

## Agenda

# Corporate Governance and Human Resources Committee

May 12, 2021 | 11:00-11:45 a.m. Eastern  
Virtual Meeting

**Attendee Webex Link:** [Join Meeting](#)

### Introduction and Chair's Remarks

### NERC Antitrust Compliance Guidelines\*

#### Agenda Items

1. **Minutes\* — Approve**
  - a. February 3, 2021 Meeting
2. **NERC Governance Guidelines Amendment\* — Approve and Recommend to Board of Trustees for Approval**
3. **Board Committees' Self-Assessment Surveys Results\* — Review**
4. **Annual Review of Trustee Compensation\* — Update**
5. **Staffing and Recruiting Update\* — Review**
6. **Other Matters and Adjournment**

\*Background materials included.

# Antitrust Compliance Guidelines

## I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

## II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

### **III. Activities That Are Permitted**

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

# DRAFT Minutes

## Corporate Governance and Human Resources Committee Meeting

February 3, 2021 | 4:15 p.m. – 5:30 p.m. Eastern  
WebEx

### Call to Order

Mr. George S. Hawkins, Chair, called to order a duly noticed open meeting of the Corporate Governance and Human Resources Committee (the “Committee”) of the Board of Trustees (“Board”) of the North American Electric Reliability Corporation (“NERC” or the “Company”) on February 3, 2021, at 4:15 p.m. Eastern, and a quorum was declared present.

Present at the meeting were:

### Committee Members

George S. Hawkins, Chair  
Robert G. Clarke  
Kenneth W. DeFontes, Jr.  
Colleen Sidford  
Roy Thilly, *ex officio*

### Board Members

Jane Allen  
Suzanne Keenan  
Robin E. Manning  
Jim Piro  
James B. Robb, NERC President and Chief Executive Officer  
Jan Schori

### NERC Staff

Tina Buzzard, Assistant Corporate Secretary  
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC  
Damon Epperson, Director of Human Resources  
Howard Gugel, Vice President, Engineering and Standards  
Kelly Hanson, Senior Vice President and Chief Administrative Officer  
Stan Hoptroff, Vice President, Business Technology  
Mark Lauby, Senior Vice President and Chief Engineer  
Sonia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary  
Andy Sharp, Vice President and Chief Financial Officer  
Mechelle Thomas, Vice President, Compliance

### Introduction and Chair’s Remarks

Mr. Hawkins welcomed attendees to the meeting. He highlighted NERC's work in 2020 amid weather events, social unrest, the supply chain compromise, and COVID-19. Mr. Hawkins noted that the Committee's 2021 agenda will continue emphasizing diversity and inclusion.

### **NERC Antitrust Compliance Guidelines**

Ms. Buzzard directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the agenda, and indicated that all questions regarding antitrust compliance or related matters should be directed to Ms. Mendonça.

### **Regular Agenda**

#### **Minutes**

Upon motion duly made and seconded, the Committee approved the November 4, 2020 meeting minutes as presented at the meeting.

### **Report on Matters Discussed in January 20 and February 1, 2021 Closed Sessions**

Mr. Hawkins reported that during these meetings, the Committee addressed a number of compensation related items, including: (1) recommendation of the compensation for the Chief Executive Officer; and (2) approval of NERC officer compensation. The Board also conducted its annual review of the Board Chair.

### **Board Committees' Self-Assessment Surveys**

Ms. Mendonça presented the proposed Board Committees' Self-Assessment surveys, referencing the material included in the advance agenda package. After discussion, and upon motion duly made and seconded, the Committee approved the proposed surveys as presented at the meeting.

### **2021 Board of Trustees Committee, Chair and Vice Chair Appointments and Related Assignments**

Mr. Hawkins reviewed the Committee, Chair, and Vice Chair appointments, and related assignments recommended by Mr. Thilly. After discussion, and upon motion duly made and seconded, the Committee recommended the proposed appointments and assignments to the Board for approval.

### **2020 Work Plan Priorities Year-End Report**

Mr. Lauby reviewed the 2020 Work Plan Priorities Year-End Report, referencing the material included in the advance agenda package. He reviewed the focus areas and noted the reprioritization of efforts due to COVID-19.

### **NERC Governance Guidelines Annual Review**

Ms. Mendonça reviewed the NERC Governance Guidelines and did not recommend any revisions.

### **Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results**

Ms. Mendonça presented the results of the Board Self-Assessment and Member Representatives Committee Assessment of Board of Trustees Effectiveness, referencing the material included in the advance agenda package. She highlighted the robust participation rate and positive feedback on the Board's effectiveness in its overall function.

