



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**HUMAN RESOURCES AND GOVERNANCE**  
**COMMITTEE CHARTER**

**Purpose**

The Human Resources and Governance Committee (the “Committee”) of the Board of Directors (“Board”) of Electric Reliability Council of Texas, Inc. (“ERCOT”) shall:

1. Oversee the compensation of ERCOT’s Chief Executive Officer (“CEO”) and other officers, ~~and make recommendations~~ 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 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 CEO and advise the Board with respect to senior management succession planning;
5. Consult with the ~~IndependentUnaffiliated~~ Board members and advise the Board with respect to succession planning for the ~~IndependentUnaffiliated~~ Board members;-
6. Review employee compensation and benefit strategies and make recommendations to the Board for approval of those strategies;
7. Consider board training opportunities that could enhance the Board’s performance; and
8. Oversee ERCOT’s governmental-relations efforts; and work with relevant ERCOT staff to develop high-level policy messages.

In addition to its other duties, the 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.

**Comment [EL1]:** These sentences were moved from the “Membership” section. The phrase “in addition to its other duties” was added.

**Membership and Qualification**

Committee Composition, Committee Member Qualifications and Term

The Board members shall decide from among themselves who shall participate in the Committee. The HR&G Committee shall be comprised of representatives from at least two Market Segments and, as well as one or more of the IndependentUnaffiliated Board members. Each Committee member (“Committee Member”) shall also meet any experience requirements as may be established from time to time by the Board. The term of the Committee and its Committee Members shall be for not more than one year.

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**Comment [EL2]:** This sentence was moved up from within the section.

**Comment [EL3]:** This sentence was inserted for consistency with the language of the proposed F&A Committee Charter.

**Comment [EL4]:** This sentence was moved up from within the section and was modified to note that neither the Committee or its members’ terms should exceed one year.

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

Election of Committee Chair and Chair Qualifications

The Chair of the Committee shall be selected through a majority vote of the ~~HR&G~~ Committee ~~Members~~. The Committee Chair shall not be the CEO of ERCOT.

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**Comment [EL5]:** This sentence was inserted for consistency with the language of the proposed F&A Committee Charter.

~~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 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's members request.~~

~~Board members (other than HR&G Committee members) may attend and participate in committee meetings but may not participate in HR&G 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.~~

## **Authority**

### **Power to Investigate**

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of ERCOT and the power to retain outside counsel or other experts for this purpose. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes. The Committee may request any officer or employee of ERCOT, ERCOT's outside counsel or ERCOT's independent auditor to attend a meeting of the Committee or to meet with any Committee Member or any consultants to the Committee.

The Committee may appoint workgroups or task forces to investigate issues defined by the Committee. Members of such workgroups or task forces need not be Directors. Such workgroups or task forces shall have no authority to bind the Committee or ERCOT.

### **StructureQuorum and Action by Committee Members**

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. The presence of at least half of the Committee Members for the transaction of Committee business shall constitute a quorum. At any meeting at which a quorum exists, the act of a majority of the Committee Members present at a meeting shall be the act of the Committee. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

## **Duties and Responsibilities**

The Committee shall:

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**Comment [EL6]:** This sentence was inserted for consistency with the language of the proposed F&A Committee Charter.

**Comment [EL7]:** This section has been inserted and conformed for consistency with the language of the proposed F&A Committee Charter.

With regard to the first sentence related to quorums, after additional research at the request of an F&A Committee Member, this language has been revised by ERCOT Legal for consideration by the Committee. Please note the following: (1) Quorum language is not required in the Charter, but ERCOT Legal recommends its inclusion for clarity, particularly due to ERCOT's statutory webcasting requirements; (2) The use of "at least half of the Committee Members" is consistent with the Bylaws quorum requirement of "fifty percent (50%) of the Seated Directors". Alternatively, the Committee could adopt a quorum requirement of the "majority of Committee Members" which would be a fairly prevalent proportion if no set number of members is identified. Since a "majority" would be construed as "more than half", it could affect the quorum threshold, particularly if: (a) the Committee is comprised of an even number of Members, or (b) the Committee is comprised of an odd number of Members and also has a vacancy on the Committee. At this time, ERCOT Legal would recommend consistency between the Bylaws and the Committee Charters (that is, maintaining the "at least half" language), but defers to the Committee for its recommendation to the Board; (3) This language also has been revised to identify that a quorum has been constituted if the Committee Members are convening for the transaction of Committee business.

