



Item 5: Review Committee Charter

Human Resources and Governance Committee Chair
and ERCOT Legal

Human Resources and Governance Committee
Meeting

ERCOT Public
April 27, 2022

Charter Approval Requirement

- The HR&G Committee Charter requires that the HR&G Committee review and assess the adequacy of the Charter annually and recommend any proposed changes to the Board
- ERCOT staff and the HR&G Committee are working on a revised Charter
 - Review and provide feedback on initial draft at today's meeting
 - Vote at June 20, 2022 meeting (if ready)

Proposed Changes

- Changes necessary to reflect new Senate Bill 2 independent Board structure or new procedures, e.g.:
 - No Segment Directors or requirements for Segment Director representation on Committee
 - Appointment of Committee members by Board Chair and Vice Chair rather than the full Board
 - Committee Chair appointed rather than elected
- Addition of risk management with respect to matters within the Committee oversight to the Committee's duties and responsibilities
- Change timing of CEO goals review and CEO evaluation from February to December
- Increased consistency between F&A and HR&G Committee Charters
- Clarifications and minor improvements



Draft Revised Charter Overview

Membership

- Must be an Eligible voting Director
- Appointed by Board Chair with consultation from Board Vice Chair
- Term lasts until end of Board service, resignation or removal

Committee Chair

- Appointed by Board Chair

Meetings

- Must meet annually; frequency set by Chair
- Agenda developed by Chair, ERCOT Corporate Secretary and other staff as necessary

Quorum/Action

- Quorum = at least 50% of Committee Members
- Action = Majority of Committee Members present

Duties and Responsibilities

- No material changes from existing Committee Charter
- Categories: Human Resources; Governance; External Affairs; Risk Management; General and Administrative



Initial Draft Revised Committee Charter

**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" or the "Company") shall be responsible for review and oversight of: human resources, governance, and external affairs matters and such other functions required by law or otherwise as are necessary or appropriate to further the Committee's purposes or as the Board, from time to time, may delegate to the Committee.

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 Chair, with consultation from the Board Vice Chair, shall appoint Eligible Voting Members to serve as members shall decide from among themselves who shall participate in of the Committee (each a "Committee Member"). The Board Chair shall designate a Committee Member, who shall not be the CEO of ERCOT, as the Committee Chair. The Committee shall be comprised of representatives from at least two Market Segments and

ERCOT Human Resources and Governance Committee Charter (effective February 9, 2004;DATE OF BOARD APPROVAL)
ERCOT Public

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~~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. The Board Chair may at any time (i) with consultation from the Board Vice Chair, with or without cause, remove a Committee Member from the Committee; and (ii) change who is designated as the Committee Chair. A Committee Member shall serve on the Committee until their service as a Board Member terminates, the Committee Member is removed from the Committee by the Board Chair and Vice Chair, or the Committee Member resigns from the Committee, whichever occurs first. The Board Chair, with consultation from the Board Vice Chair, may fill vacancies on the Committee.~~

~~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~~At all meetings of the Committee, fifty percent (50%) of the Committee Members ~~who are duly assembled to conduct authorized business of the Committee~~ shall constitute a quorum ~~for the transaction of business~~. 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

ERCOT Human Resources and Governance Committee Charter (effective ~~February 9, 2004~~[DATE OF BOARD APPROVAL])
ERCOT Public

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The duties and responsibilities contained in the chart attached hereto as Attachment A summarizes shall be the prominent recurring duties and responsibilities of the Committee in conducting its oversight. The Committee shall perform its duties consistent with applicable law and the Company's Certificate of Formation and Bylaws. Committee duties and responsibilities are set forth in Attachment A as a guide to the Committee with the understanding that the Board or Committee may alter or supplement them as appropriate under the circumstances to the extent permitted by applicable law, and by the Company's Certificate of Formation and Bylaws.

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In carrying out its oversight, the Committee shall review reports and recommendations from Company staff or consultants regarding matters within the scope of the Committee's oversight and may make recommendations to the Board regarding such reports, and may review changes to reliability Protocols, guides, and rules recommended by the Technical Advisory Committee regarding matters within the scope of the Committee's oversight and make recommendations to the Board.

