



RELIABILITY FIRST

PUBLIC

Agenda

Board of Directors • Finance and Audit Committee

August 23, 2023 • 3:10 PM – 5:20 PM (ET)

ReliabilityFirst Corporation
3 Summit Park Drive, Suite 600
Cleveland, OH 44131
Room: 6th Floor, Ohio Conference Room
Attire: Business Casual

Open Agenda

1. **Call to Order** 3:10 PM
Presenter: Patrick Cass, Chair
2. **Appoint Secretary to Record Minutes**
Presenter: Patrick Cass, Chair
3. **Antitrust Statement**
Presenter: Patrick Cass, Chair
4. **Approve Finance and Audit Committee Meeting Minutes** 3:15 PM
Presenter: Patrick Cass, Chair
Reference: [Draft Minutes for the June 19, 2023 Finance and Audit Committee Meeting](#)
Action: **Approve Minutes**
5. **Financial Update** 3:20 PM
Presenter: Beth Dowdell, Senior Director, Corporate Services
Description: Ms. Dowdell will present the 2023 1st and 2nd Quarter Statement of Activities to advise the Committee of ReliabilityFirst's financial status and effective use of funds by identifying budget to actual trends.
Reference: a) Summary of Results
b) 2023 1st Quarter Statement of Activities
c) 2023 2nd Quarter Statement of Activities
Action: Information and Discussion
6. **Final 2022 Financial Reports** 3:30 PM
Presenter: Carol Baskey, Treasurer and Manager, Finance and Accounting
Description: Ms. Baskey will advise the Committee on the final 2022 financial reporting information, identify any significant year-end variance from the 2022 Year-end NERC Statement of Activities, and discuss activity by program area to provide an analysis of prior year activity.
Reference: 2022 Actual Cost-to-Budget Comparison
Action: Information and Discussion

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- 7. Working Capital and Investment Analysis** 3:40 PM
 Presenter: Carol Baskey, Treasurer and Manager, Finance and Accounting
 Description: Ms. Baskey will present an analysis on the working capital and investment account to advise the Committee on the effective use of operating cash and reserves.
 Reference: Working Capital and Investment Account Analysis
 Action: Information and Discussion
- 8. Review of Policies** 3:55 PM
 Presenter: Beth Dowdell, Senior Director, Corporate Services
 Description: Ms. Dowdell will present policies that are currently up for review. According to the Finance and Audit Committee Charter guidelines, the Committee is required to annually review all financial policies. This is important to ensure that the policies are keeping pace with the current business environment and reflect any changes that have occurred throughout the year.
 Reference: a) Summary
 b) Fraud Policy
 c) Statement of Policy for Investment of Corporate Funds
 d) Policy on Personnel Conflicts Related to Entity Employment and Certain Financial Interest in Entities
 Action: **Review and Discuss any Recommended Changes**
- 9. 2023 Finance and Audit Committee Planner** 4:05 PM
 Presenter: Carol Baskey, Treasurer and Manager, Finance and Accounting
 Description: Ms. Baskey will discuss the progress of activities in the 2023 planner so the Committee can verify that all the required duties within the charter are being upheld.
 Reference: Finance and Audit Committee Charter Planner and Performance of Specific Duties for 2023
 Action: Information and Discussion
- 10. Finance and Audit Committee Charter Review** 4:15 PM
 Presenter: Pat Cass, Chair
 Description: Chair Cass will review the charter revisions and request approval of the changes to take effect after the Annual Meeting of Members in December.
 Reference: a) [Summary](#)
 b) [Charter - redline](#)
 c) [Charter - clean](#)
 Action: **Approval of the Charter Revisions**
- 11. Future Meetings** 4:20 PM
 December 6, 2023 • Washington D.C.

