



## MEMORANDUM

To: Human Resources and Governance (HR&G) Committee  
From: Karl Pfirrmann, HR&G Committee Chairman  
Date: October 1, 2018  
Re: Item 6 - Review of Annual Committee Self-Evaluation Questionnaire

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### **HR&G Committee Charter Requirement for Annual Self-Evaluation**

As discussed at the August 6, 2018 Committee meeting, the HR&G Committee Charter provides:

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.

### **Proposed Self-Evaluation Questionnaire**

Attached is the proposed 2018 Annual Committee Self-Evaluation questionnaire which reflects only one change from last year's questionnaire. Committee Vice Chair Tonya Baer requested the addition of the following question (which has been incorporated as new Question No. 22):

The committee appropriately weighs the interests of the Public Utility Commission, market participants, and legislature when appropriate in making decisions.

No other request for modifications has been received; however, if Committee members have any requested modifications, there is still time to provide them prior to or at the October 8, 2018 Committee meeting.

We plan to distribute the Self-Evaluation questionnaire to Committee members via Diligent Boardbooks shortly after the October Committee meeting. Since the Committee's last meeting for the year will be held on December 10, 2018, the responses to the self-evaluation will be due no later than **Friday, November 16, 2018.**

We look forward to discussing the questionnaire results at the December meeting.



| <b>DRAFT 10/01/2018</b>   |  | Yes | No | Not Sure | Comments |
|---|--|-----|----|----------|----------|
| <b>Human Resources &amp; Governance Committee<br/>Annual Self-Evaluation (2018)</b> |  |     |    |          |          |
| 1   | Does the committee have the appropriate number of members? The committee should not be so large that: <ul style="list-style-type: none"> <li>▪ its ability to operate efficiently and effectively is reduced</li> <li>▪ members' ability to raise issues is hampered</li> <li>▪ it is difficult to get a quorum when a time-sensitive issue arises.</li> </ul> |     |    |          |          |
| 2   | Do committee members have varied backgrounds and bring diverse expertise?  |     |    |          |          |
| 3   | Committee members demonstrate their objectivity during meetings through behaviors such as driving agendas, rigorous probing of issues, consulting with other parties, and encouraging direct questions.  |     |    |          |          |
| 4   | Differences of opinion on issues are resolved to the satisfaction of the committee.  |     |    |          |          |
| 5   | Committee members challenge the Chair as appropriate.  |     |    |          |          |
| 6   | The committee charter is used as a document to guide the committee in its efforts, and to help guide the committee's agenda.   |     |    |          |          |
| 7   | The committee is fully independent, accountable and vigorous in taking primary responsibility for all aspects of executive compensation.   |     |    |          |          |



| <b>DRAFT 10/01/2018</b>   |  | <b>Yes</b> | <b>No</b> | <b>Not<br/>Sure</b> | <b>Comments</b> |
|---|--|------------|-----------|---------------------|-----------------|
| <b>Human Resources &amp; Governance Committee<br/>Annual Self-Evaluation (2018)</b> |  |            |           |                     |                 |
| 8   | The committee reviews and approves a recommendation to the Board for compensation package and employment terms for the CEO as necessary and reviews CEO-recommended compensation for the CEO's direct reports annually.  |            |           |                     |                 |
| 9   | The committee annually reviews and approves performance goals & objectives with respect to the compensation of the CEO.  |            |           |                     |                 |
| 10  | The committee evaluates and measures the CEO's performance against the goals and objectives set for the year and provides oversight of the performance evaluation of all other CEO direct reports, or other employees the CEO identified for the committee, against the Board-approved key performance indicators and any other approved goals and objectives. |            |           |                     |                 |
| 11  | The committee consults with the CEO and advises the Board with respect to senior management succession planning  |            |           |                     |                 |
| 12  | The committee advises the full Board as to risk issues it sees in the H.R. and Governance area.  |            |           |                     |                 |
| 13  | The committee investigates and is knowledgeable of competitive practices and trends to determine the adequacy of the organization's executive compensation programs.   |            |           |                     |                 |



| <b>DRAFT 10/01/2018</b>   |   | Yes | No | Not Sure | Comments |
|---|---|-----|----|----------|----------|
| <b>Human Resources &amp; Governance Committee<br/>Annual Self-Evaluation (2018)</b> |   |     |    |          |          |
| 14  | The committee reviews key terms and design of all employment agreements with ERCOT, including retention agreements.   |     |    |          |          |
| 15  | The committee considers Board directors and Board committee compensation matters as needed.   |     |    |          |          |
| 16  | The committee considers necessary training to enhance the Board's performance, keeping apprised of the latest corporate governance trends and issues.                         |     |    |          |          |
| 17  | The committee considers and recommends Board succession planning.   |     |    |          |          |
| 18  | The committee conducts an annual self-evaluation of its performance and reports the results to the Board, including recommended charter, membership and other changes.        |     |    |          |          |
| 19  | The Committee makes appropriate use of workgroups or task forces to investigate issues defined by the Committee.  |     |    |          |          |
| 20  | The committee engages outside experts as appropriate.   |     |    |          |          |
| 21  | The committee is cognizant of the line between oversight and management, and endeavors to respect that line.  |     |    |          |          |
| <u>22</u>   | <u>The committee appropriately weighs the interests of the Public Utility Commission of Texas, market participants, and legislature when appropriate in making decisions.</u> |     |    |          |          |



| <b>DRAFT 10/01/2018</b>   |  | Yes | No | Not Sure | Comments |
|---|--|-----|----|----------|----------|
| <b>Human Resources &amp; Governance Committee<br/>Annual Self-Evaluation (2018)</b> |  |     |    |          |          |
| <del>232</del>  | The committee interacts and communicates with management effectively and appropriately.  |     |    |          |          |
| <del>243</del>  | The committee is focused and understands its functions and responsibilities.   |     |    |          |          |
| <del>254</del>  | The committee conducts executive sessions in a manner that is respectful to the individual, while at the same time asking tough and necessary questions, evaluating answers, and pursuing issues that might arise. |     |    |          |          |
| <del>265</del>  | The committee communicates at an appropriate level of detail when informing the Board of its actions.  |     |    |          |          |
| <del>276</del>  | Committee members receive clear and succinct agendas and supporting written material.  |     |    |          |          |
| <del>287</del>  | Meeting materials are provided in a timely manner to allow for review by the committee members prior to scheduled meetings.  |     |    |          |          |
| <del>298</del>  | Committee members have adequate opportunities to discuss issues and ask questions.   |     |    |          |          |
| <del>3029</del>   | The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.   |     |    |          |          |



| <b>DRAFT 10/01/2018</b><br><b>Human Resources &amp; Governance Committee</b><br><b>Annual Self-Evaluation (2018)</b> |  | <b>Yes</b> | <b>No</b> | <b>Not<br/>Sure</b> | <b>Comments</b> |
|--|--|------------|-----------|---------------------|-----------------|
| 31 <del>0</del>  | Meeting facilities and presentation materials are effective for the conduct of committee activities. |            |           |                     |                 |
| 32 <del>1</del>  | Please add additional comments, questions and suggestions.   |            |           |                     |                 |

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