



**The Human Resources & Governance (HR&G) Committee is expected to consider HR&G Committee Agenda Item 5: *Recommendation regarding Committee Charter* at its meeting on March 18, 2013.**

**The Board of Directors is expected to hear the HR&G Committee's recommendation on this matter as part of the HR&G Committee Report at the Board meeting on March 19, 2013.**

**Attached are the Board materials in relation to these agenda items.**



**Date:** March 12, 2013  
**To:** Board of Directors  
**From:** Karl Pfirrmann, H.R. and Governance (HR&G) Committee Chair  
**Subject:** HR&G Committee Charter

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** March 19, 2013

**Agenda Item No.:** 13.1

**Issue:**

Whether to approve any revisions to the HR&G Committee Charter.

**Background/History:**

The HR&G Committee Charter requires that the HR&G Committee review and assess the adequacy of the HR&G Committee Charter annually and recommend any proposed changes to the Board.

Proposed revisions to the HR&G Committee Charter which are intended to better track the current practices of the HR&G Committee are identified in red-lined (with comments) and clean versions in *Attachments A* and *B*, respectively. These revisions were prepared by ERCOT Legal in an effort to identify more easily the Committee's duties and responsibilities, the minimum frequency of review of such matters, and identification of whether such matters require recommendations to the Board for approval. While the format of the HR&G Committee Charter has changed significantly, the intent was to retain the content as currently constructed or consistent with historic practice.

Since the original revisions proposed by ERCOT Legal were circulated to the HR&G Committee, Andrew Dalton, current HR&G Committee member and past HR&G Committee Chair, has suggested that minimum frequency of review of topics should be better defined by including an outer limit, for example, "Periodically, but not less frequent than X months {or X years}". Please note that Mr. Dalton's suggested changes to the minimum frequency of review have been incorporated in the Attachments. In addition, one request made by ERCOT staff relating to the review (rather than approval or ratification) of benefit plans has also been included in the Attachments.

The HR&G Committee reviewed the HR&G Committee Charter at its January 14, 2013 meeting. The HR&G Committee is expected to consider proposed revisions to the HR&G Committee Charter at its March 18, 2013 meeting. The HR&G Committee may recommend that the Board of Directors (Board) adopt, reject, or amend the revisions to the HR&G Committee Charter at the March 19, 2013 Board meeting.



**Key Factors Influencing Issue:**

The HR&G Committee Charter identifies the functions that the HR&G Committee is to perform and is reviewed annually to ensure that the HR&G Committee continues to address relevant issues and to assist the Board in providing necessary oversight consistent with fiduciary duties.

**Conclusion/Recommendation:**

The HR&G Committee is expected to review these proposed changes to the HR&G Committee Charter at its meeting on March 18, 2013, and is expected to recommend to the Board of Directors whether any HR&G Committee Charter revisions should be made. If the HR&G Committee recommends revisions to the HR&G Committee Charter, then it is expected that the HR&G Committee will recommend that the revisions become effective upon approval by the Board.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, after its meeting on March 18, 2013, the Human Resources and Governance (HR&G) Committee of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) has recommended revisions to the HR&G Committee Charter consistent with the document appended to this resolution and incorporated as *Attachment A* hereto;

WHEREAS, after due consideration of the alternatives, the Board deems it desirable and in the best interest of ERCOT to revise the HR&G Committee Charter as recommended by the HR&G Committee; and

THEREFORE, BE IT RESOLVED, that the HR&G Committee Charter is revised consistent with *Attachment A*, to be effective immediately.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its March 19, 2013 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of March, 2013.

\_\_\_\_\_  
Vickie G. Leady  
Assistant Corporate Secretary



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**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 be responsible for review and oversight of:

1. Human resource matters, including:
  - a. Compensation of ERCOT’s ~~Oversee and be primarily responsible for all aspects of the compensation of ERCOT’s~~ Chief Executive Officer (“CEO”), all other ERCOT officers and employees<sup>(vii)</sup>;
  - b. Performance of the CEO and all other ERCOT officers;
  - c. Organizational planning, including succession planning;
  - d. Employment agreements;
  - e. Staffing-level risks; and
  - f. Key performance indicators;
2. Governance matters, including:
  - a. All matters pertaining to the Unaffiliated Directors except those reserved by the Nominating Committee;
  - b. ERCOT’s governing documents and Board policies and procedures;
  - c. Board-training opportunities;
  - d. Organizational strategic planning;
  - e. Ethics policies;
  - f. Overall governance structure of ERCOT;
3. External affairs matters, including:
  - a. Development of policy messages for ERCOT; and
  - b. Governmental relations.

The Committee will review and oversee any other matters as assigned by the Board.

