



Policy and Procedure 11: Executive Compensation

1. Objective

Midwest Reliability Organization's (MRO) Executive Compensation Policy is designed with the goal of providing remuneration that is fair, reasonable and competitive, and to assist the company in recruiting and retaining qualified executive professionals.

2. Policy

Executive compensation follows the same pay principles as defined in MRO's "Your Pay at MRO" guide. As part of the MRO's strategy for ensuring that rewards are commensurate with MRO's success and the creation of value to its mission, MRO has adopted fair, market-based compensation practices, which apply to executives and all other employees at MRO. Compensation is based upon performance, the demands of the job and current market standards for similar positions and skill sets; both inside and outside the industry.

In addition, MRO has established a formal incentive program to recognize the executive leadership team for reaching the goals, objectives and key initiatives for the success of the organization. The incentive policy is discretionary and may be revised, terminated or suspended by the President and CEO and/or the board.

3. Procedures

On an annual basis, each executive (vice presidents and officers) will be required to complete a self-appraisal. The President and CEO will also complete an evaluation of the executive's performance, and the two will meet to discuss the results and determine goals for the coming year.

Compensation is based primarily on performance and the principles in the MRO "Your Pay at MRO" guide. Compensation increases should be within the budget guidelines established by the MRO Finance and Audit Committee in the current year's approved budget. Material differences shall be reviewed and approved by the MRO Governance and Personnel Committee, and if necessary, the board.

A performance evaluation of the MRO President and CEO is performed by the MRO Board of Directors, led by the Governance and Personnel Committee Chair, and is based upon performance including meeting the organization's goals and objectives. In addition, the board may initiate a compensation review performed by an independent consultant of the position of MRO President and CEO on a periodic basis. The MRO President and CEO's compensation, including incentive, is approved by the board.

Annually, the Governance and Personnel Committee shall meet with the President and CEO and review the compensation of each executive staff employee to determine whether the compensation is in compliance with this policy.

The President and CEO may, from time to time, or at the request of the Governance and Personnel Committee, retain the services of an independent compensation consultant to facilitate this review. The Governance and Personnel Committee shall report the conclusions of this review to the Board, along with any recommended actions arising from this review.

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In addition to base compensation, executives are eligible for an incentive based on a percentage of base salary, set by the President and CEO, subject to review by the Governance and Personnel Committee, for reaching the goals, objectives, and key initiatives of the organization each year.

The President and CEO shall be responsible for setting the goals, objectives and key initiatives each year. For the incentive, the President and CEO is responsible for determining the achievement levels for each executive staff and shall use the following components in determining the individual payouts of each executive staff member:

- Program area goals and objectives for the success of MRO
- Strategic goals and objectives of MRO
- Other goals and objectives as established by the President, consistent with MRO's mission, business plan, and responsibilities

Payment of any incentives shall be made no later than March 1. In order to earn the incentive, the executive team member must be full time and employed on December 31 of the year incentive is earned employed by MRO. If an executive terminates before December 31, no incentive is earned or paid unless otherwise approved by the President and CEO. If an executive staff was employed during a year where a full year is not earned, but the executive staff was employed through December 31, a pro-rata amount shall be paid unless otherwise approved by the President and CEO.