Designation of Committee Secretary

The Committee shall designate a secretary ("Committee Secretary"), who may be a Committee Member or employee of ERCOT.

Meetings

Minimum Frequency of Meetings

The Committee shall meet, ~~as needed, at the discretion of the Committee Chair,~~ but at least annually.

Chair's Authority Relating to Meeting Management and Frequency of Meetings

The Committee Chair's authority includes the following:

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- Presiding over meetings;
- Delegating to the Committee Secretary the authority to preside over Committee meetings in the event of circumstances under which the Committee Chair cannot attend;
- Managing and facilitating the Committee's work;
- Serving as the Committee's primary contact for ERCOT; and
- Enlisting the necessary assistance of other Committee Members to accomplish the Committee's purpose, duties, and responsibilities.

The Committee Chair, in consultation with the Board Chair and the ~~CEO~~ Company's Corporate Secretary or delegated ERCOT staff, shall develop the agenda, ~~the~~ frequency, and length of meetings, ~~and~~. The Committee Chair shall have unlimited access to ERCOT's management and information for purposes of ~~carrying out~~ conducting the functions of the Committee. The Committee Chair shall ~~may~~ establish such other rules, as may from time to time be necessary and proper for the conduct of the Committee.

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~~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, except that an Alternate Representative for a Director who is a Committee Member may vote in the absence of the Director.

Minutes

The ~~Corporate Committee~~ Secretary, ~~or his or her designee, is responsible for~~ shall prepare ~~ing~~ or cause ~~ing~~ to be prepared the minutes of ~~the Committee's each~~ meeting, and file ~~ing the~~ such 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 an ~~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.

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Human Resources and Governance (HR&G) Committee – Duties and Responsibilities

February 9, 2024[DATE]

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



No.	Description of Committee Duty/Responsibility	Minimum Frequency	Meeting Date Goal	HR&G Review Only	Recommendation to Board for Approval
	compensation programs and strategies.	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.	Benefits Strategy				
(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
c.	Organizational and succession planning				
(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
d.	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 notable employee-related staffing issues.	Annually	Each meeting	X	No
e.	Key performance indicators (KPIs)				
(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



2.	GOVERNANCE MATTERS				
a.	All matters pertaining to Unaffiliated Directors except those reserved by the Nominating Committee				
(1)	Consider orderly re-approval or succession of existing Unaffiliated Directors. <ul style="list-style-type: none"> Pursuant to the Bylaws, the Nominating Committee has primary responsibility for identifying and determining the qualifications of new Unaffiliated Directors. 	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.	ERCOT's governing documents and Board policies and procedures				
(1)	Review proposed modifications to: (i) Certificate of Formation, (ii) Bylaws, or (iii) Board Policies and Procedures.	Annually	April		Yes for modifications
c.	Board-training opportunities				
(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
d.	Organizational strategic planning				
(1)	Review and provide guidance on ERCOT's five-year strategic plan.	Annually	October		No
e.	Ethics policies				
(1)	Review ethics agreement forms for Directors and Segment Alternates of the Board and for ERCOT employees.	Annually	June		Yes for modifications; no otherwise
f.	Overall governance structure of ERCOT				
(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



3.	EXTERNAL AFFAIRS MATTERS				
a.	Governmental relations and external communications				
(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
4.	<u>RISK MANAGEMENT</u>				
(1)	<u>Ask Company management about significant risks to the Company within the scope of the Committee's oversight, including but not limited to risks involving human resources, governance, and external affairs, and assess the steps the Company has taken to minimize such risks</u>	<u>At least semi-annually (if the Board is not informed by management)</u>		X	No
(2)	<u>If the Committee identifies a need to report to the Board a significant risk within the scope of the Committee's oversight as described in item (1) above, promptly report the risk to the Board.</u>	<u>As needed</u>	<u>As needed</u>	X	No
45.	GENERAL AND ADMINISTRATIVE				
(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

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(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

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