



**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 and be primarily responsible for all aspects of the compensation of ERCOT’s Chief Executive Officer (“CEO”) and make recommendations to the Board regarding the compensation package and employment terms for the CEO;
2. Annually review the CEO’s recommendations for the compensation for all other ERCOT officers and/or executives;
3. Oversee the annual performance evaluation of the CEO and make recommendations to the Board regarding the CEO’s performance;
4. Periodically review the administration of ERCOT’s executive compensation strategies;
5. Periodically review ERCOT’s overall employee compensation and benefit strategies;
6. Consult with the CEO and advise the Board with respect to succession planning for the executive team and other key employees identified by the CEO or the officer primarily responsible for the oversight of ERCOT’s Human Resources department;
7. Review and approve any retention and severance agreements between ERCOT and any employee, including the CEO;
8. Consult with the Unaffiliated Directors and advise the Board with respect to succession planning for the Unaffiliated Directors;
9. Consider board training opportunities that could enhance the Board’s performance; and
10. Oversee ERCOT’s governmental-relations efforts and work with relevant ERCOT staff to develop policy messages for the organization.

In addition to its other duties, the Committee shall be fully independent, accountable, and vigorous in taking primary responsibility for the Board regarding (i) all aspects of the CEO’s compensation and employment contract, (ii) any retention and severance agreements between ERCOT and any employee, and (iii) the review of the CEO’s implementation of or changes to executive compensation strategies.

**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 Committee shall be comprised of representatives from at least two Market Segments and one or more of the Unaffiliated Directors. 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.

### Election of Committee Chair and Chair Qualifications

The Chair of the Committee shall be elected through a majority vote of the Committee Members. The Committee Chair shall not be the CEO of ERCOT.

### 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 auditors 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 and/or make recommendations to the Committee or the Board regarding 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, the Board or ERCOT.

### Quorum and Action by Committee Members

The presence of at least half of the Committee Members who are duly assembled to conduct authorized business of the Committee 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:

1. Periodically review and make recommendations to the Board for approval of ERCOT's general compensation philosophy, strategy, policies and programs;
2. Review and make recommendations to the Board for approval of the compensation package and employment terms of the CEO;
3. Annually review the CEO's recommendations regarding compensation levels of officers and/or executives, and report to the Board if there is any disagreement between a Committee Member and the CEO regarding the CEO's recommendations;
4. Review the ERCOT Benefits Committee's performance of the duties delegated to it by the Board, including the design, operation and maintenance of employee benefits plans, and report to the Board if there is any disagreement between a Committee Member, a member of the Benefits Committee or the CEO regarding any aspect of the Benefits Committee's performance of the duties delegated to it by the Board;
5. Consider, plan for, and make recommendations to the Board for approval of, the orderly re-appointment or succession of existing Unaffiliated Directors (the Nominating Committee has primary responsibility for identifying and determining the qualifications of new Unaffiliated

Directors if the recommendation of the Committee is that a new Unaffiliated Director is needed); and

6. Periodically review the overall governance structure of the Board, including the number, focus and membership of Board Committees and subcommittees, including the periodicity of meetings, and make recommendations to the Board for approval of any changes the Committee believes would enhance the governance of ERCOT.

The functions of the Committee shall include its:

1. Review of and recommendation to the Board for approval of the compensation package and employment terms for the CEO;
2. Annual review of and recommendation to the Board for approval of ERCOT's key performance indicators ("KPIs") or any other goals and objectives of ERCOT, as applicable;
3. Evaluation of the CEO's performance against the goals and objectives set for the CEO by the Committee or the Board each year (or other relevant time period) and recommendation to the Board for approval regarding the CEO's performance or any recommended changes to the CEO's compensation package and employment terms based on the CEO's performance or contract;
4. Review of the CEO's performance evaluation of all other executives and officers, or other employees the CEO identified for the Commitment, against the Board approved KPIs or any other Board approved goals and objectives for ERCOT;
5. Consultation with the CEO and advice to the Board with respect to succession planning for officers, executives or other key employees identified by the CEO or the officer primarily responsible for the oversight of ERCOT's Human Resources department;
6. Retention or termination of the services of consulting firms engaged to assist the Committee;
7. Advice to the Board on risks pertaining to staffing levels, employment trends, skills that are in high demand or difficult to replace and other employee-related issues;
8. Periodic investigation of the compensation practices and strategies of comparable organizations, as well as industry trends, to evaluate the prudence and adequacy of ERCOT's overall and executive compensation programs and strategies;
9. Consideration of Unaffiliated Director compensation and reimbursement matters;
10. Consideration of training opportunities to enhance the Board's performance, and keeping apprised of the latest corporate governance trends and issues;
11. Review of ERCOT's governmental-relations policies and efforts;
12. Annual review of all ethics agreements for ERCOT employees, Directors and Segment Alternates and recommendation to the Board for approval any modifications to such ethics agreements;
13. Annual review of ERCOT's five-year strategic plan;
14. Annual review of and recommendation to the Board for approval, any changes to the periodicity of Board, Committee or sub-committee meetings;
15. Annual review of organizational succession planning;
16. Annual review of and recommendation to the Board for approval, any proposed modifications to the ERCOT (i) Articles of Incorporation, (ii) Bylaws, or (iii) the Board Policies and Procedures;
17. Review and assessment of the adequacy of this Charter annually, and recommendation to the Board for approval of, any proposed changes to this Charter; and
18. Report to the Board, as necessary, of the deliberations, actions, and recommendations of the Committee.

## **Meetings**

### **Frequency of Meetings**

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

The Committee Chair, in consultation with the Board Chair and the CEO or delegated ERCOT Staff, 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.

### **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.

### **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.

## **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.

## **Self-Evaluation**

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.