- ~~1. —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;~~  
~~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;~~  
~~Review and approve any retention and severance agreements between ERCOT and any employee, including the CEO;~~

- ~~6. Consult with the Unaffiliated Directors and advise the Board with respect to succession planning for the Unaffiliated Directors;~~
- ~~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 policy messages for ERCOT.~~

~~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~~ at least two 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: The chart attached hereto as Attachment A summarizes the duties and responsibilities of the Committee.~~

- ~~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.



Human Resources and Governance Committee – Duties and Responsibilities

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
<b>1.</b>	<b>Human Resource Matters</b>		
<b>a.</b>	<b>Compensation of ERCOT’s CEO, all other ERCOT officers and employees</b>		
(1)	Review ERCOT’s general compensation philosophy, strategy, policies and programs.	Periodically, but no less than once every two years	Yes
(2)	Review the compensation package and employment terms of the CEO.	As needed	Yes
(3)	Review the CEO’s recommendations regarding compensation levels of officers, and report to the Board if there is any disagreement between a Committee Member and the CEO regarding the CEO’s recommendations.	Annually	No
(4)	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.	Periodically, but no less than once every two years	No
(5)	Review administration of executive compensation and benefit plans.	Periodically, but no less than once every two years	No
(6)	Review ERCOT’s employee benefit plans.	Annually (at least for the next few years as the Patient Protection and Affordable Care Act rolls into effect)	No
(7)	Review 401(k) Savings Plan audit report. (Recommendation for acceptance of the 401(k) Savings Plan audit report will be made by Finance and Audit Committee.)	Annually	No
(8)	Review the ERCOT Benefits Committee’s annual status report and performance of the duties delegated to it by the Board, including the design, operation and maintenance of employee benefits plans. 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	As needed, but no less than annually	No

**Comment [v11]:** Items highlighted in green identify items which were included according to practice or needed additional feedback from the HR&G Committee.

**Comment [v12]:** Use of “officers” rather than “executives” restricts the review to those executives who are ratified by the Board (rather than a potentially broader group of management).

**Comment [v13]:** There has been a practice of reviewing executive compensation practices and industry trends to determine the program adequacy (historically every three years).

**Comment [v14]:** ERCOT staff has noted the timing challenges in seeking Board approval prior to the development and implementation of the benefit plans.



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Attachment A

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
	Board.		
(9)	Retain and terminate services of consulting firms engaged to evaluate ERCOT's compensation packages.	As needed	In accordance with Board Policies and Procedures
<b>b.</b>	<b>Performance of the CEO and all other ERCOT officers</b>		
(1)	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). 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.	Annually and as needed	Yes
(2)	Review of the CEO's performance evaluation of all other officers, or other employees the CEO identified for the Committee, against the Board approved KPIs or any other Board approved goals and objectives for ERCOT.	Annually and as needed	No
<b>c.</b>	<b>Organizational planning, including succession planning</b>		
(1)	Consider election of CEO.	Annually	Yes
(2)	Consider ratification of CEO's recommendation of officers.	Annually	Yes
(3)	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.	Annually and as needed	No
(4)	Review organizational succession planning.	Annually	No
<b>d.</b>	<b>Employment agreements</b>		
(1)	Review all employment agreements with ERCOT, including severance and retention agreements.	Periodically, but no less than every two years or 6 months prior to the termination of any such agreement	Yes
<b>e.</b>	<b>Staffing-level risks</b>		
(1)	Advise the Board on risks pertaining to staffing levels, employment trends, skills that are in high demand or difficult to replace and other employee-	Annual and as needed	No



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Attachment A

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
	related issues.		
<b>f.</b>	<b>Key performance indicators</b>		
(1)	Review ERCOT's key performance indicators ("KPIs") or any other goals and objectives of ERCOT, as applicable. Recommendation to the Board for approval of annual KPIs.	Annual and as needed	Yes for annual KPIs
<b>2.</b>	<b>Governance Matters</b>		
<b>a.</b>	<b>All matters pertaining to Unaffiliated Directors except those reserved by the Nominating Committee</b>		
(1)	Consider and plan for 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.	Annually	Yes
(2)	Consideration of Unaffiliated Director compensation and reimbursement matters.	Periodically, but no less than once every two years	Yes
<b>b.</b>	<b>ERCOT's governing documents and Board policies and procedures</b>		
(1)	Review proposed modifications to the ERCOT (i) Articles of Incorporation, (ii) Bylaws, or (iii) the Board Policies and Procedures.	Annually	Yes
<b>c.</b>	<b>Board-training opportunities</b>		
(1)	Consideration of training opportunities to enhance the Board's performance, and keeping apprised of the latest corporate governance trends and issues.	Annual and as needed	No
<b>d.</b>	<b>Organizational strategic planning</b>		
(1)	Review ERCOT's five-year strategic plan.	Annually	No
<b>e.</b>	<b>Ethics policies</b>		
(1)	Review ethics agreements for ERCOT employees, Directors and Segment Alternates.	Annually and as needed	Yes for modifications
<b>f.</b>	<b>Overall governance structure of ERCOT</b>		
(1)	Review the overall governance structure of the Board, including the	Periodically, but no less than	Yes for modifications

Comment [v15]: Historically performed every three years.



