



RELIABILITY FIRST GOVERNANCE STANDARDS

The Nominating and Governance Committee of ReliabilityFirst Corporation (“ReliabilityFirst”) has developed, and the Board of Directors has adopted, the following standards. Our Nominating and Governance Committee reviews and makes recommendations to the Board of Directors to amend or modify these standards at least annually.

1. **Role of the Board of Directors and Management.** Our officers and employees, under the direction of our President and Chief Executive Officer (“President”) and the oversight of our Board of Directors, work to preserve and enhance electric service reliability and to assess the adequacy and ensure the reliability of the interconnected electric system within ReliabilityFirst’s region. In addition to its general oversight of management, the Board of Directors also performs a number of specific functions, including:
 - a) govern ReliabilityFirst and oversee all its activities;
 - b) establish and oversee all organizational groups;
 - c) create Regional Reliability Standards;
 - d) establish compliance monitoring and enforcement policies and procedures, consistent with applicable NERC Rules;²
 - e) establish and approve an annual budget;
 - f) hire the president of ReliabilityFirst and approve their salary;
 - g) annually at the first regular board meeting following the annual meeting of Members, elect a chair (“Chair”), a vice chair, and a Lead Independent

¹ The Board of Directors has approved the ReliabilityFirst Standards Development Procedure and established the Standards Committee to govern and oversee the development of Regional Reliability Standards and any revisions thereto.

² By way of example, this oversight may include reviewing and assessing the actions of management (and directing action as appropriate); advising on long-term vision and strategy (such as monitoring the progress of management actions against the long-term vision and goals of the corporation); and establishing policy.

Director from among the members of the Board of Directors; and

h) establish board committees as appropriate.

2. **Size of the Board of Directors.** Our Certificate of Incorporation and Bylaws provide that the Board of Directors shall consist of fourteen (14) or fifteen (15) directors. The President of ReliabilityFirst shall be a non-voting ex officio member of the Board of Directors. The President shall be entitled to notice of and attendance at meetings, except those portions of a meeting at which matters directly relating to the President's performance, contract and/or compensation are discussed.
3. **Selection Process: Terms.** Our members elect directors to the Board of Directors each year at the annual meeting of members. Eight (8) of our directors are elected by specific industry sectors. Three (3) directors are at-large and three (3) are independent (four (4) would be independent if the size of the Board of Directors is ever increased). Directors serve staggered three-year terms and approximately one-third (1/3) of the directors are elected each year. All candidates for at-large and independent director seats are evaluated and nominated by the Nominating and Governance Committee. No two (2) at-large directors and no two (2) directors representing a particular industry sector shall have terms ending in the same year. At least one (1) independent director must be in each director class.
4. **Term of Directors.** Our Bylaws provide that the term of office of directors is three (3) years. Directors shall not be eligible to serve more than four (4) consecutive full terms; provided, however, the Board may act to allow a one (1) term discretionary exception to this limitation for any director. Additionally, to ensure that the Board of Directors continues to consist of active, engaged, and effective directors, the self-evaluation and individual performance evaluation processes described in paragraph 13 below will be an important determinant for director tenure.
5. **Qualifications for At-large and Independent Directors.** The Nominating and Governance Committee seeks potential nominees for at-large and independent directors, establishes selection criteria for at-large and independent directors, and nominates candidates. At a minimum each at-large and independent director nominated by the committee must possess: (i) a reputation for the highest ethical and moral standards, (ii) good judgment, (iii) a positive record of achievement, (iv) an excellent reputation for preparation, attendance, participation, interest and initiative, (v) business knowledge and experience relevant to ReliabilityFirst's work, and (vi) a willingness to devote sufficient time to carrying out their duties and responsibilities effectively.

Because diversity is an important ingredient for a successful organization and an excellent Board of Directors, we are committed to achieving an inclusive Board of Directors by incorporating practices that enhance and maintain its diversity.

The Nominating and Governance Committee shall seek out potential new directors from diverse backgrounds, who will contribute to the effective functioning of our Board of Directors by bringing a broad range of viewpoints, experiences, skill sets

and knowledge. The Nominating and Governance Committee will establish procedures to ensure that when vacancies exist on the Board of Directors, diverse candidates are in the pool of potential nominees for every director's search. The Nominating and Governance Committee will periodically review the composition of the Board of Directors as part of our commitment to diversity. Our Bylaws provide that if an incumbent independent director is not re-nominated, the Nominating and Governance Committee may retain an independent consultant to identify qualified candidates.

