



MEMORANDUM

To: Human Resources and Governance (HR&G) Committee
From: Jonathan Levine, Assistant General Counsel and Assistant Corporate Secretary
Date: February 19, 2024
Re: Item 8 – Annual Review of Form Ethics Agreements for Directors and Employees

Section IV(B)(1)(a)(v) of the HR&G Committee Charter requires annual Committee review of the forms for the Employee Ethics and Confidentiality Agreement (Employee Agreement) and Ethics Agreement for Directors (Director Agreement). The HR&G Committee is responsible for recommending any modifications to the forms for the Employee Agreement or Director Agreement to the Board for approval.

The Director Agreement, which is attached as **Attachment A**, was last modified on February 20, 2023 to eliminate language that is duplicative of Bylaws requirements and to align the introductory paragraph with changes made to the Certificate of Incorporation when it was amended effective January 31, 2019. ERCOT Legal does not recommend any modifications at this time. Following the HR&G Committee's consideration of the Director Agreement, as well as the Board's consideration if changes are recommended, Directors will sign the Director Agreement for 2024.

The Employee Agreement, which is attached as **Attachment B**, was last modified on June 12, 2018. ERCOT Legal does not recommend any modifications at this time. ERCOT provides annual ethics training around September of each year and requires that each employee sign the Employee Agreement as part of that training.

I look forward to discussing this matter with you at the February 26, 2024 meeting.

Ethics Agreement for Directors

Electric Reliability Council of Texas, Inc. (“ERCOT”) is a Texas non-profit corporation organized pursuant to the Texas Business Organizations Code. ERCOT has been formed for the limited purpose of: (a) ensuring open access to the transmission and distribution systems within the ERCOT region for all buyers and sellers of electricity on non-discriminatory basis terms, ensuring the reliability and adequacy of the regional electrical network, ensuring that information relating to a customer’s choice of retail electric provider is conveyed in a timely manner to the persons who need that information, and ensuring that electricity production and delivery are accurately accounted for among the generators and wholesale buyers and sellers within the ERCOT region; (b) coordinating activities within the region of ERCOT to fulfill these purposes; (c) performing the functions of an Independent Organization as certified by the Public Utility Commission of Texas (“PUCT”) and provided by the Public Utility Regulatory Act and PUCT Rules; and (d) engaging in any lawful act or activity consistent with the foregoing for which nonprofit corporations may be formed under the Texas Business Organizations Code. ERCOT is certified as the Independent Organization for the ERCOT region by the PUCT.

The management of ERCOT is vested in a Board of Directors (“Board”) and such committees of the Board that the Board may, from time to time, establish. It is the duty of the Board to initiate any specific action required, in their opinion, to fulfill the purposes of ERCOT as stated above, within the limitations of the Certificate of Formation, applicable laws and the *Amended and Restated Bylaws of Electric Reliability Council of Texas, Inc.* (Bylaws), as may be amended from time to time.

Potential Conflicts of Interest

Each Director of ERCOT shall have an affirmative duty to disclose to the Board, any actual or potential conflicts of interest as required by Article 9 of the Bylaws.

Each Director must disclose all personal relationships (including household member or family member (spouse, parent, child, or sibling, including step and adoptive relatives) relationships) with ERCOT vendors to the Board. Such relationships include: current ties (within the last two years) as a director, officer, or employee of an ERCOT vendor; direct business relationships, other than retail customer relationships, with an ERCOT vendor; and directly or indirectly owning or holding at least five percent (5%) of voting securities of an ERCOT vendor.

If a Director or member of their immediate family is an officer or director, is employed by, or owns or has a beneficial interest in more than ten percent of the stock in a bank or other financial institution that would otherwise be a Qualified Institution (as defined in ERCOT’s Investment Corporate Standard), such Director shall provide full disclosure of such stock holdings or relationship in documented form to be filed with the permanent records of ERCOT.

Prohibited Acts

As long as ERCOT exists, no Director may engage in any prohibited acts as set forth in Article 9 of the Bylaws. Violations of any such prohibited acts may lead to sanction, suspension, expulsion or termination after a hearing as described in Article 3 of the Bylaws.

Disclosure of Trade Secret Information

Under the Defend Trade Secrets Act of 2016 (the “Act”), an individual may not be held criminally or civilly liable under any federal or state trade secret law for disclosure of a trade secret as defined in the Act: (i) made in confidence to a government official or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (ii) in a lawsuit filing made under seal. In addition, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

The Ethics Agreement is not intended to alter in any way the duties, obligations and rights of Directors as set forth in the Certificate of Formation, Bylaws and applicable law, as they may be amended from time to time, nor does it create any third-party rights, claims or causes of action. To the extent, if any, that the Ethics Agreement is inconsistent with the Certificate of Formation, Bylaws or applicable law, the Certificate of Formation, Bylaws and applicable laws, as they may be amended from time to time, shall control. Directors will be required to reaffirm the Ethics Agreement on an annual basis.