Closed Agenda

- 12. Independent Accountant** 4:20 PM
 Presenter: Chair Pat Cass and Carol Baskey, Treasurer and Manager, Finance and Accounting
 Description: Chair Cass and Ms. Baskey will discuss engaging the independent accountant's service agreements so the Committee is informed and approves the steps taken on the upcoming year's audit.
 Reference: a) RSM US LLP – 2023 Audit Arrangement Letter
 b) RSM US LLP – 2023 Planning Letter
 c) RSM US LLP – 2023 Audit Plan Presentation
 Action: **Approve Letters**
- 13. Internal Control Review** 4:45 PM
 Presenter: Carol Baskey, Treasurer and Manager, Finance and Accounting
 Description: Carol Baskey will provide an update on the internal control review that is being performed by Ciuni and Panichi over the financial process narratives and new accounting system implementation.
 Reference: Ciuni & Panichi Engagement Letter
 Action: **Approve Agreed-Upon Procedures**
- 14. Executive Session** (Finance and Audit Committee and Carol Baskey, Treasurer and Manager, Finance and Accounting) 4:55 PM
 Presenter: Patrick Cass, Chair
 Description: The Committee will hold an executive session with Carol Baskey to discuss specific questions regarding the current year activities and to understand goals for the upcoming year.
 Action: Information and Discussion
- 15. Executive Session** (Finance and Audit Committee Only) 5:10 PM
 Presenter: Patrick Cass, Chair
 Description: The Committee will hold an executive session to discuss confidential topics regarding the materials presented during the meeting, and other topics of concern to ensure appropriate actions are taken, and observations are discussed and noted.
 Action: Information and Discussion
- 16. Adjourn** 5:20 PM

Roster • Audit Committee

Patrick Cass, **Chair** • Independent (2023)

Jennifer T. Sterling, **Vice Chair** • Exelon (Large LSE 2025)

Joanna Burkey • Independent (2025)

Scott Etnoyer • Talen Energy (AL 2023)

Nelson Peeler • Duke Energy (TS 2024)

Joseph Trentacosta • Southern Maryland Electric Cooperative (AL 2025)

Draft Minutes for the June 19, 2023 Finance and Audit Committee



RELIABILITY FIRST

DRAFT - Minutes

Board of Directors • Finance and Audit Committee

June 19, 2023 • 4:00 PM – 5:00 PM (ET)

Teleconference

Open Session

Call to Order – Chair Patrick Cass called to order a duly noticed open meeting of the Finance and Audit Committee (Committee) on June 19, 2023, at 4:03 p.m. (ET). A quorum was present, consisting of the following members of the Committee: Chair Patrick Cass, Scott Etnoyer, Nelson Peeler, Joanna Burkey, Jennifer Sterling, and Joseph Trentacosta. A list of others present during the Committee meeting is set forth in Attachment A.

Appoint Secretary to Record Minutes – Chair Cass designated Niki Schaefer as the secretary to record the meeting minutes.

Antitrust Statement – Chair Cass advised all present that this meeting is subject to, and all attendees must adhere to, ReliabilityFirst's (RF) Antitrust Compliance Guidelines.

Approve Minutes – Chair Cass presented the draft minutes for the April 26, 2023 meeting, which were included in the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

2024 Business Plan and Budget – Beth Dowdell, Senior Director Corporate Services, presented the final 2024 Business Plan and Budget (BP&B) to the Committee. Ms. Dowdell noted that the budget amount of \$31.3M (12% increase from 2023), the assessment request of \$27M (9.5% increase from 2023), and the increase of 7 FTE's (98 total FTE's) remained unchanged from the first draft of the 2024 BP&B presented to and approved by the Board on April 27, 2023.

Ms. Dowdell discussed the activities that occurred since the April 27, 2023 Board approval. Ms. Dowdell mentioned that there 36 views on the webpage and no comments on the public RF web posting of the first draft of the 2024 BP&B. The final draft of the 2024 BP&B also included \$600K in additional penalties since the first draft, bringing the total penalties being used to \$1.5M and reducing the usage of reserves from \$3.5M to \$2.9M.

Ms. Dowdell then discussed the timeline of the 2024 BP&B, which includes final approval from the Board on June 29, 2023, submittal to NERC on July 1, 2023, NERC Finance and Audit Committee and Board approval on August 16 and 17, 2023, and filing to FERC on August 24, 2023. She noted that during the Regions' and NERC's meeting with FERC to discuss the NERC and Regional budgets, FERC asked whether RF had enough people for 2024, particularly on the engineering team, given everything RF plans to do and a discussion ensued about how RF will manage those challenges. There was also discussion with FERC about the reallocation of

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headcount over time versus the net new positions. Ms. Dowdell also shared the questions FERC asked of the other Regions and NERC and the level of detail involved in those questions. Finally, Ms. Dowdell noted some adjustments made related to penalties in MRRE settlements where monies were paid to other Regions involved in the settlement.

Lastly, Ms. Dowdell provided an overview of the preliminary 2024 budgets and assessments from NERC, RF, and the other Regions (noting that RF's assessments fall on the lower end of the group).