6. **Independence.** At least three (3) of our directors must be "independent." Directors who do not meet the independence standards, however, are no less important to ReliabilityFirst as Independent Directors due to their valuable contributions to the Board of Directors and to ReliabilityFirst by reason of their experience and wisdom.

To be considered independent, the Board of Directors must determine that a director does not have any material relationship with ReliabilityFirst (either directly or as officer of an organization that has a relationship with ReliabilityFirst). The Board has established the following standards to assist it in determining director independence in accordance with that rule. Independent Directors shall:

- a) Not have been an employee or officer of ReliabilityFirst or any entity registered on the NERC Compliance Registry ("Registered Entity"), nor have an immediate family member who is or has been an executive officer, within the last twelve months;
- b) Not have been the recipient of, or have a family member who was the recipient of, more than \$10,000 in direct compensation from ReliabilityFirst or any Registered Entity, excluding director and committee fees and pension or other deferred compensation for prior service paid by ReliabilityFirst, within the last twelve months;
- c) Not have been an executive officer or an employee, or whose immediate family member is an executive officer, of another company that makes payments to, or receives payments from, ReliabilityFirst, any member of ReliabilityFirst, any affiliate or related party of any member, or any Registered Entity, for property or services in an amount which exceeds the greater of (i) \$100,000 or (ii) 2% of the other company's consolidated gross revenues, in any of the last twelve months;
- d) Not own, directly or indirectly, ten percent (10%) or more of the outstanding voting capital stock or other equity interests having ordinary voting power of any Registered Entity;
- e) Not be a partner of or have an immediate family member who is a current partner of a firm that is our current internal or external auditor; (ii) be an employee of a firm that is our current internal or external auditor; (iii) have an immediate family member who is a current member of our internal or external auditor and who participates in our audit, assurance or tax compliance (but not tax planning) practice; or (iv) have been or have an immediate family member who was a partner or employee of our internal or external auditor, within the last twelve months and personally worked on our audit within that time;
- f) Not be an immediate family member of any person who is disqualified from being an independent director; or

- g) Not serve on the board of directors of any Registered Entity during his or her term as an independent director for ReliabilityFirst.

The Board of Directors will also evaluate, on a case-by-case basis, any other relationship, direct or indirect, between a director and ReliabilityFirst and its officers, which might have the appearance of potentially impairing the director's independence of judgment. Attention will be paid to service on a non-profit or charitable board of directors by the director or a close personal relationship between the director and any executive officer.

The Board of Directors will obtain written certifications from each director with respect to the independence standards noted above.

7. **Background Checks.** The Board of Directors is responsible for reviewing, handling, and making decisions based upon confidential and sensitive information, and believes that background checks help ensure that only ethical and trustworthy individuals have access to this confidential and sensitive information. Therefore:

- a) Any candidate for Independent or At-Large Director shall undergo a background check prior to being nominated to the membership for election; and
- b) Any nominee for stakeholder director shall (i) demonstrate their satisfaction of a Personal Risk Assessment in accordance with CIP- 004 by their stakeholder employer within the past seven years or (ii) undergo a background check prior to being assigned to a board committee.

Consistent with CIP-004, the background check will consist of identity verification (e.g., Social Security verification in the U.S.) and a seven-year criminal check. The results of the background check will be kept confidential except as otherwise provided below.

The ReliabilityFirst Human Resources department will be responsible for the background check process and will provide the confidential background check results to the General Counsel. The General Counsel will report the background check results to the Nominating and Governance Committee, who will utilize the results to determine whether the individual, if a candidate for an Independent or At-Large Director, is qualified to be nominated to the membership for election; or, if a candidate for a Sector Director, should serve on committees that receive confidential critical energy infrastructure information or other confidential and sensitive information.

