

The Human Resources and Governance (HR&G) Committee is expected to consider HR&G Committee Agenda Item 6:

***Recommendation regarding
Committee Charter***

at its meeting on February 19, 2018.

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 February 20, 2018.

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

Date: February 13, 2018
To: Board of Directors
From: Human Resources and Governance (HR&G) Committee Chair
Subject: HR&G Committee Charter

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: February 20, 2018

Item No.: 13.1

Issue:

Whether to recommend and approve any changes 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 (Charter) annually and recommend any proposed changes to the Board of Directors (Board). ERCOT Legal is proposing revisions to the current Charter, as illustrated in *Attachment A*, for the HR&G Committee's consideration.

The HR&G Committee is expected to recommend that the Board approve the existing Charter or any revisions to the Charter proposed by the HR&G Committee at the February 20, 2018 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 the Charter at its meeting on February 19, 2018, and is expected to recommend to the Board of Directors whether any Charter revisions should be made. If the HR&G Committee recommends revisions to the 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 February 13, 2017, the Human Resources and Governance (HR&G) Committee of the Board of Directors of Electric Reliability Council of Texas, Inc. (ERCOT) has recommended approval of 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 approve the HR&G Committee Charter as recommended by the HR&G Committee; and

THEREFORE, BE IT RESOLVED, that the HR&G Committee Charter is approved 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 February 20, 2018 meeting, the ERCOT Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of February, 2018.

Vickie G. Leady
Assistant Corporate Secretary

**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”) and ~~all other ERCOT~~ officers who report directly to the CEO, and general compensation strategy;
 - b. Benefits strategy;
 - c. Performance of the CEO and all other ERCOT officers;
 - d. Organizational planning, including succession planning;
 - 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. In addition, the Committee will make recommendations for Board approval of certain matters as more specifically designated in this Charter.

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.

Appointment of Workgroups or Task Forces

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 may be appointed by the Committee, but need not be Board or Committee members. Such workgroups or task forces shall be advisory only and 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 B 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 General Session and Executive Session of Committee Meetings

Any member of the public may attend and participate in the general 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 (HR&G) Committee – Duties and Responsibilities
(February 20, 2018)

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Aligned with Strategic Plan Initiative 4*	Admin. Resp.
1.	Human Resource Matters				
a.	Compensation of ERCOT's CEO and all other- ERCOT officers <u>who report directly to the CEO</u>, and general compensation strategy				
(1)	Review ERCOT's general compensation philosophy, strategy, policies and programs. 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	X	
(2)	Review the compensation package and employment terms of the CEO.	As needed	Yes	X	
(3)	Review the CEO's recommendations regarding compensation levels of CEO direct reports, and report to the Board if there is any disagreement between a Committee Member and the CEO regarding the CEO's recommendations.	Annually	No		X
(4)	Review key terms and design of all employment agreements with ERCOT, including retention agreements.	As needed Periodically, but no less than every two years or 6 months prior to the termination of any such agreement	Yes	X	
(5)	Review administration of executive compensation and benefit plans.	Periodically, but no less than once every two	No		X

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Aligned with Strategic Plan Initiative 4*	Admin. Resp.
(6)	Retain and terminate services of consulting firms engaged to evaluate ERCOT's compensation packages.	As needed	In accordance with Board Policies and Procedures		X
(7)	Review general design of severance policy.	As needed	No		X
b.	Benefits strategy				
(1)	Review ERCOT's employee benefit plans strategy.	Annually	No		X
(2)	Review 401(k) Savings Plan audit report. (Recommendation for acceptance of the 401(k) Savings Plan audit report to the Board will be made by Finance and Audit Committee, not the HR&G	Annually	No		X
(3)	Review the ERCOT Retirement Plan Committee annual status report and performance of the duties delegated to it by the Board, including the design, operation and maintenance of the employee retirement plan.	As needed, but no less than annually	No		X
c.	Performance of the CEO and all other ERCOT officers				
(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 <u>if required by the contract.</u>	Annually and as needed	No Yes	X	
(2)	Review of the CEO's performance evaluation of CEO direct reports, 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		X
d.	Organizational planning, including succession				
(1)	<u>Recommend to the Board</u> Consider election of CEO.	Annually	Yes	X	



Attachment B - REVISED

(2)	Recommend to the Board Consider ratification of CEO's recommendation of officers.	Annually	Yes	X	
(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		X
(4)	Review organizational succession planning.	Annually	No		X
e.	Staffing-level risks				
(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-related issues.	Annual and as needed	No		X
f.	Key performance indicators				
(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	X	
2.	Governance Matters				
a.	All matters pertaining to Unaffiliated Directors except those reserved by the Nominating Committee				
(1)	Consideration 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 Committee recommends the need for a new Unaffiliated Director.	Annually	Yes for changes to succession planning	X	

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Aligned with Strategic Plan Initiative 4*	Admin. Resp.
(2)	Consideration of Unaffiliated Director compensation and reimbursement matters.	Periodically, but no less than once every two years	Yes for compensation and reimbursement changes	X	
b.	ERCOT's governing documents and Board policies and procedures				
(1)	Review proposed Modification to the (i) Articles of Incorporation, (ii) Bylaws, or (iii) Board Policies and Procedures.	Annually	Yes for modifications	X	
c.	Board-training opportunities				
(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		X
d.	Organizational strategic planning				
(1)	Review and provide guidance on ERCOT's five-year strategic plan.	Annually	No	X	
e.	Ethics policies				
(1)	Review ethics agreement forms for ERCOT employees, Directors and Segment Alternates.	Annually and as needed	Yes for modifications	X	
f.	Overall governance structure of ERCOT				
(1)	Review the overall governance structure of the Board, including the number, focus and membership of Board Committees and subcommittees, including the periodicity of meetings.	Periodically, but no less than once every two years; Annually for periodicity of meetings	Yes for modifications to governance structure and periodicity	X	



Attachment B - REVISED

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Aligned with Strategic Plan Initiative 4*	Admin. Resp.
3.	External Affairs Matters				
a.	Development of policy messages for ERCOT				
(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		X
b.	Governmental relations				
(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		X
4.	General and Administrative				
(1)	Elect Committee Chair and Vice Chair.	Annually	No		X
(2)	Designate Corporate Secretary or designee as Committee Secretary.	Annually	No		X
(3)	Report to the Board of the deliberations, actions, and recommendations of the Committee.	As needed	No		X
(4)	Review and assessment of the adequacy of this Charter.	Annually	Yes		X
(5)	Conduct Committee self-evaluation.	Annually	No		X
(6)	Retention or termination of the services of consulting firms engaged to assist the Committee.	As needed	In accordance with Board Policies and Procedures		X

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Recommendation to Board for Approval	Aligned with Strategic Plan Initiative 4*	Admin. Resp.
(7)	Investigate matters brought to the Committee's attention.	As needed	Possibly		X
(8)	Meet as deemed necessary by the Committee Chair.	As needed	No		X
(9)	Approve Committee minutes.	As needed	No		X
(10)	Review Committee meeting calendar.	As needed	No		X
(11)	Perform such other duties and responsibilities as assigned by the Board.	As needed	Possibly		X

***KEY:**

2017 Strategic Pillar No. 4:

Committee Strategic Alignment - Further evolve the stakeholder committee process to improve strategic alignment of processes and outcomes including the use of strategic alignment and efficiency goals and measures. Establish Board-level mechanisms for reviewing process effectiveness at achieving strategic goals throughout the enterprise, including in the stakeholder committees.