Mr. Cass asked for comments or questions from the Committee and there were none. He submitted a proposal to endorse the final draft of the 2024 BP&B for Board approval. Upon a motion duly made and seconded, the Committee approved the proposal.

After the vote was taken, Mr. Gallagher shared with the Committee that RF is seeking to modify the budget process to start sooner in the year (or prior year) and project further out to facilitate better planning. He noted that NERC uses a three-year plan instead of a year-ahead plan, which could be more strategic and thoughtful. However, RF believes that a rolling three-year budget planning would be most beneficial (*i.e.*, each year RF would project three years ahead, rather than creating a plan once every three years). Ms. Dowdell asked for feedback from the Committee on this approach. In response, Ms. Sterling noted that the RF 2024 BP&B was off from the prior year's initial projections, so she has concerns about the accuracy of and accountability to projections further out in time. Ms. Dowdell explained additional measures that RF is putting in place to help projections be more accurate in the future and to help RF be more accountable to those projections. There was discussion amongst the Committee about the importance of the effort and general support for the approach.

Next Meeting – Chair Cass noted that the next Committee meeting will be on August 23, 2023.

Adjourn – Upon a motion duly made and seconded, Chair Cass adjourned the Committee meeting at 4:30 p.m. (ET).

As approved on this XXX day of XXX, XX by the
Finance and Audit Committee,

Niki Schaefer
*Vice President General Counsel & Corporate
Secretary*

Attachment A

Others Present During the Finance and Audit Committee Meeting

Tim Gallagher • ReliabilityFirst
Jeff Craig • ReliabilityFirst
Marcus Noel • ReliabilityFirst
Niki Shaefer • ReliabilityFirst
Carol Baskey • ReliabilityFirst
Beth Dowdell • ReliabilityFirst
Diane Holder • ReliabilityFirst
Matt Thomas • ReliabilityFirst

Summary



SUMMARY

Summary of Proposed Changes to Board Committee Charters

In late 2022, the Board Executives and Independent Directors met to discuss broadening the Compliance Committee to the Compliance and Risk Committee. It was determined, because of the interrelatedness of the Committees, and to ensure holistic risk oversight, that the Board and Committees should review all Charters for potential changes.

During the April meetings, each Committee reviewed and discussed prospective changes to their Charter. Now, the redlines and proposed revisions are being presented for final approval by the Committees and endorsement to the Board. A high-level summary of the proposed changes presented is below. The draft Charter revisions (redlines) also include minor language updates to increase uniformity and consistency among the four Committee charters with language on Committee composition, minutes, and other areas where it made sense to align.



RISK AND COMPLIANCE COMMITTEE (FORMER COMPLIANCE COMMITTEE)

- **Broaden**
 - **Risks to Grid** - broaden focus to include grid risks beyond compliance, including broader focus on risks in the Regional Risk Assessment; discuss how RF deploys all risk tools (e.g., outreach, CMEP, Standards, registration)
 - **CMEP Strategy** - focus on enforcement and monitoring relating to big picture strategy
 - **Cyber** - focus on cyber as related to risks in footprint
 - **Oversight** - maintain awareness of FERC/NERC/CCC oversight relating to CMEP program
- **Add**
 - **Stakeholder Advisory and Technical Committees** - expand scope to include overseeing technical committee work (CIPC, Reliability Committee, and subcommittees) (*oversight and effectiveness of Stakeholder Advisory and Technical committees currently with Nom and Gov*)

NOMINATING AND GOVERNANCE COMMITTEE

- **Broaden**
 - **Conflicts** - committee will also review directors' potential conflicts to ensure independence (*previously with staff*)
- **Add**
 - **Hearing Body** - appoint members to Hearing Body under the compliance monitoring and enforcement program's hearing procedures (*previously with Compliance*)

FINANCE AND AUDIT

- **Broaden**
 - **ERM** - expand oversight of ERM beyond legal requirements to look at corporate risk (continue to separate detailed discussions of grid risk from corporate risk, but FAC will coordinate with other Committees to ensure risks are addressed)

TALENT AND COMPENSATION (FORMER COMPENSATION)

- **Broaden**
 - **Title** - expand title to account for diversity and engagement work
 - **Detailed Charter** - Ensure Charter Actions reflect work being done (diversity and retention updates, and input to FAC on benefits and FTE's).

