

EAST KENTUCKY POWER COOPERATIVE

POLICY NO. 111

MAY 10, 2011

DIRECTOR COMPENSATION, BENEFITS AND EXPENSE REIMBURSEMENT

I. OBJECTIVE

To provide fair and equitable compensation for members of the Board of Directors ("Board") of East Kentucky Power Cooperative ("EKPC") for preparation and attendance at Board, committee, member, and other preapproved meetings as provided below:

EKPC Board Compensation Philosophy

At EKPC, we believe better boards produce better results and that better boards are made up of dedicated and highly competent directors. To attract, retain and motivate qualified directors with the experience and acumen required to govern a complex cooperative such as EKPC and achieve our values, vision and mission, we must offer a level of compensation that reflects our cooperative heritage and satisfies the market reality of today's electric industry.

Accordingly, director compensation is set at such a level to:

- affirm directors' duties, liabilities and responsibilities and the professional nature of the work they are expected to perform;
- attract and retain qualified individuals to serve EKPC's members in this capacity;
- encourage directors to engage in continuing education (e.g., earning and maintaining NRECA's Gold Standard certificate)
- compensate directors for their time and be seen as "value received" for value given;
- recognize the different levels of time and responsibility associated with the Board Chair, Board Officers, Committee Chairs and general director positions; and
- reflect cooperative values and principles of the cooperative business model.

Consequently, director remuneration at EKPC, as set by the EKPC Board, should be comparable to electric power co-operatives and of similar size and complexity.

II. POLICY

A. Compensation

1. A retainer of \$1,950 per month shall be paid to the Board Chairman. A retainer of \$1,550 per month shall be paid to other Board Officers and Standing Committee Chairs. All other Directors shall receive a retainer of \$1,200 per month. The retainer shall compensate Directors for the considerable time and effort spent outside of meetings fulfilling their oversight and governance roles including, but not limited to, reviewing material and preparing for Board and Board Committee meetings, conference calls not otherwise addressed in II. A. 4, travel time to and from Board and Board Committee meetings and miscellaneous expenses.
2. In the event that the Board Chairman or a Committee Chair is absent, the presiding officer will receive the higher appropriate retainer for that month. Regardless of the number of Board Officer and/or Chair positions a Director holds they shall be eligible for only one retainer per month.
3. A per diem of \$400 per day, or for each fraction thereof, will be paid to Directors when attending in person properly noticed Board, Board Committee, or other preapproved meetings as representatives of EKPC. Although in person attendance is highly encouraged, a per diem of \$400 per day will also be paid to each Director who participates in a properly noticed Regular Board Meeting, Special Board Meeting, Hybrid Board Meeting or Board Committee Meeting, via Telephone/Video Conference, in which official business is being conducted. Although two or more duly authorized meetings or activities, or a combination of travel and one or more meetings or activities, may occur on a single day, the Director will only receive \$400 for that day regardless of the meeting being held in-person or via Telephone/Video Conference. Roll call will be taken at the beginning of each in-person or Telephone/Video Conference meeting.
4. A per diem of \$400 per day, or for each fraction thereof, will be paid for travel during the day preceding the meetings and the day following the meeting if such travel is preapproved by the Board Chairman and required due to the meeting schedule and location, except that said per diem will not be paid for travel during the day preceding or the day following any Board and Board Committee meetings.
5. Any unusual situations resulting in travel delays, such as inclement weather conditions, technical problems with the air carrier, etc. may also be subject to per diem. Per diem for such additional time shall be allowed provided adequate explanation of the circumstances is given on the Director's travel expense report.

6. If a Director, as an authorized representative of EKPC as described in Policy 115, receives a per diem, honorarium, or other compensation from another organization of which EKPC is a member or affiliate, the Director shall disclose the compensation amount to EKPC. If the amount is less than the EKPC per diem, the Director will be eligible for the difference. The Director shall not be eligible to receive a per diem from EKPC if the compensation from a member or affiliate is equal to or exceeds the EKPC per diem.
7. The Governance Committee will conduct a comparability data study utilizing an appropriate peer group to benchmark director compensation. The assessment will evaluate director compensation at organizations (including applicable for-profit corporations) that are reasonable and comparable with respect to the organization's revenues, assets and complexity. This assessment will take place at least every three years. In the years the assessment is not conducted, the previous assessment information will be reviewed and utilized to set Director compensation.