8. **Meetings of Board: Chair and Lead Independent Director.** Our Board of Directors has no fewer than three (3) scheduled meetings a year at which it reviews and discusses reports by committees of the Board of Directors, organizational groups, management, and others on the performance of ReliabilityFirst and ReliabilityFirst's plans and objectives, as well as immediate issues facing ReliabilityFirst. Directors are expected to attend scheduled Board and committee meetings. At each annual meeting of the Board of Directors, the directors determine that a specified director will preside as Chair at all board meetings for the following year and determine that a specified independent director will act as the Lead Independent Director for the following year. The Chair has the authority to call meetings of the Board of Directors and, in collaboration with the Lead Independent Director, serves as a liaison between our President and the directors. As set forth in paragraph 9 below, the Chair and Lead Independent Director also take an active role in approving and setting agendas and approving the materials to be sent to the Board of Directors prior to its meetings. As requested, the Chair and/or Lead

Independent Director is also available for consultation and direct communication with our members. Our directors meet in executive sessions without management present at least three times a year. Our independent directors meet in executive sessions without other directors or management present at least once a year.

9. **Setting Board Agenda.** The Board of Directors shall be responsible for its agenda. At the annual board meeting, the Chair, in collaboration with the Lead Independent Director, may propose for the Board of Directors and committees' approval key matters to be scheduled and discussed during the next calendar year. Before that meeting, the President, the Board of Directors, and committees may be invited to offer suggestions. As a result of this process, a schedule of major discussion items for the balance of the year may be established. Prior to each Board meeting, the Chair and the Lead Independent Director will discuss the other specific agenda items for the meeting with the President. The Chair, or committee chairs as appropriate, shall determine the nature and extent of information that shall be provided regularly to the directors before each scheduled Board of Directors or committee meeting. Directors are urged to make suggestions for agenda items, or additional pre-meeting materials, to the Chair or appropriate committee chair at any time.
10. **Board Committees.** The Bylaws have established the following board committees to assist the Board of Directors in discharging its responsibilities: (i) Audit Committee; (ii) Compensation Committee; (iii) Nominating and Governance Committee; and (iv) Compliance Committee. Current charters of these board committees are published on [our website](#), and will be mailed to members upon written request. The committee chairs present oral reports and the minutes of their meetings to the full Board of Directors following each meeting of the respective committees.
11. **Number and Independence of Board Committee Members.** Each board committee shall be comprised of not less than three (3) directors. The Compliance Committee and Compensation Committee shall be comprised of a majority of independent directors. The Compliance Committee and the Compensation Committee shall be comprised of a minimum of five (5) directors and all independent directors will be required to serve on the Compliance Committee and the Compensation Committee. The Audit Committee and the Nominating and Governance Committee shall have at least one (1) independent director. The chairs of the Audit Committee, Compensation Committee and Compliance Committee shall be independent directors. Members of the Audit Committee must meet certain financial literacy standards as provided in the Audit Committee charter.
12. **No Personal Loans to Directors or Executive Officers.** ReliabilityFirst will not make any personal loans or extensions of credit to directors, independent directors, officers, or employees.
13. **Service on Other Boards.** When considering new appointments, the Board of Directors should consider other demands on directors' time. Prior to appointment, and annually thereafter, directors shall disclose to the Board of Directors, the President, and the Corporate Secretary a listing of all other external boards upon which the director has been nominated or appointed to serve. If the director is appointed or serving on more than five (5) external boards, the Board of Directors will be required to affirmatively approve of such outside board participation. In addition, external appointments should not be undertaken without prior approval of the Board of Directors.

Our President shall obtain the approval of the Nominating and Governance Committee prior to accepting any nomination or appointment to serve on other boards. No other

executive officer of ReliabilityFirst shall accept nomination or appointment to any board of directors without prior approval of the President and advice of the General Counsel, and the Nominating and Governance Committee shall be advised of all such appointments.

14. **Self-Evaluation and Individual Performance Evaluation.** The Board of Directors and each of its committees will perform a biennial self-evaluation on even years and will periodically complete individual performance evaluations of each director.

A. The Biennial Board of Directors Self-Evaluation

For the biennial self-evaluation, (1) the directors will be requested to provide their assessments of the effectiveness of the Board of Directors as a whole and the committees on which they serve; and (2) the President & CEO and select employees of ReliabilityFirst will be requested to provide their assessments of the effectiveness of the Board of Directors and its committees. The Board of Directors and committee assessments are organized and summarized by the General Counsel for discussion with the Nominating and Governance Committee. The chair of the Nominating and Governance Committee will share a summary of the evaluation results with the Board of Directors. Based on the summary results, the Nominating and Governance Committee can propose additional discussions, follow-up surveys (qualitative interviews or more targeted surveys) or hire a third party as appropriate.