FULL BOARD

- **Significant Risks to Grid will still be discussed** (keynote speakers, specific agenda items, committee report-outs)
- **Standing Items** (Security, State Outreach, DEI, Finance)

Charter - redline



FINANCE and AUDIT COMMITTEE CHARTER

The Board of Directors (“Board”) of ReliabilityFirst Corporation (“ReliabilityFirst”) has established a Finance and Audit Committee (the “Committee”) with general responsibility and specific duties as described below.

COMPOSITION

The Committee shall be comprised of four (4) directors, of whom one (1) shall meet the independence standards under the governance guidelines adopted by the Board (the “Governance ~~Guidelines~~Standards”). All members of the Committee should be financially literate as described below. In addition, one member of the Committee shall meet the requirements of a financial expert. Committee members shall be elected by the Board at its annual meeting and shall serve until their successors are duly elected and qualified. The Committee’s ~~chairperson~~chair shall be an independent director and the chair and vice-chair shall be designated by the full Board upon the recommendation of the Nominating and Governance Committee.

Commented [A1]: Minor updates for consistency with other charters

FINANCIAL LITERACY

A board member will be considered to be financially literate if he or she has the ability to read and understand fundamental financial statements, including a balance sheet, income, and cash flow statements.

FINANCIAL EXPERT

A board member will be considered a financial expert if he or she: (1) understands Generally Accepted Accounting Principles (GAAP) and financial statements; (2) has an ability to assess the general application of GAAP in connection with the accounting for estimates, accruals, and reserves; (3) has experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by ReliabilityFirst’s financial statements, or is experienced in actively supervising one or more persons engaged in such activities; (4) understands internal controls and procedures for financial reporting; and (5) understands the committee functions.

A financial expert can have acquired these attributes through: (1) education and experience; (2) experience actively supervising a chief financial or accounting officer, public accountant, or auditor; (3) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing, or evaluation of financial statements; or (4) other relevant experience.

RESPONSIBILITY

The ~~Committee's responsibility~~ primary purpose of the Committee is to: provide advice and counsel to management regarding, and to assist the Board of Directors in its oversight of, (i) the integrity of ReliabilityFirst's financial statements, (ii) ReliabilityFirst's compliance with legal and regulatory requirements other than reliability standards, (iii) the independent accountant's qualifications and independence, and (iv) the performance of ReliabilityFirst's internal audit service providers and independent accountant.

The Committee is empowered, without seeking Board approval, to retain persons having special competence, including outside legal, accounting, and other advisors, as necessary to assist the Committee in fulfilling its responsibility. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that ReliabilityFirst's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management. The independent accountant is responsible for expressing an opinion on the financial statements based on its audit and the independent accountant is ultimately accountable to the Committee.

ATTENDANCE AND VOTING

Members of the Committee should endeavor to be present, in the designated format (in-person or by telephone, virtual) at all meetings; ~~however, three~~ Three (3) Committee members shall constitute a quorum. As necessary, the chair of the Committee may request members of management, the Treasurer, and representatives of the independent accountant to be present at meetings. Each member of the Committee, including the chair, shall be entitled to one vote on each matter presented before the Committee. Action by the Committee may be taken at any duly called meeting at which a quorum is present upon the vote of a majority of the members present.

MINUTES OF MEETINGS

Minutes of each meeting shall be prepared and sent to Committee members for approval ~~and provided to ReliabilityFirst Directors who are not members of the Committee~~ at the next regularly scheduled meeting ~~of the Board of Directors and thereafter publically posted on ReliabilityFirst's website~~. The Committee's minutes will be kept by the person so designated by the Chair with a copy retained by the Secretary of ReliabilityFirst.

SPECIFIC DUTIES

The Committee will:

Financial Reporting and Disclosure Matters

1. Become familiar with the accounting and reporting principles and practices applied by ReliabilityFirst in preparing its financial statements. Review emerging accounting and reporting issues and assess their impact on the preparation of the financial statements.