B. Benefits

1. Directors will be covered by NRECA business travel life insurance in the amount of \$100,000 and 24 hour accidental life insurance in the amount of \$20,000 while serving on the EKPC Board of Directors. Pursuant to the provisions of the NRECA policy, a reduction in coverage will occur at age 70.
2. Directors may elect to defer a portion of their compensation by participating in the NRECA Director's Deferred Compensation Program.

C. Allowable Expenses and Reporting Requirements

Expenses related to travel to and from the Director's home and eligible out-of-pocket expenses incurred while attending Board, Board Committee or other preapproved meetings as representatives of EKPC shall be reimbursed to Directors. For each reimbursable expense item \$25 or greater, an itemized receipt must be provided along with the expense reimbursement claim. This requirement applies to all types of reimbursable expense items including, but not limited to, airfare, baggage fees, lodging, meals, parking and transportation. Non-itemized credit card slips or statements are unacceptable forms of documentation as they do not include the appropriate level of detail to ensure compliance with the Policy. In the event appropriate documentation cannot be provided for an item, EKPC will reimburse only \$25 unless approval is otherwise granted by the Board Chairman.

Expenses eligible for reimbursement include:

1. Transportation Expenses

Transportation expense, including the actual cost of travel to and from an eligible event by air, automobile or other ground transportation such as bus, train, taxi or ride-sharing apps such as Uber, shall be reimbursed by EKPC.

a. Air Travel

- i. If commercial air travel is deemed the most cost-effective and reasonable means of available transportation, airfare shall be reimbursed for the cost of reasonable round-trip basic fare, plus cost of transportation to and from airport and other expenses related to air travel, such as baggage fees. In order to obtain advance seat selection, an EKPC Director may opt to select and will be reimbursed for the purchase of airfare one tier above basic fare. Any further upgrades will be purchased at the expense of the Director. Any exceptions to this provision shall require special approval by the Board Chairman.
- ii. Directors are encouraged to book air travel at least 14 days in advance of the travel date in order to obtain lower airfares. If air travel is booked less than 14 days in advance of the travel date, justification will be required on the Director's expense report.
- iii. Non-cancellable (penalty) fares are encouraged unless the travel schedule is very tenuous. In the event the non-cancellable fare is booked and a penalty is incurred due to an unavoidable change in travel plans, EKPC shall pay the penalty plus the new fare.
- iv. If commercial air travel is not available, the Director shall select an alternate means of travel which, in their judgment, is the most reasonable and cost-effective given the related time constraints. Reimbursement shall be for actual expenses incurred.

b. Personal Automobile

Mileage reimbursement for use of personal automobile shall be based on the current IRS standard mileage rate in effect at the time of travel. Parking fees and toll charges incurred during travel will also be reimbursed. In those instances where Directors travel with others, only the Director actually using his/her automobile shall receive reimbursement for mileage, parking and toll fees. When personal automobiles are used for out of state travel on behalf of EKPC, reimbursement cannot exceed the cost of policy compliant airfare plus the cost of transportation to and from the airport and other expenses related to air travel, such as baggage fees.

c. Car Rentals

Reimbursement for car rentals is not normally allowed. However, if other forms of transportation are not reasonably available or cost-effective, Directors may elect to use a rental car as the primary means of transportation to/from a meeting or event attended on behalf of EKPC. In this case, rental car cost may only be reimbursed at an amount not to exceed the cost of policy compliant airfare plus the cost of transportation to and from the airport and other air travel-related expenses, such as baggage fees. In the event a Director files for rental car expense reimbursement, an appropriate explanation should be documented in the expense report.

