

Board Policy: **Strategic Planning and Performance Management**

Policy Type: **Strategic Direction**

Monitored by: **Board of Trustees**

Board Resolution: **#1409, approved March 29, 2018,
#1461, amended January 23, 2019
#1547, amended July 22, 2020
#1668, amended September 22, 2021
[#xxxx, amended January xx, 2023]**



LIPA’s vision for strategic planning and performance management is to achieve the strategic objectives established by the Board in its policies and to provide transparency and accountability to the Board and customers for the realization of the Board’s strategic objectives and the funds budgeted each year.

LIPA will achieve its vision by directing the Chief Executive Officer to undertake: (i) effective methods of translating the Board’s strategic policy objectives into multi-year plans, annual work plans, performance metrics, budgets, and recommendations¹ for the Board’s review and approval, and (ii) a transparent system of performance reporting to the Board and public relative to the policies, plans, metrics, budgets, and recommendations adopted by the Board.

Strategic and Annual Planning

The Chief Executive Officer will prepare and submit to the Board for review and approval the following to advance the Board’s policy objectives across various time horizons:

- **Five-year Long-Range Plans:** LIPA’s Chief Executive Officer, in consultation with its service provider(s), will on a triennial basis develop five-year roadmaps for each key business area to advance the Board’s strategic objectives. The Long-Range Plans will evaluate the current state of the business area, articulate an end-state vision to be achieved within five years, and identify the projects necessary to close the gap. Each roadmap will include:
 - Prioritized list of projects with associated business rationale and benefits
 - Schedule for and sequencing of projects
 - Dependency on or interaction with projects initiated by other business areas
 - Budget requirements for project implementation and operations

The schedule below defines the timeline for the submission to the Board of the initial Long-Range Plans for each business area:

- Transmission and distribution (“T&D”), information technology, customer experience, finance, and performance management no later than March 31, 2023.
 - Business services and power supply and clean energy programs no later than March 31, 2024.
- **LIPA’s Annual Work Plan, Performance Metrics, and Budgets:** LIPA’s Chief Executive Officer will translate the Board’s strategic policy objectives and Five-Year Long-Range Plans into annual work plans,

¹ Board recommendations as defined in the Second Amended and Restated Operations Services Agreement.

performance metrics, and budgets for the Board's review and approval. The annual work plan defines the activities LIPA staff will directly undertake for the year, while the performance metrics define the objectives that will determine PSEG Long Island's Variable Compensation for the year. The work plan and performance metrics are designed to be objectively verifiable and reasonably achievable levels of performance. The funds to achieve this level of performance are also budgeted, tying realistic plans and budgets to measurable outcomes each year. The oversight activities of LIPA staff may also result in Board recommendations to improve the operations of business areas managed by service provider(s).

Performance Management Reporting

Performance management reporting provides transparency and accountability to the Board and customers for the accomplishment of the Board's strategic objectives and the funds budgeted each year. The Chief Executive Officer will prepare a written report to the Board and make it available on LIPA's website for each of the following:

- **Policy Reports:** Annual reports on LIPA's performance as compared to the key objectives of each Board strategic direction and operating policy.
- **Work Plan Reports:** Annual reports on the projects and activities LIPA staff will directly undertake to advance the Board's policy objectives and accomplishments as compared to the prior year's work plan.
- **Performance Metrics and Board Recommendation Reports:** LIPA's business model involves significant outsourcing to service provider(s), which places heightened importance on vendor performance in advancing the Board's policy objectives. Therefore, the Chief Executive Officer will separately provide quarterly and annual reports on PSEG Long Island's performance as compared to the Board-approved performance metrics and recommendations.
- **Budget Reports:** Quarterly and annual budget reports comparing actual financial results to the Board-approved financial plan, including significant variances and their causes, separately detailed between LIPA and service provider-managed budget elements.

The Chief Executive Officer is responsible for informing the Board in a timely manner of developments that in the Chief Executive Officer's reasonable judgment are (i) unique or significant operational risks to LIPA; (ii) could significantly impact LIPA's customers, reputation, or community relations; or (iii) materially compromise the ability to achieve the policies and strategic objectives established by the Board.

Board Policy: **Social and Environmental Justice**

Policy Type: **Strategic Direction**

Monitored by: **Governance, Planning, and Personnel Committee**

Board Resolution: **#1542, adopted June 24, 2020**
#1662, amended August 11, 2021
#xxxx, amended [January xx, 2023]



LIPA’s vision for social and environmental justice is to foster a workplace that promotes diversity, equity, and belonging and to promote social and environmental justice in our community.

