



MEMORANDUM

To: Human Resources and Governance (HR&G) Committee
From: Karl Pfirrmann, HR&G Committee Chairman
Date: December 3, 2018
Re: Item 4 - Annual Committee Self-Evaluation Survey Results

At the October 8, 2018 HR&G Committee meeting, Committee members were encouraged to complete and submit the Annual Committee Self-Evaluation Survey. We received seven completed surveys for a 100-percent completion rate of the Committee members.

Attached are the Annual Self-Evaluation Survey results for the Committee's consideration. A couple of comments included sensitive Human Resources information and have been reserved for Executive Session discussion.



Human Resources & Governance Committee Annual Self-Evaluation Survey Results (2018)		Yes	No	Not Sure	Comments
1	Does the committee have the appropriate number of members? The committee should not be so large that: <ul style="list-style-type: none"> ▪ its ability to operate efficiently and effectively is reduced ▪ members' ability to raise issues is hampered ▪ it is difficult to get a quorum when a time-sensitive issue arises. 	7			
2	Do committee members have varied backgrounds and bring diverse expertise?	7			
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.	6		1	Comment #1: Agenda is typically set by ERCOT staff. Most topics are OK'd by committee without much discussion. Many details of employee benefits are only understood by the benefit committee.
4	Differences of opinion on issues are resolved to the satisfaction of the committee.	7			
5	Committee members challenge the Chair as appropriate.	7			Comment #1: The Chair works to ensure each Committee member has the opportunity to voice their opinion and be heard.



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					We have not been faced with a situation in which the Committee chair had to cast a deciding vote, consequently the concept of challenging the Chair has not arisen. If it did, the Chair would work to find a solution that more than a simple majority of the Committee could support.
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			
7	The committee is fully independent, accountable and vigorous in taking primary responsibility for all aspects of executive compensation.	6	1		<p>Comment #1: This is an accurate statement, within the regulatory constraint of PUCT oversight of ERCOT CEO compensation.</p> <p>Comment #2: { <i>Comment relates to sensitive Human Resources information. Discussion reserved for</i></p>



Human Resources & Governance Committee Annual Self-Evaluation Survey Results (2018)		Yes	No	Not Sure	Comments
					<i>Executive Session.</i> }
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.	6		1	<u>Comment #1:</u> The committee does approve the recommendation to the Board for CEO employment. However, I do not recall reviewing CEO recommended compensation for CEO's direct reports.
9	The committee annually reviews and approves performance goals & objectives with respect to the compensation of the CEO.	5		2	<u>Comment #1:</u> The committee reviews and approves performance goals annually for the CEO but not his compensation. <u>Comment #2:</u> The committee reviews the performance goals of the CEO. However, my understanding is that CEO compensation is not tied directly to these



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					goals.
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.	7			Comment #1: An area we can improve on is to have more dialogue with the CEO concerning expectations of his direct reports, including specifically how direct reports are developing their teams, enabling career path development, and working across functional lines within ERCOT.
11	The committee consults with the CEO and advises the Board with respect to senior management succession planning	7			Comment #1: The Committee also provides the full Board with oversight of the senior management succession plan.
12	The committee advises the full Board as to risk issues it sees in the H.R. and Governance area.	6	1		Comment #1: This is an area that I think we could do a better job of assessing



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					and reporting out to the F&A Committee for consideration of inclusion to the Corporate Heat Map.
13	The committee investigates and is knowledgeable of competitive practices and trends to determine the adequacy of the organization's executive compensation programs.	7			
14	The committee reviews key terms and design of all employment agreements with ERCOT, including retention agreements.	6		1	<p>Comment #1: I believe this is limited to the CEO's employment agreements, but if it would be helpful to discuss similar arrangements with and for the direct reports, we should be open to providing advice to the CEO.</p> <p>Comment #2: { Comment relates to sensitive Human Resources information. Discussion reserved for Executive Session. }</p>



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15	The committee considers Board directors and Board committee compensation matters as needed.	7			<u>Comment #1:</u> I assume we will review board director compensation when a new director is hired.
16	The committee considers necessary training to enhance the Board's performance, keeping apprised of the latest corporate governance trends and issues.	6		1	<u>Comment #1:</u> Yes, but this continues to be a work-in-progress. We need to formalize an introductory set of training topics for incoming Board members.
17	The committee considers and recommends Board succession planning.	6		1	<u>Comment #1:</u> The HR&G Committee is involved with Board succession planning but the Nominating Committee has taken the lead in the past.
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.	7			
19	The Committee makes appropriate use of workgroups or task forces to investigate issues defined by the Committee.	6		1	



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20	The committee engages outside experts as appropriate.	7			
21	The committee is cognizant of the line between oversight and management, and endeavors to respect that line.	7			Comment #1: Each of the Committee members as demonstrated their understanding of their role vis'-a-vis' corporate management.
22	The committee appropriately weighs the interests of the Public Utility Commission of Texas, market participants, and legislature when appropriate in making decisions.	5			<i>Note: A total of five responses received.</i>
23	The committee interacts and communicates with management effectively and appropriately.	7			
24	The committee is focused and understands its functions and responsibilities.	7			
25	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.	7			
26	The committee communicates at an appropriate level of detail when informing the Board of its actions.	7			Comment #1: I believe so, but I'll take the opinion of the other Committee members as the definitive answer.



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27	Committee members receive clear and succinct agendas and supporting written material.	7			
28	Meeting materials are provided in a timely manner to allow for review by the committee members prior to scheduled meetings.	7			
29	Committee members have adequate opportunities to discuss issues and ask questions.	7			Comment #1: As Committee Chair, I focus on running an efficient meeting, which may at times not provide the desired level of discussion other Committee members may desire. I again defer to their feelings on this and will adjust to correct any deficiencies.
30	The frequency of committee meetings is appropriate for the responsibilities assigned to the committee.	7			
31	Meeting facilities and presentation materials are effective for the conduct of committee activities.	7			



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32	Please add additional comments, questions and suggestions.				<u>Comment #1:</u> The committee is performing at a high level. <u>Comment #2:</u> The committee is effectively and efficiently run.