

## **HUMAN RESOURCES AND GOVERNANCE COMMITTEE CHARTER**

### **Purpose**

The Human Resources (“H.R.”) and Governance Committee of the Board of Directors shall:

1. Discharge the Board’s responsibilities relating to compensation of ERCOT’s officers;
2. Oversee the evaluation of the Chief Executive Officer;
3. Oversee the administration of ERCOT’s executive compensation plans;
4. Consult with the Chief Executive Officer and advise the Board with respect to senior management succession planning;
5. Approve employee compensation and benefit programs;
6. Consider board training and other governance issues with the purpose of enhancing the Board’s performance; and
7. Oversee ERCOT’s governmental-relations efforts, and work with relevant ERCOT staff to develop high-level policy messages.

### **Membership**

The H.R. and Governance Committee shall be comprised of representatives from at least three market segments, as well as one or more of the Independent Board members.

The board members shall decide from among themselves who shall participate in the Committee. The term shall be for one year.

The Chair of the Committee shall be selected through a majority vote of the Committee members.

The Committee shall be fully independent, accountable and vigorous in taking primary responsibility for all aspects of executive compensation including employment, retention and severance agreements.

The Corporate Secretary, or his or her designee, is responsible for keeping the minutes of the Committee’s meetings, except that the Vice President of Human Resources is responsible for keeping the minutes of executive session discussions of human resources issues.

The Committee may request that any officers or employees of ERCOT, or any other person, whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Board members (other than committee members) may attend and participate in committee meetings but may not participate in committee voting. Non-Committee members may attend Committee meetings at the discretion of the Committee. The Committee may exclude any persons who are not Directors, the Segment Alternate or the Director’s Designated Representative from any meeting or portion of any Committee meeting that the Committee determines, in its discretion, needs to be held in executive session to address sensitive matters

such as confidential personnel information, contracts, lawsuits, competitively sensitive information, or other information related to the security of the regional electrical network.

### **Structure**

Three members of the Committee shall constitute a quorum. At any meeting at which a quorum exists, the act of a majority of the members present at a meeting shall be the act of the Committee.

### **Duties and Responsibilities**

The Committee shall develop ERCOT's:

1. General compensation philosophy, strategy, policies and programs;
2. Compensation levels of the executives and top management; and
3. Employee benefit plans.

The functions of the H.R. and Governance Committee shall include:

1. Review and approval of pay levels for corporate officers;
2. Annually, review and approval of performance goals and objectives with respect to the compensation of the Chief Executive Officer and all other officers consistent with approved compensation plans;
3. Evaluation of the Chief Executive Officer's performance against the goals and objectives set for the year;
4. Oversight of the performance evaluation of all other officers against the approved goals and objectives;
5. Based upon the performance evaluations, setting the compensation of the Chief Executive Officer and all other officers, including annual base salary level and any special or supplemental benefits, and further, for the Chief Executive Officer, setting annual incentive level and longer-term incentive level;
6. Consultation with the Chief Executive Officer and advising the Board with respect to senior management succession planning;
7. Retention or termination of the services of consulting firms engaged to assist the Committee in the evaluation of ERCOT's compensation packages;
8. Advising the full Board as to risk issues;
9. Investigation of competitive practices and trends to determine the adequacy of the organization's executive compensation programs;
10. Approval of contractual employment arrangements for the Chief Executive Officer or other Officer of ERCOT;
11. Consideration of outside director compensation matters;
12. Consideration of necessary training to enhance the Board's performance, keeping apprised of the latest corporate governance trends and issues;
13. Consideration of Board succession planning;
14. Population of the Nominating Committee (when a Nominating Committee is necessary), while staying consistent with the Bylaws by replacing or adding any directors required by the Bylaws; and
15. Development and review of ERCOT's governmental-relations policies and efforts.

### **Evaluation**

Annually, conduct a self-evaluation of the Committee's performance and, in light of this, consider changes in its membership, charter or procedures. The Committee shall report to the Board the results of its evaluation, including recommended charter, membership and other changes, if any.

### **Agenda Items**

The Committee chair, in consultation with the Chief Executive Officer, shall develop the activities of the H.R. and Governance Committee from year to year. The Committee shall meet as needed at the discretion of the Chair.

The Chairman of the Committee shall report to the Board, as necessary, the deliberations, actions and recommendations of the Committee.