LIPA values employees, customers, and stakeholders for the variety of their backgrounds and personal characteristics, including race, ethnicity, national origin, religion, gender, gender identity, sexual orientation, marital status, physical ability, political affiliation, age, veteran status, talents, and lived experience.

LIPA will foster and promote a diverse, equitable, and inclusive workplace by:

- modeling and cultivating the organization’s values of service, collaboration, and excellence and their related behaviors, which foster an open, positive, and respectful workplace, including by considering these behaviors in our hiring, performance evaluation, and promotion practices;
- attracting, retaining, and developing a diverse workforce representative of the electric customers we serve;
- utilizing annual employee engagement surveys and related initiatives to measure and advance our diversity, equity, and inclusion practices; and
- overseeing the diversity, equity, and inclusion initiatives of LIPA’s service providers.

LIPA supports fairness and equity in achieving the transition to a clean energy future and believes that all communities are entitled to equal protection of environmental laws and regulations.¹

In furtherance of social and environmental justice, LIPA will:

- create, pursue, and promote the achievement of social, environmental, and climate justice; and
- promote the participation of minority, women-owned, and service-disabled veteran-owned businesses in procurements by LIPA and its service providers.

The Chief Executive Officer, or his or her designee, will report annually to the Governance, Planning, and Personnel Committee of the Board of Trustees on the key provisions of this Policy.

¹ See Climate Leadership and Community Protection Act and in Article 48 of the Environmental Justice of the Environmental Conservation Law.



Board Policy: **Purpose of the Board**

Policy Type: **Strategic Direction**

Monitored By: **Governance, Planning, and Personnel Committee**

Board Resolution: **#1322, approved September 21, 2016**
[#xxxx, amended January xx, 2023]

LIPA's vision is for the Board of Trustees to establish through its policies (i) the strategic objectives that will guide the initiatives, accountabilities, and budgets of the organization in service to our customers and community; and (ii) the responsibilities, expectations, and accountabilities of the Chief Executive Officer.

The **Board of Trustees** will:

- Define LIPA's purpose, vision, and strategic objectives in the form of Board policy.
- Monitor LIPA's performance relative to the strategic policies adopted by the Board.
- Review and adopt strategic plans, work plans, performance metrics, budgets, and recommendations¹ prepared for LIPA by the Chief Executive Officer to advance the Board's strategic objectives.
- Hire, evaluate and, when necessary, discharge the Chief Executive Officer.
- Serve as ambassadors for LIPA and seek to understand the viewpoints of our stakeholders when formulating policy.
- Approve contracts and make decisions as required by law or LIPA's policies.
- Fulfill and abide by its fiduciary duties.²
- Regularly discuss and evaluate the Board's own performance and that of its committees.³

The Board is LIPA's policy-making body. The Board's policy focus will be on LIPA's intended outcomes for our customers and community, rather than on the administrative means of achieving those objectives. The Board acts with the unity of the whole, with a vote of five Trustees required for any action.

The **Chief Executive Officer** is responsible for:

- Managing the operations and business affairs of LIPA.
- Achieving the strategic objectives established by the Board in policy, including developing strategic plans, work plans, performance metrics, budgets, and recommendations for the Board's review and approval.
- Serving as the chief public spokesperson of LIPA, including representing the utility in the community and with stakeholders in furtherance of the policies adopted by the Board.

¹ Board recommendations as defined in the Second Amended and Restated Operations Services Agreement.

² See N.Y. Pub. Auth. Law § 2824(1) (McKinney); see also The Trustee Code of Conduct and the Authority's bond covenants.

³ See N.Y. Pub. Auth. Law § 2824(7) (McKinney); Authority By-Laws, at Article 5 § 2; Governance Committee Charter; at 3.

- Hiring, managing, evaluating, compensating, and, when necessary, discharging LIPA staff, and keeping the Board advised as to the staffing and resource needs of LIPA.
- Informing the Board in a timely manner of developments that in the Chief Executive Officer's reasonable judgment are (i) unique or significant operational risks to LIPA; (ii) could significantly impact LIPA's customers, reputation, or community relations; or (iii) materially compromise the ability to achieve the policies and strategic objectives established by the Board.
- Administering LIPA's contracts and managing the performance of its vendors, including such actions as may be required under the Second Amended and Restated Operations Services Agreement, including informing and consulting with the Board regarding any candidate submitted by the Service Provider for consideration by LIPA for a position at the Vice President level or above.
- Performing other responsibilities as may be delegated by the Board by resolution, policy, or law.