1. Review and make recommendations regarding ERCOT's general compensation philosophy, strategy, policies and programs;
2. Review and make recommendations regarding compensation levels of the CEO, officers and top management;
3. Review and make recommendations regarding ERCOT's employee benefit plans; ~~and~~
4. Plan for the orderly succession of well-qualified ~~Independent~~Unaffiliated Board members; ~~and~~
5. Periodically review the overall governance structure of the ~~ERCOT's~~ 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 ~~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 CEO and all other officers consistent with approved compensation plans;
3. Evaluation of the 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~~CEO and all other officers, including annual base salary level and any special or supplemental benefits, and ~~further,~~ for the ~~Chief Executive Officer~~CEO, recommending annual incentive levels and longer-term incentive levels to the Board;
6. Consultation with the ~~Chief Executive Officer~~CEO 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~~ on risk issues pertaining to staffing levels;
9. Periodically investigating competitive practices and industry trends to determine the adequacy of ~~the organization's~~ERCOT's executive compensation programs;
10. Approval of contractual employment arrangements for the CEO or other ~~Off~~ officers of ERCOT, as applicable;
11. Consideration of ~~Independent~~Unaffiliated 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~~Unaffiliated Board member succession planning;
14. Working with the Chair of the ~~EROCT~~ Board to ~~populate~~create the Nominating Committee (when a Nominating Committee is necessary), while staying consistent with the Bylaws by replacing or adding any ~~Independent~~Unaffiliated Board members required by ~~the~~ERCOT's Bylaws; ~~and~~
15. Development and review of ERCOT's governmental-relations policies and efforts; ~~-~~
16. Review and assess the adequacy of this Charter annually and recommend any proposed changes to the board; and

15,17. Report to the Board, as necessary, the deliberations, actions, and recommendations of the Committee.

**Comment [EL8]:** This sentence was inserted for consistency with the language of the proposed F&A Committee Charter.

## Meetings

### Frequency of Meetings

The Committee shall meet, as needed, at the discretion of the Committee Chair.

**Comment [EL9]:** This language was moved from the "Agenda Items" section and placed as the first sentence consistent with the organization of the respective section in the proposed Finance and Audit Committee Charter. The Finance and Audit Committee Charter provides that "The Committee shall meet at least once during each fiscal quarter, and as many additional times as the Committee shall deem necessary or appropriate."

The Committee Chair, in consultation with the CEO, shall develop the agenda, the frequency and length of meetings, and shall have unlimited access to ERCOT's management and information for purposes of carrying out the functions of the Committee. The Chair shall establish such other rules, as may from time to time be necessary and proper for the conduct of the Committee.

**Comment [EL10]:** This language was moved from the "Agenda Items" section and modified consistent with the respective F&A Charter language.

### Attendance at Open Session and Executive Session of Committee Meetings

Any member of the public may attend and participate in the open session of Committee meetings. The executive session of the Committee meeting shall be closed to the public to enable the Committee 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. The Committee may request that any officer or employee of ERCOT, or any other person, whose advice and counsel are sought by the Committee attend the executive session of the Committee meeting to provide the pertinent information requested by the Committee. In addition, during the executive session of a Committee meeting, the Committee may exclude any persons who are not Directors, the Directors' Segment Alternates, or the Directors' Alternate Representatives.

**Comment [EL11]:** This language was moved from the "Membership" section and modified consistent with the respective F&A Charter language.

### Participation and Voting During Committee Meetings

Board members who are not Committee Members (including Segment Alternates and Alternate Representatives) may attend and participate in all Committee meetings, but may not participate in Committee voting.

**Comment [EL12]:** This sentence was inserted for consistency with the language of the proposed F&A Committee Charter.

### Minutes

The Corporate Secretary, or his or her designee, is responsible for preparing or causing to be prepared the minutes of the Committee's meeting, filing the minutes with the corporate records of ERCOT, and sending, or causing to be sent, copies of such minutes to each of the Committee members.

**Comment [EL13]:** Created new "Minutes" section, moved the prior existing language from the "Membership" section, and modified the prior existing language consistent with the respective F&A Charter language.

### Self-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. Annually, the Committee shall conduct a self-evaluation of its performance and, in light of this self-evaluation, 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.

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### Agenda Items

**Comment [EL14]:** Modified Section Title and language consistent with F&A Charter.

~~The HR&G Committee chair, in consultation with the CEO, shall develop the activities of the 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.~~