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Attachment A

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
	number, focus and membership of Board Committees and subcommittees, including the periodicity of meetings.	once every two years and Annually for periodicity of meetings	
<b>3.</b>	<b>External Affairs Matters</b>		
<b>a.</b>	<b>Development of policy messages for ERCOT</b>		
(1)	Review of ERCOT's high-level policy messages.	Annually and by no later than November in even numbered years and as need during odd numbered years.	No
<b>b.</b>	<b>Governmental relations</b>		
(1)	Review of ERCOT's governmental relations efforts, including those related to the Legislature and Public Utility Commission of Texas.	Annually and by no later than November in even numbered years and as need during odd numbered years.	No
<b>4.</b>	<b>General and Administrative</b>		
(1)	Elect Committee Chair and Vice Chair.	Annually	No
(2)	Designate Corporate Secretary or designee as Committee Secretary.	Annually	No
(3)	Report to the Board of the deliberations, actions, and recommendations of the Committee.	As needed	No
(4)	Review and assessment of the adequacy of this Charter.	Annually	Yes
(5)	Conduct Committee self-evaluation.	Annually	No
(6)	Retention or termination of the services of consulting firms engaged to assist the Committee.	As needed	In accordance with Board Policies and Procedures
(7)	Investigate matters brought to the Committee's attention.	As needed	Possibly
(8)	Meet as deemed necessary by the Committee Chair.	As needed	No
(9)	Approve Committee minutes.	As needed	No
(10)	Review Committee meeting calendar.	As needed	No
(11)	Perform such other duties and responsibilities as assigned by the Board.	As needed	Possibly

Comment [v16]: Historically deferred to the Board during Legislative Session.



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**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 be responsible for review and oversight of:

1. Human resource matters, including:
  - a. Compensation of ERCOT’s Chief Executive Officer (“CEO”), all other ERCOT officers and employees;
  - b. Performance of the CEO and all other ERCOT officers;
  - c. Organizational planning, including succession planning;
  - d. Employment agreements;
  - e. Staffing-level risks; and
  - f. Key performance indicators;
2. Governance matters, including:
  - a. All matters pertaining to the Unaffiliated Directors except those reserved by the Nominating Committee;
  - b. ERCOT’s governing documents and Board policies and procedures;
  - c. Board-training opportunities;
  - d. Organizational strategic planning;
  - e. Ethics policies;
  - f. Overall governance structure of ERCOT;
3. External affairs matters, including:
  - a. Development of policy messages for ERCOT; and
  - b. Governmental relations.

The Committee will review and oversee any other matters as assigned by the Board.

**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 at least two 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 chart attached hereto as Attachment A summarizes the duties and responsibilities 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.





Human Resources and Governance Committee – Duties and Responsibilities

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
<b>1.</b>	<b>Human Resource Matters</b>		
<b>a.</b>	<b>Compensation of ERCOT’s CEO, all other ERCOT officers and employees</b>		
(1)	Review ERCOT’s general compensation philosophy, strategy, policies and programs.	Periodically, but no less than once every two years	Yes
(2)	Review the compensation package and employment terms of the CEO.	As needed	Yes
(3)	Review the CEO’s recommendations regarding compensation levels of officers, and report to the Board if there is any disagreement between a Committee Member and the CEO regarding the CEO’s recommendations.	Annually	No
(4)	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.	Periodically, but no less than once every two years	No
(5)	Review administration of executive compensation and benefit plans.	Periodically, but no less than once every two years	No
(6)	Review ERCOT’s employee benefit plans.	Annually (at least for the next few years as the Patient Protection and Affordable Care Act rolls into effect)	No
(7)	Review 401(k) Savings Plan audit report. (Recommendation for acceptance of the 401(k) Savings Plan audit report will be made by Finance and Audit Committee.)	Annually	No
(8)	Review the ERCOT Benefits Committee’s annual status report and performance of the duties delegated to it by the Board, including the design, operation and maintenance of employee benefits plans. 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	As needed, but no less than annually	No

**Comment [v11]:** Items highlighted in green identify items which were included according to practice or needed additional feedback from the HR&G Committee.

**Comment [v12]:** Use of “officers” rather than “executives” restricts the review to those executives who are ratified by the Board (rather than a potentially broader group of management).

**Comment [v13]:** There has been a practice of reviewing executive compensation practices and industry trends to determine the program adequacy (historically every three years).

