

POLICY STATEMENT OF THE BOARD OF DIRECTORS OF PACIFIC GAS AND  
ELECTRIC COMPANY REGARDING EXECUTIVE COMPENSATION FOLLOWING  
EMERGENCE FROM CHAPTER 11

July 1, 2020

It is the policy of this Board that compensation provided to executive officers (as defined in Public Utilities Code §§ 451.5 and 8389(e)) of Pacific Gas and Electric Company (the Utility) shall comply with the following:

1. The executive compensation structure shall comply with Assembly Bill 1054 (as codified in Public Utilities Code § 8389(e)(4) and (e)(6)) and the California Public Utilities Commission's (Commission) June 1, 2020 Decision Approving [the] Reorganization Plan of the Utility and PG&E Corporation (D.20-05-053).
2. The executive compensation program shall:
  - a. Be structured to promote safety as a priority and to ensure public safety and Utility financial stability;
  - b. Have performance metrics, including incentive compensation based on meeting performance metrics that are measurable and enforceable; and
  - c. Be based on the following principles:
    - i. Strict limits on guaranteed cash compensation, with the primary portion of the executive officers' compensation based on achievement of objective performance metrics;
    - ii. No guaranteed monetary incentives in the compensation structure;
    - iii. A long-term structure that provides a significant portion of compensation, which may take the form of grants of PG&E Corporation stock, based on the Utility's long-term performance and value, with such compensation held or deferred for a period of at least three years; and
    - iv. Minimization or elimination of indirect or ancillary compensation that is not aligned with shareholder and taxpayer interest in the Utility.
3. Guaranteed cash compensation as a percentage of total compensation shall not exceed industry norms.
4. The executive compensation structure shall base a significant component of long-term incentive compensation on safety performance, as well as customer satisfaction, engagement, and welfare. The remaining portion may be based on financial performance or other considerations.

5. The majority or super-majority of incentive compensation, in the form of equity awards must be held or deferred for at least three years.
6. There shall be a presumption that a material portion of executive incentive compensation shall be withheld if the Utility is the ignition source of a catastrophic wildfire, subject to any decision by the Board that such withholding would be inappropriate based on the conduct of the Utility. Any such determination by the Board shall be subject to Commission review and modification.
7. The Utility's executive compensation policies shall include provisions that allow for restrictions, limitations, and cancellations of severance payments in the event of any felony criminal conviction related to public health and safety or financial misconduct by the Utility, for executive officers serving at the time of the underlying conduct that led to the conviction. Implementation of such provisions should take into account the Utility's need to attract and retain highly qualified executive officers.
8. The Utility shall retain a nationally recognized independent consultant to help ensure that executive compensation plans meet the requirements of Assembly Bill 1054, and to provide annual reviews of executive compensation awards.
9. Compensation arrangements for executives must be publicly disclosed. Additionally, the Utility shall provide annual reporting of awards to the Commission through a Tier 1 advice letter compliance filing.
10. The Utility shall have written compensation agreements for executives. Consistent with the Utility's written submissions to the Commission in the proceeding that culminated in the Decision Approving [the] Reorganization Plan of the Utility and PG&E Corporation (D.20-05-053), the Board has determined that compliance with this requirement can be satisfied by the combination (a) the written shareholder-approved Long-Term Incentive Plan (LTIP); (b) the use of written award contracts under the LTIP; and (c) public disclosure of the terms, features, and results of the Utility's compensation programs.