

SPACE FLORIDA



**GOVERNANCE AND COMPENSATION COMMITTEE
MEETING
Agenda**

**Monday, October 18, 2021
10:30 a.m. ET**

**By Teleconference:
Call-in Number: 866-528-2256
Guest Code: 4875556#**

Agenda Items	Vote	
Call to Order		Jesse Biter
Agenda <ul style="list-style-type: none">• Public Comments• <u>Minutes September 28, 2021</u>• <u>Proposed Topic White Papers</u>	✓	Jesse Biter Jesse Biter Jesse Biter
Closing Remarks/Adjournment		

Minutes September 28, 2021



Draft Minutes of a Regular Meeting of the Space Florida Governance and Compensation Committee

A Regular meeting of the Space Florida Governance and Compensation Committee was held in person on September 28, 2021. The meeting was called to order at 9:00 a.m. EDT.

COMMITTEE MEMBERS PRESENT:

Jesse Biter (Chair)
Barbara Essenwine
Mori Hosseini (telephone)

SPACE FLORIDA STAFF PRESENT:

Denise Swanson
Rhonda Rosa

OTHER ATTENDEE:

Judy Harrington (telephone)

Jesse Biter thanked the committee members for attending and that the meeting is being conducted in accordance with the Sunshine and Public Record laws of Florida.

There were no public comments.

The first order of business was the approval of the prior Governance & Compensation Committee meeting minutes.

Mori Hosseini made a motion to approve the Governance and Compensation Committee Minutes from March 23, 2021, which was seconded by Barbara Essenwine, and approved unanimously.

The second item is the review of the performance and compensation package for the President and EVP, Treasurer & CIO. Denise Swanson provided a brief overview of the six section of the performance and compensation package for the President and the EVP & Treasurer & CIO. At the request of the committee, Judy Harrington of Harrington & Associates gave an overview of the process and surveys used for the compensation study results. No edits to the documents were suggested by the committee members.

The third item is the performance and compensation evaluation for the President and EVP, Treasurer & CIO. There was discussion on changing the review period to an annual review instead of every 3 years. There was also discussion on adjusting the salary of the President and the EVP, Treasurer & CIO.

A motion was made by Mori Hosseini and seconded by Barbara Essenwine to recommend to the full board to change the performance review of the two officers to an annual basis and to approve the President's compensation be adjusted to midpoint of the grade and the EVP, Treasurer & CIO's compensation be adjusted to 80% of the maximum of the grade.

The committee requested that management provide a status update regarding staff recruitment and compensation at the upcoming board meeting.

CLOSING REMARKS & ADJOURNMENT

The meeting adjourned at 9:42 a.m. (EDT)

Proposed Topic White Papers

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October 11, 2021

Dear Space Florida Governance and Compensation Committee:

The following advanced materials are being provided for the October 18, 2021 Governance and Compensation Committee Meeting:

- **Attachment A - Proposed Draft Environmental, Social, and Governance Policy Statement**
- **Attachment B - Proposed Draft of Directive on Securities Trading**

Additionally, and in conjunction with retreat and other organizational considerations a document titled: **Positioning Space Florida to Capture Scalable Growth** is included as **Attachment C** in association with **Space Florida Board of Directors Governance Enhancement Considerations**, included as **Attachment D**. To better position Space Florida and respective governance, growth, social and public responsibilities, Space Florida is proposing a **Public Policy and Corporate Reputation Committee** as more described in **Attachment E**.

We look forward to the upcoming Committee discussions on October 18, 2021.



Draft of Proposed Environmental, Social, and Governance Policy Statement (Attachment A)

At Space Florida's August 19, 2021 Board Meeting management requested that the Board authorize Space Florida to develop a white paper for consideration on an Environmental Social and Governance ("ESG") policy statement, for possible presentation to the Board. ESG policy statements and in many cases self-defined ESG metrics are being reported by more and more companies. ESG considerations appear to have the positive effect of increasing a company's enterprise value. The negative aspect is that no common standard for ESG accountability currently exists. The ultimate objective is measuring elements related to sustainability, social impact of a company or business, and stewardship of nature to help mitigate certain risk factors. Management believes this topic will continue to evolve over the next few years, beginning with current significant disclosures by traded companies which includes many of our Client Companies. The following is a proposed policy statement draft that communicates to our Stakeholders and Clients Space Florida's reason and approach to this emerging category of performance and reportability:

Space Florida's Core Values (We Pursue Growth, We Embrace New Thinking, We Champion Collaboration, We Strive for Excellence, and We Encourage Balance) establish the foundation upon which Space Florida carries out its responsibility that business be conducted in a sustainable manner to meet its Stakeholders' priorities and goals of long-term industry growth within the State of Florida. This focus promotes a legislatively established long-term value creation for Florida Stakeholders. Space Florida is committed to working with its Stakeholders to manage Environment, Social, and Governance ("ESG") issues that are deemed significant to the aerospace space industry and commerce within the State of Florida. The Board will provide oversight to ESG related policies and issues affecting Space Florida, its Stakeholders, Employees, Clients, Suppliers, and the Communities in which it serves and conducts business. Possible instances of ESG issues may include:

ENVIRONMENT: Focus on mitigation and resilience. Issues include Carbon Footprint Management, Utilization of Renewable Energy, Managing Climate-related Risks, Total Cost of Ownership Policies, Hazardous Chemical and Materials Management, Resource and Substance Supply Vulnerability, and Water and Land Use Management.

SOCIAL: Support of work force by valuing diversity, equity, and inclusion. Issues include work force training for tools needed for continued success. Encourage benefit plans to maintain competitive packages that reflect needs of the industry workforce in Florida. Promote fair and inclusive pay packages across the industry, including pay equity for the same job performance. Recognize the value of diversity and inclusion that embraces differences in race, color, religion,

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disability, veteran's status, gender identity, and ethnicity. Promote Workforce safety and harassment free workplaces.

GOVERNANCE: Overseeing the performance of Space Florida. Reporting progress and protecting Space Florida and our client's data and confidentiality. Business integrity controls and oversight, defined Board roles, responsibilities, and accountability, quality and transparent governance, management controls, and accounting. Defined management structure, business processes and procedures. Compliance with governance, rules, and regulations.



Draft of Proposed Directive on Securities Trading (Attachment B)

Due to recent trends, which we have reason to believe will continue, in capital funding into the Aerospace Space Industry, Space Florida sees a need to consider a Directive concerning securities trading. The policy's fundamental principles are (1) Compliance with Laws and (2) Avoidance of Conflict of Interest either in fact or in appearance.

Directive Statement:

Any Space Florida Director, Officer, Employee, and their family members, who have access to material nonpublic information respective to a Client Company that has securities traded in public markets, will be considered an "insider" and it will be a violation of Space Florida Policy for such individuals to (a) trade in securities of a Client Company while aware of "material nonpublic information" concerning the Client Company or (b) communicate, "tip" or disclose material nonpublic information to anyone so that they may trade in securities of the Client Company based on that information. "Material Nonpublic Information" is defined as any information about a Client Company that a reasonable investor would consider important in making an investment decision to buy or sell the Client Company's Securities. Information will be considered "nonpublic" unless such information has been widely disseminated to the public through SEC filings, major newswire services, national news services and financial news services and there has been enough time for the market to digest that information. "Client Company" means any company or legal entity with whom Space Florida has entered either a Letter of Confidentiality or a Non-Disclosure Agreement.



POSITIONING SPACE FLORIDA TO CAPTURE SCALABLE GROWTH (Attachment C)

Vision and Mission

Space Florida's Vision is "Florida is the leading global and interplanetary center for sustainable aerospace commerce". Space Florida's Missions to reach that Vision are: (1) Increase Investment Activity in Florida's Aerospace Ecosystem; (2) Maximize Capacity and Capability of Florida's Spaceport Systems; (3) Accelerate Innovation in Commercial Aerospace Applications; and (4) Enable Statewide Aerospace Industry Growth. To accomplish the Vision and Missions, Space Florida must transition to a sustainable, scalable model, or risk its ability to continue to grow the aerospace and space industry in the state which would represent a catastrophic lost opportunity with statewide impact.

Scaling Up

The scaling up phase of growth occurs after an entity has emerged from the start-up phase in which governance, process, and resources are initially put into place and traction in an addressable market is established. Scaling up occurs prior to an entity reaching a phase of full maturity in which period over period growth rate is very minor, but important. Simply put, to enter a scaling-up phase an entity cannot be a start-up, nor can it be large.

Growth often is linear. It takes a great deal of resources and planning to sustain consistent growth. The key to scaling-up is to increase results without a substantial increase in resources. In scaling-up the operational aspects of an entity, the primary stakeholder is the client. The organization must stand out from the crowd by differentiating itself via agility, flexibility, and speed, while reliably and consistently delivering for its customers. An organization must develop a culture that aligns with market facing stakeholders and assemble the right team to build the foundation upon which to scale, with the necessary skills and experience, and the ability to work together as one towards common goals.

