

**The Human Resources and Governance
(HR&G) Committee is expected to consider
HR&G Committee Agenda Item 5:**

HR&G Committee Charter

at its meeting on June 20, 2022.

**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 June 21, 2022.**

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



Date: June 14, 2022
To: ERCOT 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: June 21, 2022

Item No.: 13.1

Issue:

Whether the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) should approve any changes to the HR&G Committee Charter.

Background/History:

The HR&G Committee Charter requires review at least annually by the HR&G Committee (Committee). Pursuant to this requirement, the Committee annually reviews and assesses the adequacy of the Committee's charter and recommends any proposed changes to the Board.

With due consideration of sound governance principles, industry trends, and the advice of the Committee Chair and ERCOT Human Resources staff, ERCOT Legal staff proposes the charter revisions set forth in **Attachment A** for the Committee's consideration. Without any revisions, the current HR&G Committee Charter and the current *Duties and Responsibilities* chart associated with the charter are respectively provided for reference as **Attachments B** and **B(1)**.

The proposed revised HR&G Committee Charter includes an updated charter format consistent with concurrent proposals for the charters of the Board's Finance and Audit Committee and Reliability and Markets Committee, including numbering sections and subsections to facilitate reference. The proposed charters also recognize the Board's authority to appoint committee chairs.

In addition to bettering organization, the proposed revised HR&G Committee Charter clarifies and further reflects the Committee's oversight in areas including the following:

- Integration into the charter document of the Committee's core functions that were previously documented solely in the chart attached to the charter;
- Recognition of new compensation oversight practices required by recent legislation to review compensation of all ERCOT executives annually; and
- New reporting schedules, particularly review of regular reports regarding employee and Board member conflicts of interest disclosures and annual reports regarding crisis communications.

The HR&G Committee is expected to review the HR&G Committee Charter at its meeting on June 20, 2022 and is expected to recommend that the Board adopt, reject, or amend the HR&G Committee Charter at the June 21, 2022 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 HR&G Committee Charter at its meeting on June 20, 2022 and is expected to recommend to the Board whether any HR&G Committee Charter revisions should be made. If the HR&G Committee recommends revisions to the HR&G Committee 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, at the meeting of the Board of Directors (Board) of Electric Reliability Council of Texas, Inc. (ERCOT) on June 21, 2022, the Human Resources and Governance (HR&G) Committee of the Board recommended approval of the HR&G Committee Charter consistent with **Attachment A** hereto; and

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;

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, Jonathan M. Levine, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its June 21, 2022 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of June, 2022.

Jonathan M. Levine
Assistant Corporate Secretary

ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.
HUMAN RESOURCES AND GOVERNANCE COMMITTEE CHARTER

I. Committee Purpose

The Human Resources and Governance Committee (the “Committee”) of the Board of Directors (individually a “Director” and collectively the “Board”) of Electric Reliability Council of Texas, Inc. (“ERCOT” or the “Company”) shall be responsible for the oversight of the Company’s human resources, governance, and external affairs functions and such other functions as the Board, from time to time, may delegate to the Committee.

The Committee’s oversight extends to the functions described in the *Duties and Responsibilities* section of this Charter and includes the power, described in the *Committee Authority* section, to execute those duties and responsibilities as the Committee deems appropriate to further the Committee’s purposes.

II. Committee Membership

A. Committee Member Qualifications

1. The Board shall confirm the Committee’s membership (“Committee Members”) based on candidates’ combined expertise and experience to facilitate the Committee’s execution of the *Duties and Responsibilities* section of this Charter.
2. Committee Members are expected to prepare for and attend meetings of the Committee.

B. Committee Member Terms

1. A Committee Member shall serve on the Committee until whichever of the following first occurs:
 - a. The Committee Member’s service as a Board Director terminates;
 - b. The Board, with or without cause, removes the Committee Member from the Committee; or
 - c. The Committee Member resigns from the Committee.

III. Committee Chair and Secretary

A. Committee Chair

1. The Board shall designate a Committee Member, who shall not be the Chief Executive Officer (“CEO”) of ERCOT, as the Committee Chair.
2. The Committee Chair shall have the following duties:
 - a. Manage meetings and meeting frequency;
 - b. Manage and facilitate the Committee’s work; and

- c. Enlist the necessary assistance of other Committee Members to accomplish the Committee's purpose, duties, and responsibilities.
3. The Committee Chair's authority includes the following:
 - a. Unlimited access to ERCOT's management and information for purposes of conducting the functions of the Committee; and
 - b. Authority to establish such other rules as may from time to time be necessary and proper for the conduct of the Committee.

