

Lumina Foundation Key Executive Compensation Philosophy

The Board of Directors of Lumina Foundation for Education, Inc. (“Foundation”) has delegated authority to the Compensation Committee (“Committee”) to oversee the compensation and other benefits of Key Executives of the Foundation (defined as officers of the Foundation who are elected by the Board of Directors). Such delegation is reflected in the Bylaws of the Foundation, which authorize the creation of a Compensation Committee; a Board resolution adopted on July 31, 2003 establishing and delegating authority to the Committee; and the charter of the Committee as approved by the Board of Directors.

By delegation from the Board, the Committee is responsible for defining the Foundation’s Key Executive compensation philosophy and, consistent with such philosophy, for establishing an executive compensation program for the President and Chief Executive Officer (“CEO”) and other Key Executives. The Key Executive compensation program must provide for the payment of compensation that is reasonable in amount and consistent with the Foundation’s status as a Section 501(c)(3) organization and as a private foundation under Section 509(a). It must also allow the Foundation to attract and retain a highly skilled and motivated senior executive team that is not only dedicated to but also capable of carrying out the Foundation’s mission and long-term strategic national objective – by 2025 to dramatically increase the percentage of Americans with high-quality degrees and credentials.

With the assistance of an independent compensation consultant and the advice of counsel, the Committee has developed and implemented a Key Executive compensation philosophy that is designed to achieve these goals and objectives. The Committee is setting forth this philosophy as a formal policy of the Committee intended to continue guiding its Key Executive compensation deliberations. The Committee will review this philosophy from time to time and make revisions as appropriate.

I. Overview

The mission of the Foundation is to expand access and success in education beyond high school, particularly among adults, first-generation college going students, low-income students and students of color. The mission is directed toward a single, overarching goal – to increase the percentage of Americans with high- quality

credentials¹ to 60 percent by the year 2025. The Foundation operates in a sophisticated, complex, and rapidly changing educational, technological and economic environment. To succeed in its mission, the Foundation must attract and retain Key Executives who operate in a culture of hard work and commitment, as well as a tradition of leadership, innovation, creativity and adaptability on a national level. Maintaining a Key Executive work force of this caliber and dedication requires the Foundation to offer an executive compensation program that is comparable to that offered by similar organizations for similar services in the marketplace.

II. Goals and Objectives of the Key Executive Compensation Program

The Committee has established the following goals and objectives for the Foundation's Key Executive compensation program:

A. Alignment with Mission and Strategic Objectives

The Key Executive compensation program must operate in alignment with the Foundation's mission and strategic objectives and must enable the Foundation to attract and retain the caliber of Key Executives who are capable of driving and achieving its ambitious and challenging long-term strategic and operational plans. The Foundation's Key Executives must have a clear understanding of the Committee's high expectations for their performance and how such performance is integral to the Foundation's attainment of its long-term strategic and operational plans. The Committee will keep informed as to whether the Foundation's compensation structure is adequate to attract new executives of the desired caliber and experience, and to retain high-performing executives.

B. Transparency

The Key Executive compensation program must be transparent. Each member of the Board of Directors should be aware of the elements of the Foundation's Key Executive compensation program and be kept informed about the Committee's determinations. The Foundation's Key Executive compensation and benefits should

¹ The Foundation believes that high-quality postsecondary credentials are an essential element in meeting the educational needs of a knowledge-based society and economy. The Foundation defines high quality credentials as degrees and certificates that have well-defined and transparent learning outcomes which provide clear pathways to further education and employment.

be fully and accurately reported on its Form 990-PF.

C. Consistency with Tax-Exempt Status

The Foundation is tax-exempt under Section 501(c)(3) and this requires, among other things, that its Key Executive compensation program be reasonable based on comparable market data. The Key Executive compensation program must be consistent with the Foundation's tax-exempt status under Section 501(c)(3) and fully in compliance with the rules applicable to Foundation managers and Key Executives under Section 4941.