With over \$2.7 Billion Dollars in conduit finance transactions and a balance sheet of \$329 Million Dollars, Space Florida is currently the size of a publicly traded mid-cap (defined as mid-size companies with between \$2 billion and \$10 billion in market capitalization). Space Florida has transitioned from start-up mode by establishing itself in the market with its product and services. Fortunately, current, and near-term expected opportunities exceed Space Florida's current resources. There is also now a need for succession planning to become an important part of Space Florida's overall planning. Space Florida is not yet large enough to have reached full maturity or static growth and operates in an industry that is experiencing exponential growth. Thus, the time is favorable for Space Florida to shift to the scaling-up phase of its evolution through various measures of organizational enhancement.

To scale-up, strong governance is a must to meet regulatory and oversight requirements mandated by clients, investors, and regulators. Space Florida maintains that the building blocks required for a strong corporate governance framework are: (1) a functional Board of Directors comprised of independent experienced business experts; (2) business-oriented Financial and Internal Control Systems to provide assurance of accurate and complete financial reporting of financial transaction and disclosures for



transparency of expectations; and (3) Ethics & Regulatory Compliance that ensures the organization is doing the right things beyond legal requirements.

The Path Forward

To address these issues management began implementing organizational changes in 2020 to better leverage developed processes, procedures, and technology, provide a pathway to develop executive management, and create economy of scale capacity to capture more market share.

To scale its operations and results, Space Florida must focus on the following areas, all critical to its ability to meet the challenges and opportunities of the current aerospace and space market:

- 1) **Refine the role and responsibilities of the Board of Directors:** Leveraging the Board's business expertise and ability to engage with stakeholders is a critical asset for the organization. Space Florida must establish mechanisms for increased engagement by the Board of Directors, and expand and focus the efforts of Board Committees, to provide regular and active direction and input into Space Florida's strategies.
- 2) **Establish a strong brand identity:** Space Florida's efforts to date have established Florida as a leading place for aerospace and commercial space activity, however the Space Florida brand could be strengthened to enhance and differentiate the business brand of Florida as well as effectively reinforce Space Florida's roles in the aerospace and space capital markets and as the statewide spaceport system development authority.
- 3) **Enhance financial and internal control systems:** Space Florida continues to implement additional levels of internal control, primarily via technology, to ensure compliance with its process and procedures. In addition, Space Florida has expanded its professional staff to address and resolve the increasing complexities of its business results.
- 4) **Expand in-place the right team:** Space Florida has much of the right team in place and has recently undertaken an organizational re-alignment to establish Business Units with distinct responsibility for the products and services provided by Space Florida. Strategic growth of staff will be necessary in certain functional areas, and Space Florida will also lose certain senior executives to retirement in the next several years. Therefore, the establishment and implementation of a staffing and succession plan is critical.



SPACE FLORIDA BOARD OF DIRECTORS GOVERNANCE ENHANCEMENT CONSIDERATIONS (ATTACHMENT D)

Space Florida Board of Directors Governance Enhancements considerations to growth issues and certain stakeholders' requests.

Reasons for Thinking:

- Space Florida's Business has grown significantly both in size and volume of activities, and complexity of deals.
- Request by governmental spaceport landholders to re-assess industry representation at the Board Level.
- Request by state elected individuals to have Board Role.
- Enhancements/Advancements in Board Governance across Traded and High-Profile Non-Profit and Government Entities to better define Directors Roles and Responsibilities, Transparency, Risk Management, and Accountability.

Business Growth Challenges:

- Space Florida has entered within the last year a scaling-up phase (See attached Paper on "Positioning Space Florida to Capture Scalable Growth"). Its Governance Policies were last updated in December 2016 and defined the exercise of authority to direct and control a smaller emerging organization (www.spaceflorida.gov/wp-content/uploads/2021/02/Space-Florida-Governance-Policies.as-of-12.16.16-Final.pdf). Increased business activities and greater profile within the industry now requires a Functional Board of Directors with capacity and capabilities to control and direct the greater volume, complexity of the business, and oversee the management of risks relevant to Space Florida's structure as an Independent Special District, a Body Politic and Corporate, and a component unit of the State of Florida. Space Florida's Financial and Internal Control Systems provide assurance of complete financial reporting of financial transactions and disclosures for transparency, and Ethics and Regulatory compliance now require greater oversight of the boards role and responsibilities. Thus, the roles and responsibilities of the individual Directors, The Board, and the Board Committees need definition and exactness as to their engagement including engagement with the stakeholders who they represent. Examples of enhanced governance include requirement of independence, director selection criteria and process, equal voting authority, reporting of attendance at meetings, summary of board member skills, attributes, experience, and tenure on Board.