### **Annual Conflict of Interest and Independence Report**

Ms. Mendonça reviewed NERC's processes for considering conflicts of interest for employees, officers, and Trustees, and for assuring the independence of the Trustees as required by the Bylaws and NERC

Governance Guidelines. She reported that NERC is in compliance with all applicable legal requirements related thereto.

### **Committee Governance**

Ms. Mendonça presented on the proposed amendments to the Committee mandate, referencing the material included in the advance agenda package. She noted that the revisions to the Committee mandate improve efficiency and effectiveness and better align the ownership of governance accountabilities. Upon motion duly made and seconded, the Committee recommended the revised mandate to the Board for approval.

Ms. Mendonça presented on the proposed amendments to the Technology and Security Committee (TSC), Finance and Audit Committee (FAC), and Enterprise-wide Risk Committee Mandate (EWRC) mandate. Upon motion duly made and seconded, the Committee recommended the revised TSC, FAC, and EWRC mandate to the Board for approval.

Ms. Mendonça summarized the Policy on Internal Audit and Corporate Risk Management, referencing the material included in the advance agenda package. She noted that the policy more closely aligns NERC's approach to Enterprise Risk Management with the "Three Lines of Defense" model. After discussion, and upon motion duly made and seconded, the Committee recommended the Policy on Internal Audit and Corporate Risk Management to the Board for approval.

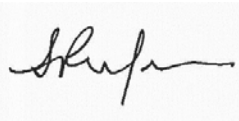
### **Human Resources and Staffing Update**

Mr. Epperson provided an update on staff retention and attrition, referencing the information provided in the advance agenda package. He noted NERC's efforts to strengthen the processes by which it attracts, retains, and engages employees amid COVID-19. Mr. Epperson emphasized NERC's focus on cultural transformation and investments in communication and productivity tools, resulting in NERC's lowest annual attrition rate since 2011.

### **Other Matters and Adjournment**

There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,



Sonia Mendonca  
Corporate Secretary

## **NERC Governance Guidelines Amendment**

### **Action**

Approve and recommend to the Board of Trustees (Board) for approval.

### **Background**

The Board approved Governance Guidelines (Guidelines), which consolidated the provisions of various policies and documents related to the conduct of the Board and of individual Trustees, including setting forth the process for and guidance regarding the consideration of potential conflicts of interest. The Guidelines were last amended March 31, 2020.

On April 5, 2021, the Federal Energy Regulatory Commission approved a series of Bylaws revisions that were approved by the Board in August 2020. Among other changes, the revised Bylaws clarified the criteria for independent NERC Trustees, to better align the Bylaws with the requirements in Section 215 of the U.S. Federal Power Act regarding the Electric Reliability Organization's independence from users, owners, and operators of the bulk power system.

### **Summary**

The proposed revisions to the Governance Guidelines are intended to align the language regarding Trustee independence to the language in the revised Bylaws.

# NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION GOVERNANCE GUIDELINES

The Board of Trustees (the “Board”) of the North American Electric Reliability Corporation (“NERC”) has adopted the following Governance Guidelines to provide a framework for the general governance of NERC and its Board and committees.

## BOARD OF TRUSTEES

### 1. Role of the Board of Trustees.

The Board is elected by the Member Representatives Committee (“MRC”) to act on behalf of a broad and diverse stakeholder community that looks to the Board for leadership on the reliability issues facing the electric industry. Each Trustee has a responsibility to be open and honest, though respectful, in communications with others and to be fair and impartial in all aspects of his or her deliberations and decision-making. Each Trustee has a responsibility to constructively engage in furthering NERC’s mission, including a responsibility to raise issues or viewpoints of importance to that mission even when those issues or viewpoints appear to be unpopular.

Specifically, each Trustee has three primary duties:

- **Duty of Care** requires the Trustee to use the care that an ordinarily prudent person would exercise in a like position and under similar circumstances in respect to performing the functions of a member of a board of directors. This duty of care is generally thought to have two components: the time and attention devoted to the organization’s affairs (including preparation for and attendance at meetings) and the skill and judgment reflected in decisions that affect the organization.
- **Duty to Adhere to NERC’s Mission** requires the Trustee’s faithful promotion of NERC’s mission to ensure the reliability of the bulk electric system in North America rather than his or her own financial or other interests or the interests of another person or organization. This duty includes compliance with NERC’s conflict of interest guidelines and policies.
- **Duty to Adhere to the Law and to Highest Ethical Standards** requires that the Trustee devote himself or herself to assuring that the organization operates to further its stated objectives in compliance with legal requirements and the highest ethical standards.

