



HUMAN RESOURCES AND GOVERNANCE COMMITTEE CHARTER

Purpose

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

- ~~1. Discharge the Board’s responsibilities relating to compensation of ERCOT’s officers;~~
Oversee the
1. Oversee the compensation of ERCOT’s Chief Executive Officer (“CEO”) and other officers and make recommendation to the Board regarding the compensation package for the CEO and reviewing the CEO’s recommendations for the compensation for all other ERCOT officers;
2. Oversee the annual evaluation of the ~~Chief Executive Officer~~CEO and make recommendations to the Board regarding the CEO’s performance;
3. Oversee the administration of ERCOT’s executive compensation plans;
4. Consult with the ~~Chief Executive Officer~~CEO and advise the Board with respect to senior management succession planning;
5. ApproveConsult with the Independent Board members and advise the Board with respect to succession planning for the Independent Board members.
- ~~5-6.~~ Review employee compensation and benefit strategies; and make recommendations to the Board for approval of those strategies;
- ~~6-7.~~ Consider board training and other governance issues with the purpose of enhancing opportunities that could enhance the Board’s performance; and
- ~~7-8.~~ Oversee ERCOT’s governmental-relations efforts, and work with relevant ERCOT staff to develop high-level policy messages.

Membership

The ~~H.R. and Governance~~HR&G Committee shall be comprised of representatives from at least two 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 HR&G Committee. The term shall be for one year.

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

The HR&G Committee shall be fully independent, accountable and vigorous in taking primary responsibility for the Board regarding 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~~HR&G Committee’s meetings.

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

Board members (other than ~~committee~~HR&G Committee members) may attend and participate in committee meetings but may not participate in ~~committee voting~~. ~~Non-Committee members may attend~~HR&G Committee meetings at the discretion of the Committee. ~~voting~~. The HR&G 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 sole 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~~Review and make recommendations regarding ERCOT's general compensation philosophy, strategy, policies and programs;
2. ~~Compensation~~Review and make recommendations regarding compensation levels of the ~~executives~~CEO, officers and top management; ~~and~~
3. ~~Employee~~Review and make recommendations regarding ERCOT's employee benefit plans; ~~and~~
4. Plan for the orderly succession of well-qualified Independent Board members;
- 3-5. Periodically review the overall governance structure of the ERCOT board, including the number, focus and membership of Board Committees and sub-committees, and make recommendations to the Board regarding any changes the HR&G Committee believes would enhance the governance of ERCOT.

The functions of the ~~H.R. and Governance~~HR&G Committee shall include:

1. Review and approval of pay levels for the CEO and review and final approval of pay levels for all other corporate officers;
2. Annually, review and make recommendations to the Board regarding the approval of performance goals and objectives with respect to the compensation of the ~~Chief Executive Officer~~CEO and all other officers consistent with approved compensation plans;
3. Evaluation of the ~~Chief Executive Officer's~~CEO's performance against the goals and objectives set for the year and make recommendations to the Board regarding the CEO's performance;
4. Oversight of the performance evaluation of all other officers against the approved goals and objectives;

5. Based upon the performance evaluation, recommending to the Board 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~~recommending annual incentive ~~level~~levels and longer-term incentive ~~level~~levels to the Board;
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 pertaining to staffing levels;
9. ~~Investigation of~~Periodically investigating competitive practices and industry trends to determine the adequacy of the organization's executive compensation programs;
10. Approval of contractual employment arrangements for the ~~Chief Executive Officer~~CEO or other ~~Officer~~Officers of ERCOT, as applicable;
11. Consideration of ~~outside director~~Independent Board member 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 Independent Board member succession planning;
14. ~~Population of~~Working with the Chair of the ERCOT Board to populate the Nominating Committee (when a Nominating Committee is necessary), while staying consistent with the Bylaws by replacing or adding any ~~directors~~Independent Board members 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 HR&G 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 HR&G Committee chair, in consultation with the ~~Chief Executive Officer~~CEO, shall develop the activities of the ~~H.R. and Governance~~HR&G Committee from year to year. The HR&G Committee shall meet as needed at the discretion of the Chair.

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