2. Lodging Expenses

- a. EKPC will contract with hotels for all Board and Board Committee meetings. Annually, EKPC will inform Directors of the selected hotels and the contracted single rate plus tax that will be reimbursed by EKPC. Directors will be responsible for the cost of any room upgrades that are above the single rate.
- b. The Directors may stay in a hotel other than those contracted by EKPC for the particular Board function but EKPC will only reimburse the Director for the amount equal to the lower of the actual cost of the hotel room or the contracted single rate.
- c. When a block of rooms has been reserved as part of a meeting or conference, such as the NRECA Director Conference, Directors will be reimbursed at the single published rate for the Conference.
- d. For travel not related to Board, Board Committee or Conferences, as outlined above, hotels selected should be recognized as reputable and reasonably priced for the area. Rooms should be at single rates and at a price no higher than mid-range of the hotel's published prices.
- e. If accompanied by family or personal guest, the Director should determine the single room rate plus tax and use that rate on the expense report for purposes of reimbursement. Expenses incurred by family or guests must be paid by the Director and are non-reimbursable by EKPC. EKPC assumes no responsibility or liability for family or guest traveling with the Director.
- f. Other hotel related services as indicated:
 - Parking or valet parking
 - Internet Access
 - Room service. If \$25 or greater (including gratuity and taxes), a separate itemized receipt must be provided in addition to the hotel lodging invoice.
 - Hotel safes (for valuables)

3. Meals

- a. Reasonable costs of meals are reimbursable. The cost of meals for spouses and personal guests are not allowable expenses and must be deducted from the total cost of the meal. Any meal reimbursement over \$25 (including gratuity and taxes) must include an original detailed/itemized receipt. A signed credit card receipt or credit card billing statement does not detail such information and is unacceptable for meals over \$25 per person.
- b. When Directors choose to eat together, one Director may pay for the entire group, however, only that Director may expense the meal. The names of all the Directors who attended the meal must be included on the receipt and expense report.
- c. All alcohol expenses, with or without a meal, shall be disallowed and will not be reimbursed.

D. Clothing Allowance

When attending external meetings and events as a representative of EKPC, Directors are encouraged to wear shirts displaying the EKPC logo. EKPC will provide two shirts each year for this purpose.

E. Non-Reimbursed Expense Items

1. Any expenses which are being reimbursed from another source will not be reimbursed by EKPC.
2. When meals are provided as part of the meeting function or conference registration, Directors are expected to partake in these meals. If a Director chooses not to participate in these meal functions, EKPC will not reimburse for a duplicate meal.
3. Apart from guidelines and limitations on reimbursement of expenses as set forth above, the following types of expenses are considered personal and non-reimbursable:
 - a. Spouse's or any other person's expenses other than Director's own
 - b. Bar/Alcohol
 - c. Entertainment, including movies in the hotel room
 - d. Laundry
 - e. Health Club/Gym access fees
 - f. Haircut, manicure, shoeshine, massage, spa services
 - g. Personal reading material, including newspapers
 - h. Snacks
 - i. Personal hygiene items

Per diem, travel, meeting fees, and out-of-pocket expenses, as described above, shall only be paid for authorized representatives to attend other meetings as described in Policy 115. Any expenses reimbursed by another organization of which EKPC is a member or affiliate will not be reimbursed by EKPC.

- F. Beginning on the first month following elections, retainers shall be paid to Directors no later than the 15th day of the month. Directors shall complete appropriate expense forms designated by EKPC for all meetings attended and expenses incurred. Expense reimbursement claims shall be submitted within 60 days from the date the travel and/or meeting is completed. All expense forms submitted with appropriate receipts and explanations by the end of the month will be reimbursed by the 15th day of the following month. Original receipts are required for all items over \$25.
- G. Annually, all retainer and per diem payments to Directors shall be reported by EKPC to the Internal Revenue Service on Form 1099 and Form 990.

III. RESPONSIBILITY

- A. It shall be the responsibility of the Chairman of the Board to see that the provisions of this policy are carried out.
- B. It shall be the responsibility of the Governance Committee to ensure that a data comparability study is conducted at least every three years to set Director compensation.
- C. It shall be the responsibility of the Treasurer to review Directors expenses on a quarterly basis and report results to the Board. On a quarterly basis, a spreadsheet of individual Director expenses, retainers, and per diems will be provided for review by the Board and returned back to the Treasurer after review.

APPROVED BY THE BOARD OF DIRECTORS



BOARD CHAIRMAN

EFFECTIVE DATE: 06-07-11

LAST DATE REVIEWED: 02-11-25

REVISED DATE(S): 11-07-23
06-13-22
09-14-21
07-13-21
05-12-20
07-09-19
10-11-16
10-13-15
06-02-14
07-17-12
01-10-12

This policy replaces Policy 111 originally adopted July 6, 1979 and last amended September 9, 2003.