III. Compensation Philosophy

The Committee has adopted the following as guiding principles for its Key Executive compensation program:

A. Evaluation of Performance

Compensation will be directly linked to performance. To assist the Committee in its deliberations, the Executive Committee of the Board of Directors will annually review and evaluate the performance of the President and CEO, including progress toward attainment of the Foundation's long-term strategic goal and operational plans, and will report its findings to the Committee. The Committee will also receive an annual report from the President and CEO regarding the performance of key senior executives and arecommendation as to their compensation.

B. Cash Compensation

The Foundation will compensate Key Executives through a program of cash compensation that will be reviewed annually by the Committee and may be adjusted based on individual performance, as well as changes in the comparable market data (as described below).

C. Use of Comparable Market Data to Establish Reasonableness

The Committee will rely on comparable market data provided by an independent compensation consultant in determining the reasonableness of Key Executive compensation. The Committee has determined that the appropriate comparator group ("Comparator Group") for the Foundation should reflect similar foundations and similar executive positions and roles that require seasoned/proven talent. The Comparator Group should include private independent foundations (including operating foundations) that have two or more characteristics identified as most directly relevant to the Foundation. Such characteristics include certain functional

and/or operational characteristics that define the Foundation and are closely related to key elements of the Foundation's strategic plan, including Federal and State policy focus, national footprint, strategic communications, results/metrics-based orientation, thought leadership and impact investing. Asset size (50% - 200% of the Foundation's asset size) and staff size (50% - 200% of the Foundation's staff size) are also relevant characteristics. The recruitment and retention challenges of the Foundation's location in the Midwest will also be considered.

The Committee may, from time to time, seek and rely on market data from other segments of the nonprofit sector, when it concludes that such data would be appropriate to supplement the Comparator Group. Given the Foundation's national strategic and operational focus and the fact that it recruits nationally to fill Key Executive positions, the Committee does not consider geographic proximity to be a relevant characteristic for the Comparator Group.

D. Targets for Internal Compensation Ranges

The Committee has determined that the Foundation's internal target for setting total cash compensation for Key Executive positions will be within an appropriate range around the 50th percentile of the Comparator Group. The Committee will work with the Foundation's independent compensation consultant to establish salary ranges for each Key Executive position centered around the 50th percentile target, with the midpoint of the range at 90%-110% of the midpoint, the lower range at 80%-90% of the midpoint, and the upper range at 110%-120% of the midpoint. The Committee will review the positioning of each Key Executive within the range, with the expectation that the lower range generally will be appropriate for a Key Executive who is a new hire or has received a recent promotion and is considered to be on the learning curve for the position, the middle range will be appropriate for a Key Executive who has demonstrated competence in performing the full scope of the position, and the upper range will be appropriate for a Key Executive who is a seasoned and consistently outstanding performer in the position.

Although the Committee will be guided by the internal target and salary ranges in establishing compensation in the context of individual Key Executives, it will not use the ranges as an absolute floor or ceiling. The Foundation's objective is to pay reasonable compensation at a level sufficient to allow for the attraction and retention of Key Executive talent. The Committee may, in appropriate cases,

award compensation in excess of the internal target in order to reward exceptional performance and/or to attract and retain the caliber of Key Executive needed to carry out the responsibilities of the position. Similarly, the Committee may determine that compensation below the target is appropriate in the context of a particular individual, such as a newly-hired or promoted key executive who may benefit from an opportunity to grow fully into a new position.

E. Benefits Programs

The Foundation's Key Executive compensation will also include appropriate employee benefit programs. The Committee has determined that the Foundation's executive benefits should be comparable to those offered in the marketplace. Accordingly, the Committee will review and approve benefit programs for key executives (retirement, health and welfare, etc.) that are reasonable when compared to similar programs offered by other organizations in the Comparator Group. The Committee will review available market data on total compensation.

F. Documentation of Committee Actions and Reports to the Board

The Committee will maintain minutes of its meetings that provide a detailed record of the actions taken as well as the deliberations of the Committee leading to such actions and the market data, advice and opinions on which the Committee relied in reaching its decisions. The Chair of the Committee will report regularly to the full Board of Directors regarding the work of the Committee.

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Confirmed and Approved by the Compensation Committee on August 19, 2020.