF's IT strategy and ensuring redundancy. RF has also successfully outsourced its Tier 1 cybersecurity monitoring activities to a vendor that is now monitoring these logs 24 hours a day and provides robust data and reporting for tracking trends. Ms. Burkey noted that hybrid approaches to cybersecurity monitoring are ideal even for large corporations. Ms. Dowdell then shared that RF completed ten winterization visits with great success. There was discussion about the new winterization Reliability Standards and the approach to that work going forward in light of the Standards now having compliance implications.

Next, she discussed the corporate goal of deploying resources efficiently and effectively, sharing that RF was under budget for 2022 and noted the many hours have been put into Align across the organization. There was discussion of the issues with Align, and with the SEL, which have created significant inefficiencies, especially from an entity perspective. Ms. Sterling noted how difficult Align makes it for self-logging for a large entity and the administrative burden it places on them.

Ms. Dowdell noted that Enforcement met their goals of closing out older open cases as well as newer cases filed. She highlighted enhancements to the Ops X training to incorporate renewable sources. She also discussed all the volunteer work RF staff participated in throughout the year. Ms. Dowdell then discussed the further development and success of RF's state outreach strategy, the incorporation of threat intelligence processes into the work RF does and other risk-based work RF is doing. She also discussed the security tabletop exercises RF CSO Marcus Noel has started doing. Finally, Ms. Dowdell talked about weekly regulatory updates, the work to track lobbying rules in each state in RF's footprint, and the leadership efforts across the ERO.

**2023 Corporate Goals** – Ms. Dowdell presented the goals for 2023, and the Committee suggested not calling the ERO model “brilliant” in the context of a corporate goal. Mr. Whitelocke asked at what point RF develops the Tier 3 objectives that align with the Tier 2 goals and Ms. Dowdell answered that RF should have them by mid-December. Upon a motion duly made and seconded, the Committee unanimously approved the 2023 goals.

**Salary Adjustments, Results of Pay Study and Overview of Merit Increases** – Ms. Dowdell then discussed the endeavor to evaluate the new pay bands as a result of the pay study completed in October. On average, the pay bands increased approximately 7% but some moved significantly more, in particular cyber, IT, legal and management roles. Based on the analysis, 26 employees are not in alignment with where they should be in their pay band. Of those 26, 57% were not adjusted in October. Ms. Dowdell then showed pie charts of the impacted roles and categories, as well as a 50/50 gender breakdown. If RF made all adjustments, the budget would be impacted \$284k in addition to the \$470k adjustment from October. There was also a \$170k additional budget impact due to new employees hired at salaries higher than projected and promotions throughout the year. If the Committee approved the full adjustment from the new pay analysis, RF would go into 2023 approximately \$923k over budget. Ms. Sterling noted RF should consider building in a cushion because the budgeting process starts so early so it is difficult not to be over budget.

Ms. Dowdell then discussed options for addressing these pay gaps if the Committee didn't want to approve the full amount. RF could address the gap with only staff who were 3% or more away from the target, which would reduce the total amount by \$30k. Addressing the gap for staff who were 5% or more away from the target would reduce the impact by \$56k. Ms. Dowdell also discussed options of staggering payments to further reduce the impact to the budget. Ms. Dowdell presented scatter plots of salaries for merit increases and pay band adjustments. Ms. Dowdell recommended that the Committee move to approve the pay adjustments. Upon a motion made, seconded and unanimously approved, the Committee approved the pay adjustments.

**Compensation Committee Charter and Procedures Review** – Chair Geduldig led a review of the Compensation Committee Charter and Committee policies and procedures to determine if any changes should be proposed to the Board. Ms. Dowdell discussed proposed changes to the Committee's governing documents in terms of organization and some slight changes to terms. Specifically, she noted that there is now one Committee procedure document with all the governing documents attached. A motion to approve the new Committee procedure was made, seconded and unanimously approved.

Ms. Geduldig then entertained a motion for revisions to the Committee Charter to require all independent directors to be on the Committee, regardless of the number of them (3 or 4), Upon a motion duly made, seconded, and unanimously approved, the Committee approved these revisions. She also asked for a motion to approve the performance of all specific duties outlined in the Charter which was made, seconded and unanimously approved.

**Next Meeting** – Chair Geduldig noted that the next Committee meeting will occur on April 26, 2023. At 10:45 am (ET), Chair Geduldig moved the Committee into closed session.

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### **Closed Executive Session – Committee Members and Tim Gallagher Only**

**2023 Personal Goals for Tim Gallagher** – Mr. Gallagher discussed with the Committee his personal goals for 2023.

### **Closed Executive Session – Committee Members Only**

**Review Executive Performance and Compensation** – Chair Geduldig led a discussion on the annual performance of Tim Gallagher, and the Committee voted on Mr. Gallagher's 2023 compensation.

**2022 Merit and Bonus allocation** – Chair Geduldig led a discussion on the information presented earlier for the 2022 goals. The Committee voted and approved the recommendation for merit increases for staff. Chair Geduldig then discussed the incentive payout percentage, and the Committee voted and approved the incentive payout at 100%.

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

**Compensation Committee Minutes  
December 7, 2022**

As approved on this 26<sup>th</sup> day of April, 2023 by the  
Compensation Committee,

A handwritten signature in blue ink, appearing to read "Niki Schaefer", is centered on the page. The signature is fluid and cursive.

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

**Attachment A**

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**Others Present During the Compensation Committee Meeting**

Jeff Craigo  
Beth Dowdell  
Tim Gallagher  
Niki Schaefer