

ERCOT **Compensation Strategy**

- ♦ ERCOT's compensation strategy is constructed for these purposes:
 - To attract, retain, reward and motivate qualified employees
 - To align employee behaviors/performance with corporate objectives
 - To promote both individual performance and teamwork
- ♦ ERCOT recognizes the importance of maintaining a stable workforce in its successful attainment of company objectives associated with reliability of the electrical grid and operation of the wholesale and retail electricity markets of Texas. ERCOT recognizes the value of retaining institutional knowledge and minimizing unwanted turnover in the employee population.
- ♦ ERCOT's compensation programs include:
 - Base salary
 - Variable compensation (short term incentive), if applicable for the position
 - Benefits (including health/welfare benefits and defined contribution plans)
- ♦ ERCOT's compensation programs are competitive and appropriate for individuals, relative to their skill and proficiency levels. Total compensation levels are centered at the 50th percentile within the company's competitive labor market(s). An individual's base salary may reside above or below midpoint, depending upon expertise and performance, relative to the midpoint requirements of the specific position.
 - For job families in which the available talent pool is drawn primarily from private and public entities in Texas and surrounding areas, the competitive market is defined as the geographic area. This includes most roles in Finance, Accounting, Treasury, Legal, Human Resources, Internal Audit, Information Technology, and Administrative roles.
 - For job families and roles requiring specialized or advanced skill sets, with a smaller available talent pool, the competitive market will be similarly situated entities nationwide. Examples of these roles include those with expertise in commercial and retail energy markets, system operations, transmission planning, specialized information technology and security roles, and roles requiring NERC/FERC expertise. Management roles, particularly those at the director level and above, are also included.
- ♦ ERCOT's base salaries follow a "pay for performance" methodology, providing salary growth through annual merit increases to employees demonstrating higher levels of performance, as reflected in the company's annual performance review process
- ♦ Every three years, or as determined by ERCOT's executive management team, the ERCOT HR/Governance Committee, or ERCOT's Board of Directors, ERCOT will conduct a market study of ERCOT's compensation structure and benchmark positions to determine the competitive posture of the company and enable ERCOT to devise plan(s), as needed, to bring identified positions or job families into competitive alignment

- ♦ ERCOT's programs meet all legal requirements in the administration of the program; e.g., salary programs are non-discriminatory, fair, and applied consistently, with no special considerations relating to gender, race, age, and/or disability.
- ♦ The company has the right to amend, modify, or discontinue provisions of the compensation programs at any time without prior notification. The establishment of a compensation program does not confer any right to future employment.