2. Review ReliabilityFirst's policies and procedures with the Treasurer, the Controller, and the independent accountant, as appropriate, to reasonably assess the adequacy of internal accounting and financial reporting controls.
3. Review the quarterly financial reports and projections submitted by ReliabilityFirst to NERC at the next scheduled meeting of the Committee after the reports are released to NERC.
4. Review the annual audited financial statements with the Treasurer, the Controller, and the independent accountant, and approve for issuance. Obtain and review a report from the independent accountant regarding: (1) all significant accounting policies and practices adopted or changed during the year, (2) significant estimates within the financial statements, (3) consultations between management and other accounting or consulting firms regarding accounting or auditing matters, (4) significant or unusual transactions occurring during the year, (5) other written communications such as any management letters, audit adjustments recorded, or schedule of unadjusted differences, (6) any significant deficiencies or material weaknesses in the design or operation of internal controls, and (7) any fraud, whether or not material.
5. Meet in executive session separately with the CEO, the Treasurer, the Vice President, Entity Engagement & Corporate Services, the independent accountant, or others as needed.

Independent Accountant Firm Oversight and Responsibilities

6. Evaluate, appoint, and where appropriate, replace the independent accountant; approve all audit and non-audit engagement fees and terms with the independent accountant; and review, prior to the annual audit, the scope and general extent of the independent accountant's audit plan. The Committee may delegate to one or more Committee members the authority to pre-approve such non-audit services between regularly scheduled meetings provided that such approvals are reported to the full Committee at the next Committee meeting.
7. Discuss with the independent accountant, at least annually, all relationships between the independent accountant and ReliabilityFirst in order to assess the independent accountant's independence.
8. Obtain and review a report, at least every three years, by the independent accountant describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review of the firm; any inquiry or investigation by governmental or professional authorities.

Risk Management and Internal Auditing Oversight and Responsibilities

- 9. Review the need for any internal auditing services. If a need is identified, agree with and approve the scope of effort and selection of the service provider, with reporting of the results to the Committee.
- 10. Review and advise the Board at least annually, with respect to ReliabilityFirst's risk assessment and risk management policies including the risk of fraud.
- 11. ~~On a quarterly basis, update and advise the Board of any~~ At least annually review changes to ReliabilityFirst's risk profile identified either through the enterprise risk management or internal audit functions. Review input from the Talent and Compensation committee and other inputs as necessary for complete picture of enterprise risk.
- 12. Review with management ReliabilityFirst's overall anti-fraud programs and controls.

Commented [A2]: Revisions to reflect ERM including obtaining input from other committees.

Financial Matters Oversight and Responsibilities

- 13. Review the terms of the Line of Credit annually and endorse for the Board to approve. Review and recommend for Board approval, changes as necessary to the Statement of Policy and Procedure on the Line of Credit.
- 14. Review all loans or capital leases entered into with principal amounts in excess of \$250,000.
- 15. Review and endorse to the Board for approval, the amount of the Company's operating reserve and the amount of working capital reserve funds used to stabilize assessments in the annual budget. Review and recommend for Board approval, changes as necessary to the Statement of Policy and Procedure on the Working Capital and Operating Reserve.
- 16. Review and approve: (i) management's assumptions used in building the budget and (ii) the final draft annual budget; and endorse the final draft to the Board for approval. Consult Talent and Compensation committee for input on benefits and headcount related assumptions prior to approving them.
- 16. Review and recommend for Board approval, changes as necessary to the Statement of Policy and Procedure for Investment of Corporate Funds.
- 17. Review the investment performance quarterly; and approve any changes to the Investment Manager, investment allocation, or types of

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Commented [A3]: Added language to reflect collaboration and input on FTE assumptions

investments made, as necessary.

Compliance Oversight and Responsibilities

~~20.18.~~ Review the IRS Form 990 and associated state tax reports before filing.

This will be performed by the Chairperson of the Committee or another member of the Committee who is a designated financial expert.

~~24.19.~~ Advise the Board with respect to any material reports or inquiries received from regulators or governmental agencies.

~~22.20.~~ Oversee the management of the confidential anonymous submission, receipt, retention, and treatment of concerns, or complaints received regarding questionable matters or breaches of ReliabilityFirst's Code of Business Conduct and Ethics. Report regularly to the Board on the treatment, investigation, outcome, or disposition of such concerns or complaints. Review and recommend for Board approval, changes as necessary to the Whistleblower Policy, included within the Code of Business Conduct and Ethics.

~~21.~~ Review and recommend for Board approval, changes as necessary to the Records Retention Policy and the Policy on Personnel Conflicts Related to Entity Employment and Certain Financial Interest in Entities.

Commented [A4]: Removing record retention from committee responsibility (staff will handle)

~~22.~~ Every three years, review ReliabilityFirst's corporate insurance policies.

