

**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 11, 2019.**

**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 12, 2019.**

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



**Date:** February 5, 2019  
**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 12, 2019

**Item No.:** 16.1

**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). In an effort to further improve clarity and memorialize the historic and intended practices of the Committee, ERCOT Legal is proposing revisions to the current Charter, as illustrated in *Attachment 1*, for the HR&G Committee's consideration.

After discussions with the HR&G Committee Chairman, ERCOT Chief Executive Officer and ERCOT Vice President of Human Resources, ERCOT Legal proposes a summary of changes which are highlighted as follows:

- Incorporation of a meeting planner with new meeting date goal column identifying the expected meeting date goal for each type of Committee duty and responsibility.
- Reorganized the executive performance and compensation section, including combination of previously separate executive performance and compensation topics into the same description of duties and responsibilities, and clarifying the general overall strategy section.
- Addition of observation of Retirement Plan Committee meetings as a responsibility.
- Clarification of the type of information received regarding organizational succession planning, that is, a summary report on the process.
- Combination of governmental relations and external communications into the same description of duties and responsibilities.
- Deletion of Strategic Plan Initiative 4 and Administrative Responsibility columns.

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 12, 2019 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 11, 2019, 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 11, 2019, 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 1* 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 1*, to be effective immediately.

**CORPORATE SECRETARY'S CERTIFICATE**

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its February 12, 2019 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, 2019.

\_\_\_\_\_  
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. Executive performance and executive compensation of ERCOT’s Chief Executive Officer (“CEO”) and officers who report directly to the CEO, including agreements and general overall strategy;
  - b. Benefits strategy;
  - c. Organizational and succession planning;
  - d. Staffing-level risks; and
  - e. 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. Governmental relations and external communications.

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 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 Human Resources and Governance Committee Charter (effective \_\_\_\_\_) 2

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

\_\_\_\_\_, 2019

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Meeting Date Goal	HR&G Review Only	Recommendation to Board for Approval
<b>1.</b>	<b>HUMAN RESOURCE MATTERS</b>				
<b>a.</b>	<b>Executive Performance and Executive Compensation</b>				
(1)	<b>Chief Executive Officer (CEO)</b>				
a.	Review the compensation package and employment terms of the CEO. <ul style="list-style-type: none"> <li>Recommendation for Board approval only necessary for employment agreements involving changes to compensation and employment terms</li> </ul>	As needed	As needed		Yes for changes to compensation and employment terms
b.	1. Review annual performance goals for the CEO. 2. Evaluate CEO's performance against goals and objectives set for the CEO by the Committee or the Board annually (or other relevant time period). No Board approval is necessary for Committee's setting of goals and objectives or performance evaluation.	As needed	February	X	No
(2)	<b>CEO's officer direct reports</b>				
a.	Review the CEO's recommendations for compensation levels of CEO officer direct reports. <ul style="list-style-type: none"> <li>Review CEO's summary evaluation of CEO direct reports, or other employees the CEO identified for the Committee, against the Board-approved Key Performance Indicators or any other Board-approved goals and objectives for ERCOT.</li> <li>If any disagreement between a Committee Member and the CEO regarding the CEO's recommendations, report to the Board.</li> </ul>	Annually	December	X	No
b.	Review executive compensation.	Periodically, but no less than once every two years	December	X	No
(3)	<b>Agreements</b>				
a.	Review key terms and design of all employment agreements.	As needed	As needed		Yes
(4)	<b>General overall strategy</b>				
a.	1. Investigate practices and strategies of comparable organizations and industry trends.	Periodically, but no less than	December		No