### 2. Size and Election of the Board of Trustees.

The number of independent Trustees and their election shall be determined as set forth in NERC’s Bylaws, as amended from time to time.

### 3. Trustee Succession.

The Board is committed to ensuring that NERC continues to have as effective a board as possible, given the importance of its responsibilities. Achieving this goal involves balancing the value of maintaining experience and continuity with the value of bringing in new ideas and fresh perspectives. The NERC Nominating Committee should observe the following guidelines in proposing nominees for election as independent Trustees:

- Each year, the Nominating Committee should include in its report to the MRC a calculation of the average tenure of the independent Trustees. The Nominating Committee should endeavor to keep the average tenure of independent Trustees below six years.



- To the extent feasible, the Nominating Committee should determine, prior to soliciting suggestions for candidates, whether the Committee expects that one or more incumbent Trustees will not be re-nominated.

No independent Trustee may be re-nominated or reappointed after he or she has served on the Board for twelve consecutive years. Re-nomination or reappointment are expressly prohibited.

#### **4. Process for Selection of Board of Trustees Chair, Chair-Elect and Vice Chair.**

The Chair of the Board of Trustees (the “Chair”) shall be elected annually by the Board, although it is generally intended that an individual selected to serve as the Chair shall serve for at least three one-year terms. Depending upon feedback from annual self-assessments, his or her willingness to serve and remaining time they are eligible to serve as a Trustee, the Chair will be eligible to serve for more than three years. The length of service could be less than three years if the proposed Chair will be term-limited.

Approximately 18 months before the Chair’s expected end of service as Chair, the Corporate Governance and Human Resources Committee of the Board (the “CGHRC”) will send a confidential written survey to all Trustees asking them to assess who would be best qualified for the position and also if they have the interest in, time availability for, and qualifications to serve as Chair. The current Chair and the Chair of the CGHRC will review the survey information and determine the process for selecting the next Chair. This process will take into account any conflicts in the selection, at which time they may propose a small subset of the Board to serve as a Board Chair Nominating Committee, or, if the selection is obvious, may make a recommendation to the full Board for the next Chair. Any recommendation for Chair should include the expected length of service as Chair.

The Trustee selected to be the next Chair will serve as Vice Chair and Chair-Elect during the current Chair’s final year of service. For all other years than the year the Chair-Elect serves as Vice Chair as contemplated herein, the Vice Chair of the Board will be the Trustee with the most years of service who is not serving as a committee chair, unless such person is unwilling to serve or the Board determines to name another individual as Vice Chair.

If the Chair leaves the position before the end of his or her expected service as Chair, the current Vice Chair will not automatically become Chair, but will act as the Acting Chair as contemplated by NERC’s Bylaws. In that event, the CGHRC will recommend a Trustee to serve as Chair for the remainder of the year. If the Board has already selected a Chair-Elect, it is contemplated that the CGHRC will recommend that individual to serve as Chair for the balance of the year, with it also being contemplated that such individual would serve as Chair for at least three one-year terms, consistent with the foregoing provisions of this Section. If there is no Chair-Elect, the process for selecting the Chair will begin promptly consistent with the foregoing.

#### **5. Duties and Responsibilities of the Chair.**

- (a) The Chair shall provide leadership to the Board with respect to its functions as described in the Bylaws and Certificate of Incorporation and as otherwise may be appropriate. The Chair shall act as chair of meetings of the Board and of meetings of the Members and, for such purpose, will prepare, with NERC’s chief executive officer (the “CEO”), the agenda for each meeting.
- (b) The Chair shall make recommendations to the CGHRC with respect to Board committee members and chairs.
- (c) The Chair shall be an ex-officio member, with full rights of participation including voting, of all Board committees.
- (d) The Chair shall be the official spokesperson for the Board.

- (e) The Chair shall work with the CEO and the chairs of the Board committees to coordinate the schedule of meetings for such committees.
- (f) The Chair shall work with the CEO to ensure that the Board's requirements for appropriate information in support of its functions and duties are met.
- (g) The Chair shall reflect to the CEO the interests and concerns of the Board and other constituencies. The Chair shall also reflect to the Board any concerns management has in regard to the role of the Board or individual Trustees.
- (h) The Chair shall regularly consult with Trustees to evaluate the effectiveness of the Board and the individual Trustees in contributing to the objectives and responsibilities of the Board as a whole.
- (i) The Chair shall ensure that a formal annual performance review of the CEO is carried out by the CGHRC and is reviewed and approved by the Board. The Chair shall meet at least annually with the CEO to formally provide feedback based on this performance review.
- (j) The Chair shall present to the Board, from time to time, an evaluation of the pace, direction, and organizational strength of NERC.
- (k) The Chair shall carry out such other duties as may be reasonably requested by the CEO or the Board as a whole depending on need and circumstances.

