

**PROPOSED BOARD RESOLUTION**  
(AMENDED TVA EMPLOYEE COMPENSATION BOARD PRACTICE)

WHEREAS, at its May 9, 2024, meeting, the Board approved a new TVA Board Practice *TVA Employee Compensation* (Board Practice) on the recommendation of the People and Governance Committee (Committee);

WHEREAS, through that Board Practice and other actions taken by the Board at its May 9, 2024 meeting, the Board replaced all existing delegations concerning compensation matters within TVA, and it expressly reserved making decision on the best methodology for approval of compensation of the Chief Executive Officer (CEO)'s direct reports, specifically noting that the Board may either retain authority to approve those compensation items or delegate authority to the CEO based on a standard to be approved by the Board;

WHEREAS, the Committee has considered options for addressing approval of compensation over the CEO's direct reports;

WHEREAS, at its August 9, 2024, meeting, the People and Governance Committee recommended that the Board approve changes to the TVA Board Practice *TVA Employee Compensation*, as included in Attachment 1 to this resolution, to allow the CEO to approve compensation of his or her executive direct reports within ranges of total compensation that are approved annually by the Chair of the People and Governance Committee;

WHEREAS, the People and Governance Committee determined that authorizing the CEO to make compensation decisions over his or her executive direct reports, within total compensation ranges approved by the Chair of the Committee, would ensure that the TVA's Board, through the Chair of the Committee, would maintain appropriate oversight while allowing the CEO flexibility to implement his or her own compensation decisions;

WHEREAS, any decisions the CEO makes under the authority being proposed must be communicated to the Chair of the Committee as well as the Committee's external compensation consultant prior to implementing the decisions;

WHEREAS, the Committee recommends that the Board determine that this authorization is consistent with the TVA Act, which states that the Board shall "approve all compensation . . . of all managers and technical personnel that report directly to the [CEO] (including any adjustment to compensation)," because the Board, through the Chair of the Committee, must approve ranges of total compensation within the CEO's authority before the CEO may take any actions and the Chair of the Committee may deny any requests proposed by the CEO before it is implemented;

BE IT RESOLVED, That, as recommended by the Committee, the Board of Directors hereby approves amendments to the TVA Board Practice *TVA Employee Compensation* as reflected in Attachment 1 to this resolution.

**Approved by TVA Board of  
Directors**

**August 22, 2024**

**JLG**

**Assistant Secretary**

## ***TVA Board Practice*** **TVA Employee Compensation**

### **I. Background**

Section 3.4 of the TVA Bylaws specifies the Board's role with respect to compensation, as defined in Section 2 of the TVA Act. This Board practice clarifies the role of the Board, the Committee responsible for compensation matters ("Committee"), and the CEO with respect to compensation decisions for the CEO and other TVA employees.

### **II. Compensation Plan**

In accordance with the provisions of Section 2(i) of the TVA Act, the Board, on the recommendation of the Committee, shall approve a compensation plan that specifies all compensation (including salary or any other pay, bonuses, benefits, incentives, and any other form of remuneration) for the CEO and employees of the Corporation.

The compensation plan shall state the Board's philosophy with respect to TVA's compensation program and meet the minimum requirements of the TVA Act—i.e., the compensation plan shall be based on an annual survey and consider certain factors as required by Sections 2(i)(2) and 2(i)(3) of the TVA Act. In approving the compensation plan, or any amendments thereto, the Board may rely upon the recommendations and advice of an independent compensation consultant. The compensation plan will be reviewed at least once annually by the Committee to determine if any changes should be recommended to the full Board.

### **III. CEO and CEO Direct Report Compensation**

Consistent with the TVA Act, the Board shall approve all compensation (including salary and any other pay, bonuses, benefits, incentives, and any other form of remuneration) of the CEO and of all managers and technical personnel that report directly to the CEO (including any adjustment to compensation).

#### **A. CEO Compensation.**

1. **CEO Compensation Design.** The Board shall establish the CEO's salary and other compensation elements on an annual basis. The Chair of the Committee, with concurrence of the Board Chair and input from other members of the Board, as appropriate, shall establish the annual performance goals of the CEO.
2. **CEO Compensation Payout.** The Chair of the Committee, with concurrence of the Board Chair and input from other members of the Board, as appropriate, shall determine the CEO's annual performance rating in accordance with the approved goals. The Committee shall recommend to the full Board payouts to the CEO under any specific or supplemental plans for which the CEO is a participant.