No.	Description of Committee Duty/Responsibility	Minimum Frequency	Meeting Date Goal	HR&G Review Only	Recommendation to Board for Approval
	2. Evaluate the prudence and adequacy of ERCOT's overall compensation programs and strategies.	once every two years			
b.	Retain and terminate services of consulting firms engaged to evaluate ERCOT's compensation packages.	As needed	As needed	X	In accordance with Board Policies and Procedures
<b>b.</b>	<b>Benefits Strategy</b>				
(1)	Review ERCOT's employee benefit strategy	Annually	April	X	No
(2)	Review the ERCOT Retirement Plan Committee annual status report and performance of duties delegated to it by the Board, including the design, operation and maintenance of the employee retirement plan.	Annually	April	X	No
(3)	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 the Finance and Audit Committee, not the HR&G Committee.)	Annually	August	X	No
(4)	Observe Retirement Plan Committee meeting.	As needed	As needed	X	No
<b>c.</b>	<b>Organizational and succession planning</b>				
(1)	Recommend to the Board the election of the CEO.	Annually	February		Yes
(2)	Recommend to the Board the ratification of CEO's recommendation of officers.	Annually	February		Yes
(3)	Consult with the CEO and advise the Board regarding succession planning for CEO direct reports or other key employees identified by the CEO or the officer primarily responsible for the oversight of ERCOT's Human Resources department.	Annually	October	X	No
(4)	Receive a report summarizing the organizational succession planning process.	Annually	October	X	No
<b>d.</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 notable employee-related staffing issues.	Annually	Each meeting	X	No
<b>e.</b>	<b>Key performance indicators (KPIs)</b>				
(1)	Review ERCOT's KPIs or any other goals and objectives of ERCOT, as applicable. Recommendation to the Board only for approval of annual KPIs.	Annually	December		Yes for annual KPIs; no otherwise



<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 orderly re-approval or succession of existing Unaffiliated Directors. <ul style="list-style-type: none"> <li>Pursuant to the Bylaws, the Nominating Committee has primary responsibility for identifying and determining the qualifications of new Unaffiliated Directors.</li> </ul>	Annually	October		Yes for changes to succession planning; no otherwise
(2)	Consider Unaffiliated Director compensation and business expense reimbursement matters.	Periodically, but no later than once every three years	October		Yes for changes to compensation and reimbursement; no otherwise
<b>b.</b>	<b>ERCOT's governing documents and Board policies and procedures</b>				
(1)	Review proposed modifications to: (i) Certificate of Formation, (ii) Bylaws, or (iii) Board Policies and Procedures.	Annually	April		Yes for modifications
<b>c.</b>	<b>Board-training opportunities</b>				
(1)	Consider training opportunities to enhance the Board performance and to keep apprised of the latest corporate governance trends and issues.	Annually	February	X	No
<b>d.</b>	<b>Organizational strategic planning</b>				
(1)	Review and provide guidance on ERCOT's five-year strategic plan.	Annually	October		No
<b>e.</b>	<b>Ethics policies</b>				
(1)	Review ethics agreement forms for Directors and Segment Alternates of the Board and for ERCOT employees.	Annually	June		Yes for modifications; no otherwise
<b>f.</b>	<b>Overall governance structure of ERCOT</b>				
(1)	Review the overall governance structure of the Board, including the number, focus and membership of the Board Committees and subcommittees, including periodicity of meetings.	Periodically, but not less than once every three years	December		Yes for modifications to governance structure and periodicity; no otherwise



<b>3.</b>	<b>EXTERNAL AFFAIRS MATTERS</b>				
<b>a.</b>	<b>Governmental relations and external communications</b>				
(1)	Review of ERCOT's governmental relations efforts (including those related to the Legislature and Public Utility Commission of Texas) and of ERCOT's general high-level policy messages.	Annually (no later than November in even-numbered years and as needed during odd-numbered years)	October		No
<b>4.</b>	<b>GENERAL AND ADMINISTRATIVE</b>				
(1)	Elect Committee Chair and Vice Chair.	Annually	February	X	No
(2)	Designate Committee Secretary or designee.	Annually	February	X	No
(3)	Report to the Board on the deliberations, actions, and recommendations of the Committee.	As needed	Each meeting	X	No
(4)	Review and assess the adequacy of the Charter.	Annually	February	X	Yes
(5)	Conduct Committee self-evaluation.	Annually	October, December	X	No
(6)	Retain or terminate services of consulting firms engaged to assist the Committee with its work.	As needed	As needed	X	In accordance with Board Policies and Procedures
(7)	Investigate matters brought to the Committee's attention.	As needed	As needed	X	Possibly
(8)	Meet as deemed necessary by the Committee Chair.	As needed	As needed	X	No
(9)	Approve Committee minutes.	As needed	Each meeting	X	No
(10)	Review Board and Committee meeting calendar and frequency.	Annually	February, April		Yes if changes to meeting frequency
(11)	Perform such other duties and responsibilities as assigned by the Board.	As needed	As needed	X	Possibly