Commented [A5]: Moved up so that the last three are similar on all committee charters and revised from program to policies.

23. Review the Committee's Charter at least annually, and adopt such Committee Charter changes as the Committee deems appropriate, subject to approval by the Board.

24. Confirm annually that all charter duties have been effectively executed.

~~25.~~ Report regularly to the Board of Directors with such recommendations as the Committee may deem appropriate.

Charter - clean

FINANCE AND AUDIT COMMITTEE CHARTER

The Board of Directors (“Board”) of ReliabilityFirst Corporation (“ReliabilityFirst”) has established a Finance and Audit Committee (the “Committee”) with general responsibility and specific duties as described below.

COMPOSITION

The Committee shall be comprised of four (4) directors, of whom one (1) shall meet the independence standards under the governance guidelines adopted by the Board (the “Governance Standards”). All members of the Committee should be financially literate as described below. In addition, one member of the Committee shall meet the requirements of a financial expert. Committee members shall be elected by the Board at its annual meeting and shall serve until their successors are duly elected and qualified. The Committee’s chair shall be an independent director and the chair and vice-chair shall be designated by the full Board upon the recommendation of the Nominating and Governance Committee.

FINANCIAL LITERACY

A board member will be considered to be financially literate if he or she has the ability to read and understand fundamental financial statements, including a balance sheet, income, and cash flow statements.

FINANCIAL EXPERT

A board member will be considered a financial expert if he or she: (1) understands Generally Accepted Accounting Principles (GAAP) and financial statements; (2) has an ability to assess the general application of GAAP in connection with the accounting for estimates, accruals, and reserves; (3) has experience preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by ReliabilityFirst’s financial statements, or is experienced in actively supervising one or more persons engaged in such activities; (4) understands internal controls and procedures for financial reporting; and (5) understands the committee functions.

A financial expert can have acquired these attributes through: (1) education and experience; (2) experience actively supervising a chief financial or accounting officer, public accountant, or auditor; (3) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing, or evaluation of financial statements; or (4) other relevant experience.

RESPONSIBILITY

The primary purpose of the Committee is to: provide advice and counsel to management regarding, and to assist the Board of Directors in its oversight of, (i) the integrity of ReliabilityFirst's financial statements, (ii) ReliabilityFirst's compliance with legal and regulatory requirements other than reliability standards, (iii) the independent accountant's qualifications and independence, and (iv) the performance of ReliabilityFirst's internal audit service providers and independent accountant.

The Committee is empowered, without seeking Board approval, to retain persons having special competence, including outside legal, accounting, and other advisors, as necessary to assist the Committee in fulfilling its responsibility. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that ReliabilityFirst's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management. The independent accountant is responsible for expressing an opinion on the financial statements based on its audit and the independent accountant is ultimately accountable to the Committee.

ATTENDANCE AND VOTING

Members of the Committee should endeavor to be present, in the designated format (in-person or virtual) at all meetings. Three (3) Committee members shall constitute a quorum. As necessary, the chair of the Committee may request members of management, the Treasurer, and representatives of the independent accountant to be present at meetings. Each member of the Committee, including the chair, shall be entitled to one vote on each matter presented before the Committee. Action by the Committee may be taken at any duly called meeting at which a quorum is present upon the vote of a majority of the members present.

MINUTES OF MEETINGS

Minutes of each meeting shall be prepared and sent to Committee members for approval at the next regularly scheduled meeting and thereafter publically posted on ReliabilityFirst's website. The Committee's minutes will be kept by the person so designated by the Chair with a copy retained by the Secretary of ReliabilityFirst.

SPECIFIC DUTIES

The Committee will:

Financial Reporting and Disclosure Matters

1. Become familiar with the accounting and reporting principles and practices applied by ReliabilityFirst in preparing its financial statements. Review emerging accounting and reporting issues and assess their impact on the preparation of the financial statements.