By my signature I, _____,
acknowledge that I have read and understand the above Ethics Agreement and agree to be bound by its terms.

Director Signature: _____

Date: _____

EMPLOYEE ETHICS AND CONFIDENTIALITY AGREEMENT

Employees of Electric Reliability Council of Texas, Inc. (“ERCOT”) must conduct ERCOT’s business with integrity and objectivity toward ERCOT, and all ERCOT Members and Market Participants. That is why ERCOT requires employees to annually affirm their commitment to the ethical standards that are essential to working at ERCOT. Before completing this Employee Ethics Agreement, you should review the ERCOT Code of Conduct and ERCOT Corporate Standard (CS) 7.6, *Information Protection Corporate Standard* and participate in any associated ethics training.

If you have questions or concerns about the requirements or prohibitions in the ERCOT Code of Conduct, please contact ERCOT Legal, or file an anonymous report through EthicsPoint (www.ethicspoint.com or 1-866-384-4277). For questions about the requirements in CS7.6, please contact ERCOT Legal.

Use and Return of Proprietary Information

I acknowledge that I may have access to ERCOT Confidential information (as defined in CS7.6, *Information Protection Corporate Standard*) in order to perform my job. To protect ERCOT Confidential information, I agree as follows:

- A. I shall hold ERCOT Confidential information in strict confidence and shall exercise reasonable care to prevent unauthorized disclosure to others.
- B. I shall not directly or indirectly disclose ERCOT Confidential information to others, except ERCOT directors, officers and other ERCOT employees who require access to such information in order to perform job functions, unless first authorized to do so in writing by ERCOT.
- C. I shall not reproduce ERCOT Confidential information or use it commercially or for any purpose other than the performance of my duties for ERCOT.
- D. I shall notify ERCOT immediately upon discovery of any unauthorized use or disclosure of ERCOT Confidential information and cooperate in any reasonable way to help ERCOT regain possession of the ERCOT Confidential information and prevent further unauthorized use or disclosure.
- E. Upon ERCOT’s request or upon termination of my employment at ERCOT, I shall deliver to ERCOT all drawings, notes, documents, equipment and materials received from ERCOT or originating from ERCOT operations, and shall permanently delete all electronic copies of such information from my personal computers, storage devices, external file transfer sites, personal e-mail and document sharing/storage accounts.

Notwithstanding the forgoing, my disclosure of ERCOT Confidential information in response to a subpoena, court order, law enforcement investigation, or civil investigative demand shall not be deemed a violation of this agreement. I shall promptly inform ERCOT Legal prior to any such disclosure, unless impracticable to do so.

ERCOT reserves the right to take disciplinary action, up to and including termination, for any violations of this agreement.

Disclosure of Trade Secret Information

Under the Defend Trade Secrets Act of 2016 (the “Act”), an individual may not be held criminally or civilly liable under any federal or state trade secret law for disclosure of a trade secret as

defined in the Act: (i) made in confidence to a government official or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; and/or (ii) in a lawsuit filing made under seal. In addition, an individual suing an employer for retaliation based on the reporting of a suspected violation of law may disclose a trade secret to his or her attorney and use the trade secret information in the court proceeding, so long as any document containing the trade secret is filed under seal and the individual does not disclose the trade secret except pursuant to court order.

Disclosure of Potential Conflicts of Interest

ERCOT company policy requires all employees to disclose any employment or independent contracting services for a Market Participant that involve an employee’s child, spouse or domestic partner, parent, sibling, or any other individual who lives in the employee’s household. A listing of ERCOT Market Participants is available at: <https://www.ercot.com/committees/mktparticipants>.

ERCOT also encourages employees to disclose other potential conflicts that may call into question an employee’s ability to conduct ERCOT’s business without the appearance of Conflicts of Interest with Market Participants or Vendors to ERCOT. Examples of potential conflicts are discussed in CS5.18, *ERCOT’s Conflict of Interest Corporate Standard*. Management evaluates employee disclosures to determine whether, based upon the employee’s job responsibilities, any Conflict of Interest exists (and whether to take any steps to address it).

(Please complete this Disclosure section even if you have no potential conflicts to disclose.)

Check this box if you have no Conflicts of Interest to report.

Potential Conflicts of Interest:

Name of Person or Entity: Relationship to Employee:

Description of Potential Conflict:

Potential Conflicts of Interest:

Name of Person or Entity: Relationship to Employee:

Description of Potential Conflict:

Employee Agreement

By checking the box below, I confirm that have read and understand the ERCOT Code of Conduct and CS7.6, *Information Protection Corporate Standard*, and have participated in any associated ethics training required by ERCOT. I agree to conduct myself in accordance with the principles and standards discussed in the ERCOT Code of Conduct and CS7.6, *Information Protection Corporate Standard*, and I have made any required disclosures below.

I agree to the foregoing terms.

Signature

Date