#### **B. CEO Direct Report Compensation.**

1. **CEO Direct Report Compensation Ranges.** Following review by the Committee, the Committee Chair annually approves total compensation ranges for the CEO's executive direct reports. The total compensation ranges will be informed by

benchmarking and based on a review of market data and an annual recommendation from the Committee's independent compensation consultant, as consistent with the Board-approved Compensation Plan. Ranges are typically set at 80 percent to 110 percent of the targeted total compensation for comparable positions based on TVA's peer group and relevant benchmarking data.

2. CEO Direct Report Compensation Adjustments. Following annual approval by the P&G Committee Chair, the CEO may set or adjust the total eligible compensation of the CEO's present or future executive direct reports within such ranges after informing the Committee's independent compensation consultant and the P&G Committee Chair. The P&G Committee Chair has the discretion to reject any compensation actions proposed by the CEO pursuant to this section.
3. CEO Direct Report Compensation Annual Payout. The CEO shall establish the annual performance goals for his or her direct reports. The CEO shall rate the performance of his or her direct reports and set forth any individual multiplier (if applicable under the plan). Prior to finalizing end of year payout for the CEO's direct reports, the CEO shall review CEO Direct Report performance with the Committee and will inform the Committee of any discretion under consideration. After informing the P&G Committee Chair and the Committee's independent compensation consultant, the CEO determines final payouts under supplemental compensation plans in accordance with their approved terms.

#### **IV. Supplemental Compensation Plans (short- and long-term incentives, retirement, deferred compensation, and severance)**

- A. Approval of Metrics under Supplemental Compensation Plans. The Board shall approve any metrics used to measure performance under supplemental compensation plans and shall approve payouts under those plans.
- B. Approval of Plans (including amendments or changes to Plans). To the extent that the CEO is not entitled to benefits under a supplemental compensation plan, then the CEO, or his or her designee, may approve the terms of those plans and any amendments thereto so long as the plans are consistent with the Board's approved Compensation Plan and any other guidance provided by the Board. The Board shall ensure that it retains the authority to amend or terminate supplemental compensation plans at its discretion, so long as an amendment does not impair any legally protected rights of a participant created by those plans or applicable laws.
- C. CEO Participation in Supplement Compensation Plans. To the extent that the CEO is entitled to non-salary compensation benefits under supplemental compensation plans, the Committee Chair with concurrence of the Board Chair shall approve the terms of those plans and any amendments thereto if they are applicable to the CEO position. Except as otherwise provided in this Board Practice, the CEO, or his or her designee, can approve participation in these plans for any other participants.
- D. With respect to any matters affecting the CEO under such plans, the administrator shall be the TVA Board or its designee. The CEO (or his or her designee) may be the administrator of the plans for matters affecting all other employees who are participants in such plans.

**V. Salaries in Excess of Level IV**

Except as otherwise provided in this Board Practice, the CEO, or the CEO’s designee, shall have authority to recommend and approve the salaries of employees whose salaries would be in excess of the annual rate payable for positions at level IV of the Executive Schedule under section 5315 of title 5 of the United States Code, as long as the CEO has the authority to approve those salaries in accordance with this Board Practice and the CEO provides the Committee a list of names and salaries for all such employees at least once annually.

**VI. Compensation Discussion and Analysis**

The Committee shall review the Compensation Discussion and Analysis (CD&A) section of TVA’s annual report on Form 10-K and, based on that review, recommend to the Board the inclusion of the CD&A in TVA’s Form 10-K.

**VII. Tennessee Valley Authority Retirement System**

With respect to matters affecting the Tennessee Valley Authority Retirement System (TVARS), the Board shall:

- approve all annual contributions of TVA to TVARS;
- receive notice of any amendments to the TVARS Rules and Regulations and the 401(k) Plan Provisions approved by the TVARS Board that have a direct cost impact on TVA or that increase the liabilities of TVARS and elect whether to veto or not to veto such amendments during a 30-day window following receipt of notice of amendments from TVARS; and
- receive notice of any change in asset allocation that would change TVARS’ assumed rate of investment return and elect whether to veto or not to veto such change during a 60-day window following receipt of notice of any such change from TVARS.

All other compensation matters that are not herein specifically reserved to the Board, a member of the Board, or the Committee are delegated to the CEO.

This TVA Board Practice supersedes the previously approved Compensation Delegations, the “Roles” section of the Compensation Plan, and any other Board resolutions that delegate authority involving compensation matters.

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*Approved by the Board of Directors of the Tennessee Valley Authority  
May 2024 (Reflects recommendations after Executive Compensation Task Force review)*  
  
*Amended August 2024 to add provisions around CEO Direct Report Compensation oversight*