2. Review ReliabilityFirst's policies and procedures with the Treasurer, the Controller, and the independent accountant, as appropriate, to reasonably assess the adequacy of internal accounting and financial reporting controls.
3. Review the quarterly financial reports and projections submitted by ReliabilityFirst to NERC at the next scheduled meeting of the Committee after the reports are released to NERC.
4. Review the annual audited financial statements with the Treasurer, the Controller, and the independent accountant, and approve for issuance. Obtain and review a report from the independent accountant regarding: (1) all significant accounting policies and practices adopted or changed during the year, (2) significant estimates within the financial statements, (3) consultations between management and other accounting or consulting firms regarding accounting or auditing matters, (4) significant or unusual transactions occurring during the year, (5) other written communications such as any management letters, audit adjustments recorded, or schedule of unadjusted differences, (6) any significant deficiencies or material weaknesses in the design or operation of internal controls, and (7) any fraud, whether or not material.
5. Meet in executive session separately with the CEO, the Treasurer, the Vice President, Entity Engagement & Corporate Services, the independent accountant, or others as needed.

Independent Accountant Firm Oversight and Responsibilities

6. Evaluate, appoint, and where appropriate, replace the independent accountant; approve all audit and non-audit engagement fees and terms with the independent accountant; and review, prior to the annual audit, the scope and general extent of the independent accountant's audit plan. The Committee may delegate to one or more Committee members the authority to pre-approve such non-audit services between regularly scheduled meetings provided that such approvals are reported to the full Committee at the next Committee meeting.
7. Discuss with the independent accountant, at least annually, all relationships between the independent accountant and ReliabilityFirst in order to assess the independent accountant's independence.
8. Obtain and review a report, at least every three years, by the independent accountant describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review of the firm; any inquiry or investigation by governmental or professional authorities.

Risk Management and Internal Auditing Oversight and Responsibilities

9. Review the need for any internal auditing services. If a need is identified, agree with and approve the scope of effort and selection of the service provider, with reporting of the results to the Committee.
10. Review and advise the Board at least annually, with respect to ReliabilityFirst's risk assessment and risk management policies including the risk of fraud.
11. At least annually review changes to ReliabilityFirst's risk profile identified either through the enterprise risk management or internal audit functions. Review input from the Talent and Compensation committee and other inputs as necessary for complete picture of enterprise risk.
12. Review with management ReliabilityFirst's overall anti-fraud programs and controls.

Financial Matters Oversight and Responsibilities

13. Review the terms of the Line of Credit annually and endorse for the Board to approve. Review and recommend for Board approval, changes as necessary to the Statement of Policy and Procedure on the Line of Credit.
14. Review all loans or capital leases entered into with principal amounts in excess of \$250,000.
15. Review and endorse to the Board for approval, the amount of the Company's operating reserve and the amount of working capital reserve funds used to stabilize assessments in the annual budget. Review and recommend for Board approval, changes as necessary to the Statement of Policy and Procedure on the Working Capital and Operating Reserve.
16. Review and approve: (i) management's assumptions used in building the budget and (ii) the final draft annual budget; and endorse the final draft to the Board for approval. Consult Talent and Compensation committee for input on benefits and headcount related assumptions prior to approving them.
17. Review and recommend for Board approval, changes as necessary to the Statement of Policy and Procedure for Investment of Corporate Funds.
18. Review the investment performance quarterly; and approve any changes to the Investment Manager, investment allocation, or types of investments made, as necessary.

Compliance Oversight and Responsibilities

19. Review the IRS Form 990 and associated state tax reports before filing. This will

be performed by the Chairperson of the Committee or another member of the Committee who is a designated financial expert.

20. Advise the Board with respect to any material reports or inquiries received from regulators or governmental agencies.
21. Oversee the management of the confidential anonymous submission, receipt, retention, and treatment of concerns, or complaints received regarding questionable matters or breaches of ReliabilityFirst's Code of Business Conduct and Ethics. Report regularly to the Board on the treatment, investigation, outcome, or disposition of such concerns or complaints. Review and recommend for Board approval, changes as necessary to the Whistleblower Policy, included within the Code of Business Conduct and Ethics.
22. Review and recommend for Board approval, changes as necessary to the Policy on Personnel Conflicts Related to Entity Employment and Certain Financial Interest in Entities.
23. Every three years, review ReliabilityFirst's corporate insurance policies.
24. Review the Committee's Charter at least annually, and adopt such Committee Charter changes as the Committee deems appropriate, subject to approval by the Board.
25. Confirm annually that all charter duties have been effectively executed.
26. Report regularly to the Board of Directors with such recommendations as the Committee may deem appropriate. Perform such other functions as may be required by law, ReliabilityFirst's Certificate of Incorporation or Bylaws, or the Board.

ADOPTION AND APPROVAL

As adopted by the Compensation Committee on August 23, 2023 and approved by the Board of Directors on August 24, 2023.