Request for Industry Representation at the Board Level:

- Aerospace and space industry representation on the Board could provide great value to Space Florida. Such representation has been pursued in the past without success, as individuals with desirable industry expertise currently employed in the industry face issues of lack of independence in fact and appearance when addressing any board item that involves their current employer, competitor, or customer. Additionally, board members are frequently provided with confidential client information to fulfill their roles and responsibilities, which



would create a conflict in the case of entities competing with a Board member's employer. In such instances, Space Florida's clients will not tolerate a non-related industry party with a director role having insight to their dealings with Space Florida. A board member that cannot debate or vote on several board items is an ineffective board member and dilutes the quality and effectiveness of the board. In addition, when industry representation on Space Florida's board was discussed with industry executives, they often preferred to avoid such conflicts of interest to be, or keep the option open to become, a Space Florida Client as opposed to having direct representation via a board director. One possible alternative, that is often applied in industry, is to recruit retired Industry "C-Level" Officers. These individuals who have significant senior executive experience and broad industry knowledge, and no longer have the challenges of independence are the most desirable. Also desirable are retired senior government officials with industry involvement or oversight such as Former NASA Administrators, or FAA Administrators. Do note most likely these individuals will require compensation for their time and travel expenses. In addition, to best add industry representation to the board given Space Florida's Global focus of marketing Florida, representatives that have recognizable and respected individual global brands and experience for at least three such positions would provide for optimum balance of personal opinions and should be added. A nomination and selection process must be developed to affect the addition of such retired C-Level industry officers to the board.

Request by State Elected Officials to have Board Role:

- Space Florida believes that Ex-Officio representation on the board could provide value provided that any Ex-Officio members share the same defined roles and responsibilities as the rest of the board including voting responsibility and offer statewide representation consistent with Space Florida's Charter.
- Prior governance structure defined such role as Ex-Officio without voting responsibilities. Ex-Officio meaning because of one's status or position. Such positions frequently clashed with voting board members in debates and topics during public meetings on non-Space Florida business issues, often frustrating voting directors. The power of Ex-Officio to express opinions without voting responsibilities or accountability is inconsistent with the Board's role and responsibilities.
- In the past, voting Directors often expressed concern that non-voting Ex-Officio members brought political agenda items to board meetings which were unrelated to Space Florida's business agenda. In addition, Ex-Officio representation was primarily Space Coast based and did not demonstrate appropriate statewide focus as defined in Space Florida's Charter. Such a structure has in the past caused several board members to resign rather than be a part of such a board. The Ex-Officio role as defined above was eventually eliminated by the Executive Office of the Governor and in a matter of form all current Space Florida Board Directors became Board Members via their position as a EFI Board member.
- To add several additional statewide Board Members via their elected positions with the same role and responsibilities of current directors would bring value and not be inconsistent with the Board's role and responsibilities and should be sought from representatives of varied regions across the state consistent with Space Florida's statewide charter.



Enhancements/Advancements in Board Governance across traded and high-profile non-profit and government entities to better define directors roles and responsibilities, transparency, risk management, and accountability.

- Space Florida believes that Board governance will be enhanced along with credibility in the market by adding the following elements to Board Governance:
 - Add a Lead Director Role to support the Chair
 - Formalize Board's role and responsibilities respective to risk management for Space Florida
 - Report annually a matrix of board members skills, attributes, and experience
 - Annually conduct Multi-Step Board Evaluations including one-on-one director peer evaluations, committee self-evaluations, and board self-evaluation survey
 - Report annually board member attendance at meetings
 - Annual report of Board engagement with stakeholders
 - Requirement of in-person attendance and reimbursement of travel expenses



Draft of Roles and Responsibilities For Proposed Public Policy and Corporate Reputation Committee (Attachment E)

Assists the Board in its oversight of policies related to corporate social responsibility, including public policy issues affecting the Space Florida, its stakeholders, employees, clients, and the communities in which it operates. Oversees Space Florida's management of its brands and reputation.

Public Policy Engagement:

- Participate in public policy dialogues related to our mission and business priorities, our employees, our stakeholders, and the communities we serve.
- Engage with organizations and individuals to make our views clear and uphold our mission for the State to help support the communities in which we operate.
- Provide input to candidates to take reasonable positions on policies that promote Aerospace/Space Industry growth as well as affect Space Florida's long-term mission objectives.

Stakeholder Engagement:

- Cycle Year-Round Engagement with Stakeholders.
- Solicit feedback on governance best practices and trends, Board composition and refreshment, executive compensation, human capital management, ESG matters and other topics of interest to stakeholders.
- Respond to stakeholder inquiries and requests for information or engagement at Board and Committee Meetings. As appropriate, continued discussions with stakeholders as to enhancements to policies, practices, and disclosures.
- Publish Annual Report.
- Use stakeholder feedback to enhance disclosures, governance practices and compensation programs. Evaluate board and committee meeting results for the Board's ongoing process of continually enhancing governance and other practices.