B. Committee Secretary

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

IV. Committee Duties and Responsibilities

A. Committee Oversight Function

1. The Committee's function is one of oversight, recognizing that the Company's management is responsible for preparing the Company's documents, plans, programs, filings, and agreements.
2. In adopting this Charter, the Board acknowledges that the Committee Members are not employees of the Company and are not providing any expert or special assurance as to the Company's documents, plans, programs, filings, and agreements.
3. Each Committee Member shall be entitled to rely on the integrity and expertise of those providing information to the Committee, including both staff and persons the Committee or the Company retains in relation to the Committee's performance of its duties and responsibilities, absent actual knowledge to the contrary.
4. In performing its duties and responsibilities, the Committee's general considerations shall include sound governance principles and industry trends.
5. The Committee's considerations specific to ERCOT shall include key performance indicators, the results of performance evaluations, reports of the ERCOT Retirement Plan Committee, impacts of changes to the regulatory landscape, and staff recommendations.
6. Committee duties and responsibilities are set forth below as a guide to the Committee with the understanding that the Board 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.

B. Committee's Governance Duties and Responsibilities

1. Corporate Governance

- a. The Committee shall regularly review the Company's governance processes and governing documents, and if applicable, make recommendations to the Board regarding potential changes to the Company's governance. This review shall include the following:
 - i. An annual review of the Company's certificate of formation and bylaws;
 - ii. An annual review of the Board's policies and procedures addressing Director compensation, reimbursement of business expenses, frequency of meetings, and Board interaction with Company management;
 - iii. An annual review of the Board's committee charters and membership;
 - iv. Regular reports regarding potential conflicts of interests disclosed by the Company's employees and the Board of Directors; and
 - v. An annual review of the Company's ethics agreement forms for the Company's employees and the Board's Directors.

2. Board and Board Committee Assessments

- a. The Committee shall:
 - i. Oversee the annual self-assessments of Board committees;
 - ii. Oversee periodic assessments of individual Board members, the entire Board, and the Board committee structure; and
 - iii. Recommend Director education and training opportunities.

3. CEO Compensation and Key Performance Indicators

- a. The Committee shall review:
 - i. The CEO's performance, annually;
 - ii. Changes to CEO compensation and employment terms, as needed; and
 - iii. The Company's annual key performance indicators, annually.

C. Committee's External Affairs Duties and Responsibilities

1. Strategic Planning and External Affairs

- a. The Committee is responsible for annual review to assess and mitigate external risks pertaining to the following:
 - i. The Company's strategic plan;
 - ii. The Company's corporate communications strategy, including crisis communications; and
 - iii. The Company's governmental relations efforts, including related to the Texas Legislature and the Public Utility Commission of Texas.

D. Committee's Human Resources Duties and Responsibilities

1. Human Resources

- a. Annually, the Committee is responsible for assessing and mitigating the Company's staffing risks, including review of the following:
 - i. The CEO's report of performance and compensation of Company executives;
 - ii. The Company's report of long-term development and succession for the Company's CEO and the CEO's direct reports, or other key employees as identified by the CEO or ERCOT's Human Resources department;
 - iii. The Company's benefits strategies; and
 - iv. The 401(k) Savings Plan audit report.

V. Committee Authority

1. Power to Investigate

- a. The Committee is empowered to investigate any matter relating to its duties and responsibilities, with full access to all books, records, facilities, and personnel of the Company and the power to retain compensation consultants, independent counsel, or other consultants or experts for this purpose.
- b. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes.
- c. The Committee may request any officer or employee of the Company or the Company's consultants or outside counsel to attend a meeting of the Committee to advise the Committee in carrying out its responsibilities.

2. Appointment of Workgroups or Task Forces

- a. The Committee may appoint workgroups or task forces to investigate issues defined by the Committee. Members of such workgroups or task forces need not be Board members. Such workgroups or task forces shall have no authority to bind the Committee, the Board, or the Company.

VI. Committee Meetings

1. Meeting Agendas and Timing

- a. The Committee Chair, in consultation with the Board Chair and the Company's Corporate Secretary or delegated ERCOT staff, shall develop the agenda, frequency, and length of meetings.

2. Participation and Voting

- a. Board members who are not Committee Members (including alternate representatives, as set forth in the bylaws) may attend and participate in all Committee meetings, but may not vote on Committee matters, except that an alternate representative for a Director who is a Committee Member may vote in the absence of the Director.
- b. Annually, the Committee shall approve a Committee charter and conduct a Committee self-evaluation.

3. Quorum and Committee Action

- a. At all meetings of the Committee, fifty percent (50%) of the Committee Members shall constitute a quorum for the transaction of business.
- b. At any meeting at which a quorum exists, the act of a majority of the Committee Members present shall be the act of the Committee.
- c. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

4. Meeting Minutes

- a. The Committee Secretary shall prepare or cause to be prepared the minutes of each meeting and file such minutes with the corporate records of the Company.

**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 resources 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 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

{Approval Date}

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Meeting Date Goal	HR&G Review Only	Recommendation to Board for Approval
1.	HUMAN RESOURCES MATTERS				
a.	Executive Performance and Executive Compensation				
(1)	Chief Executive Officer (CEO)				
a.	Review the compensation package and employment terms of the CEO. • 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	X	No
(2)	CEO's officer direct reports				
a.	Review the CEO's recommendations for compensation levels of CEO officer direct reports. • 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 compensation programs and strategies.	Periodically, but no less than once every two years	December		No

No.	Description of Committee Duty/Responsibility	Minimum Frequency	Meeting Date Goal	HR&G Review Only	Recommendation to Board for Approval
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.	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
(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