**Comment [v14]:** ERCOT staff has noted the timing challenges in seeking Board approval prior to the development and implementation of the benefit plans.



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Attachment A

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
	Board.		
(9)	Retain and terminate services of consulting firms engaged to evaluate ERCOT's compensation packages.	As needed	In accordance with Board Policies and Procedures
<b>b.</b>	<b>Performance of the CEO and all other ERCOT officers</b>		
(1)	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). 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.	Annually and as needed	Yes
(2)	Review of the CEO's performance evaluation of all other officers, or other employees the CEO identified for the Committee, against the Board approved KPIs or any other Board approved goals and objectives for ERCOT.	Annually and as needed	No
<b>c.</b>	<b>Organizational planning, including succession planning</b>		
(1)	Consider election of CEO.	Annually	Yes
(2)	Consider ratification of CEO's recommendation of officers.	Annually	Yes
(3)	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.	Annually and as needed	No
(4)	Review organizational succession planning.	Annually	No
<b>d.</b>	<b>Employment agreements</b>		
(1)	Review all employment agreements with ERCOT, including severance and retention agreements.	Periodically, but no less than every two years or 6 months prior to the termination of any such agreement	Yes
<b>e.</b>	<b>Staffing-level risks</b>		
(1)	Advise the Board on risks pertaining to staffing levels, employment trends, skills that are in high demand or difficult to replace and other employee-	Annual and as needed	No



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Attachment A

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
	related issues.		
<b>f.</b>	<b>Key performance indicators</b>		
(1)	Review ERCOT's key performance indicators ("KPIs") or any other goals and objectives of ERCOT, as applicable. Recommendation to the Board for approval of annual KPIs.	Annual and as needed	Yes for annual KPIs
<b>2.</b>	<b>Governance Matters</b>		
<b>a.</b>	<b>All matters pertaining to Unaffiliated Directors except those reserved by the Nominating Committee</b>		
(1)	Consider and plan for 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.	Annually	Yes
(2)	Consideration of Unaffiliated Director compensation and reimbursement matters.	Periodically, but no less than once every two years	Yes
<b>b.</b>	<b>ERCOT's governing documents and Board policies and procedures</b>		
(1)	Review proposed modifications to the ERCOT (i) Articles of Incorporation, (ii) Bylaws, or (iii) the Board Policies and Procedures.	Annually	Yes
<b>c.</b>	<b>Board-training opportunities</b>		
(1)	Consideration of training opportunities to enhance the Board's performance, and keeping apprised of the latest corporate governance trends and issues.	Annual and as needed	No
<b>d.</b>	<b>Organizational strategic planning</b>		
(1)	Review ERCOT's five-year strategic plan.	Annually	No
<b>e.</b>	<b>Ethics policies</b>		
(1)	Review ethics agreements for ERCOT employees, Directors and Segment Alternates.	Annually and as needed	Yes for modifications
<b>f.</b>	<b>Overall governance structure of ERCOT</b>		
(1)	Review the overall governance structure of the Board, including the	Periodically, but no less than	Yes for modifications

Comment [v15]: Historically performed every three years.



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Attachment A

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval
	number, focus and membership of Board Committees and subcommittees, including the periodicity of meetings.	once every two years and Annually for periodicity of meetings	
<b>3.</b>	<b>External Affairs Matters</b>		
<b>a.</b>	<b>Development of policy messages for ERCOT</b>		
(1)	Review of ERCOT's high-level policy messages.	Annually and by no later than November in even numbered years and as need during odd numbered years.	No
<b>b.</b>	<b>Governmental relations</b>		
(1)	Review of ERCOT's governmental relations efforts, including those related to the Legislature and Public Utility Commission of Texas.	Annually and by no later than November in even numbered years and as need during odd numbered years.	No
<b>4.</b>	<b>General and Administrative</b>		
(1)	Elect Committee Chair and Vice Chair.	Annually	No
(2)	Designate Corporate Secretary or designee as Committee Secretary.	Annually	No
(3)	Report to the Board of the deliberations, actions, and recommendations of the Committee.	As needed	No
(4)	Review and assessment of the adequacy of this Charter.	Annually	Yes
(5)	Conduct Committee self-evaluation.	Annually	No
(6)	Retention or termination of the services of consulting firms engaged to assist the Committee.	As needed	In accordance with Board Policies and Procedures
(7)	Investigate matters brought to the Committee's attention.	As needed	Possibly
(8)	Meet as deemed necessary by the Committee Chair.	As needed	No
(9)	Approve Committee minutes.	As needed	No
(10)	Review Committee meeting calendar.	As needed	No
(11)	Perform such other duties and responsibilities as assigned by the Board.	As needed	Possibly

Comment [v16]: Historically deferred to the Board during Legislative Session.