

The Human Resources and Governance (HR&G) Committee is expected to consider HR&G Committee Agenda Item 5.1:

***Recommendation regarding
Committee Charter***

at its meeting on February 27, 2023.

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 28, 2023.

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



Date: February 21, 2023
To: ERCOT Board of Directors
From: Peggy Heeg, 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 28, 2023

Item No.: 11.1

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.

In an effort to further improve clarity and memorialize the historic and intended practices of the Committee, after discussions with the HR&G Committee Chair and ERCOT staff including the Vice President of Human Resources, ERCOT Legal is proposing revisions to the current Charter, as illustrated in **Attachment A**, for the HR&G Committee’s consideration. A comparison of the proposed revised charter against the current charter is also included as **Attachment B**. The proposed changes are summarized as follows:

- Removing annual review of company key performance indicators;
- Clarifying that Committee review of the Chief Executive Officer’s report of performance and compensation of Company executives applies only to the CEO’s direct reports rather than all executives; and
- Minor changes including renumbering of certain subsections and conforming the footer with the charters of the Board’s other committees.

The HR&G Committee is expected to review the HR&G Committee Charter at its meeting on February 27, 2023 and 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 28, 2023 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 February 27, 2023 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 February 28, 2023, 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 February 28, 2023 meeting, the Board passed a motion approving the above Resolution by _____.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of February, 2023.

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 Performance

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

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 the CEO’s direct reports;
 - 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

A. Power to Investigate

- 1. 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.
- 2. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes.
- 3. 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.

B. Appointment of Workgroups or Task Forces

- 1. 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

A. Meeting Agendas and Timing

- 1. 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.

B. Participation and Voting

1. 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.
2. Annually, the Committee shall approve a Committee charter and conduct a Committee self-evaluation.

C. Quorum and Committee Action

1. At all meetings of the Committee, fifty percent (50%) of the Committee Members shall constitute a quorum for the transaction of business.
2. 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.
3. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

D. Meeting Minutes

1. 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.

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 - b. Manage and facilitate the Committee’s work; and

Attachment B

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

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- b-2. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes.
- e-3. 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.

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Attachment B

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