B. The Periodic Individual Evaluation

For the individual performance evaluation, the Board of Directors will be requested to provide their assessments of (a) an individual sector director's performance in that director's fifth year of service, and every third year thereafter; and (b) for an individual at-large or independent director's performance in that director's second year of service, and every third year thereafter. The assessment may include:

- a) Attendance at, preparation for, and quality of participation in board meetings and training sessions;
- b) Knowledge and support of ReliabilityFirst's mission and functions;
- c) Expertise provided to the Board of Directors;
- d) Ability to resolve actual or perceived conflicts relating to board functions;
- e) Ability to effectively communicate to, and collaborate with, members of the Board of Directors and others; and
- f) Impartial, informed, and objective decision making.

The individual performance assessments are organized and summarized by the General Counsel for discussion with the chair of the Board of Directors and the Nominating and Governance Committee. The chair of the Board of Directors will summarize and review the evaluation results with the applicable director to provide feedback and to facilitate that director's decision on whether they should seek reelection.

15. **Ethics and Conflicts of Interest.** The Board of Directors expects its directors, as well as officers and employees, to always act ethically and to acknowledge their adherence to the policies comprising [ReliabilityFirst's Code of Business Conduct and Ethics](#). The Board of Directors will not permit any waiver of any ethics policy for any director or executive officer. If an actual or potential conflict of interest arises for a director, the director shall promptly inform the President and the Chair. Any director that the full Board of Directors has determined has a conflict of interest on any compliance or enforcement matter brought before the Board of Directors or any of its committees shall

not vote on such matter and shall recuse himself or herself from all Board of Directors or committee deliberations concerning such matter. If a significant conflict exists and cannot be resolved, the director should resign. The Audit Committee will resolve any conflict-of-interest question involving the President and the President will resolve any conflict-of-interest issue involving any other officer of ReliabilityFirst.

16. **Reporting of Conduct Concerns.** Anyone who has a concern about ReliabilityFirst's conduct, or about ReliabilityFirst's accounting, internal accounting controls or auditing matters, may communicate that concern directly to the President or through [ReliabilityFirst's Whistleblower Policy](#). ReliabilityFirst will adopt appropriate procedures to ensure that any contact received at ReliabilityFirst will be forwarded to our General Counsel without delay or censor. All such concerns will be reviewed by our General Counsel and reported to our Audit Committee. The status of all outstanding matters will be reported by the Audit Committee to the full Board of Directors on a regular basis. ReliabilityFirst's Code of Business Conduct and Ethics prohibits any employee from retaliating or taking any adverse action against anyone for raising or helping to resolve an integrity concern.
17. **Compensation of Independent Directors.** Industry sector and at-large directors on the Board of Directors shall not receive compensation for their service. The independent directors are entitled to such compensation as the Board of Directors will determine. The Compensation Committee is responsible for reviewing this policy and recommending to the Board of Directors changes to it.
18. **Annual Compensation Review of Senior Management.** The Compensation Committee shall annually recommend to the full Board of Directors the goals and objectives for compensating the President. That committee shall evaluate the President's performance in light of these goals before recommending to the full Board of Directors. The full Board of Directors shall approve the President's compensation, the President's salary, bonus and other incentive compensation, and this approval requires a separate endorsement by all the independent directors. The Compensation Committee shall also annually approve the compensation structure for ReliabilityFirst's officers and shall evaluate the performance of ReliabilityFirst's senior executive officers before approving their salary, bonus, and other incentive compensation.
19. **Succession Plan.** The Board of Directors shall be responsible for establishing a succession plan for the President and senior executives.
20. **Access to Managers and Employees.** Independent directors are encouraged to contact any manager or employee of ReliabilityFirst without senior officers present.
21. **Access to Independent Advisors.** The Board of Directors and its committees shall have the right at any time to retain independent outside financial, legal, or other advisors.
22. **Director Orientation.** The President, with the assistance of the General Counsel, shall be responsible for providing an orientation for new directors, and for periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Each new director shall, within six months of election to the Board of Directors, spend a day at ReliabilityFirst's headquarters for personal briefing by senior management on the company's objectives, its financial statements, and its key policies and practices.
23. **Attendance at Compliance Committee Closed Sessions.** To ensure the

confidentiality of information regarding Member compliance and enforcement activities presented to the Compliance Committee in closed session, only directors who are members of the Compliance Committee will be allowed to attend closed sessions of the Compliance Committee.

As adopted on August 25, 2022, by the
Board of Directors,



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