## **6. Confidential Information.**

To the extent permitted by law, each Trustee must maintain the confidentiality of: (1) any confidential or proprietary NERC information disclosed or available to the Trustee; (2) any confidential or proprietary information of NERC members, or market participants to which the Trustee has access by virtue of his or her position with NERC; and (3) any confidential or proprietary information of others that has been provided to NERC on condition of confidentiality.

## **7. Representation Policy.**

Individual Trustees should act in a manner that recognizes that they do not represent NERC, nor are they authorized to speak or communicate on behalf of NERC, unless authorized to do so by the Chair or the CEO.

A Trustee may indicate that he or she is a NERC Trustee, provided that this is done for identification purposes and provided that opinions expressed and statements made are attributed solely to the individual involved rather than to the Board or NERC. Trustees may state NERC policy where this can be done accurately. They may also describe NERC activities, plans and involvement where this can be done accurately and is consistent with requirements to maintain confidentiality.

Except as authorized above, NERC's Chair and CEO, or any person authorized by them, shall represent NERC and speak on its behalf on all matters.

## **BOARD AND COMMITTEE MEETINGS**

## **8. Policy with Respect to Meetings of the Board.**

Meetings (face-to-face and by teleconference) of the Board and of committees established by the Board from time to time shall be open to NERC members and to the public, subject to reasonable limitations such as the availability and size of meeting facilities; provided that a meeting may be held in or adjourned to closed or executive session where the subject matter of the meeting so warrants, consistent with the provisions of NERC's Bylaws and these Governance Guidelines.

## 9. Types of Meetings.

In general, a meeting of the Board or any committee established by the Board shall be conducted as one of the following types of meetings:

- **Open Meeting.** NERC members and the public may attend and observe the deliberations of the Board or any committee during such meetings or portion of the meetings. NERC members and the public may participate during the meeting in the sole discretion of the presiding officer for the meeting.
- **Closed Meeting.** NERC members and the public may not attend or observe the deliberations of the Board or committees. The Board or committee may invite particular persons to participate in a closed meeting where such participation would further the business of the Board or committee.
- **Executive Session.** NERC members and the public may not attend or observe the deliberations of the Board or its committees. In addition, NERC staff will be excused from the meeting except to the extent necessary for the Board or committee to conduct business, provided that except for the Board or any committee of Trustees, at least one NERC staff member shall be present to record any necessary minutes of such meeting.

## 10. Criteria for Holding Closed Meetings and Executive Sessions.

A meeting or a portion of a meeting may be closed to discuss matters of a confidential nature, including but not limited to personnel, compliance and enforcement, litigation, or commercially sensitive or critical infrastructure information of any entity, as contemplated by NERC's Bylaws. A meeting or a portion of a meeting may be held in executive session when, in the opinion of the presiding officer for the meeting, it is appropriate to excuse NERC staff from the meeting to encourage candid discussion regarding Trustees, management and personnel matters, provided that except for the Board and any committee of Trustees, at least one NERC staff member shall be present to record any necessary minutes of such meeting. It will be the customary practice of the Board to hold an executive session in conjunction with regularly scheduled meetings.

It is contemplated for all committees established by the Board, that all meetings shall be considered open meetings. Notwithstanding the foregoing, with respect to the following committees of the Board, these general rules shall apply:

- **CGHRC.** Generally open, but will be closed for discussion of matters related to personnel and compensation.
- **Finance and Audit Committee.** Generally open, but will be closed for discussion of compensation and benefit matters, meetings with NERC's external auditors and items related to competitive contracts.
- **Compliance Committee.** Generally closed, but may be open for items of general applicability.
- **Nominating Committee.** Generally closed, but may be open for items of general applicability.
- **Technology and Security Committee.** Generally open, but will be closed for items related to competitive contracts and matters dealing with critical infrastructure information.
- **Enterprise-wide Risk Committee.** Generally closed.

## 11. Procedures for Meetings.

Notice of the dates, places, times and status of meetings of the Board and committees established by the Board shall be provided by NERC in accordance with the requirements of NERC's Bylaws, applicable law and the governing documents of the committee, as applicable. NERC will post all non-confidential material for any meeting within 24 hours of when such material is provided to the Board or committee, as applicable.

For open meetings by teleconference, NERC will provide audio conferencing that includes two levels of access: one for meeting participants and another for NERC members and the public. Meeting participants will be able to hear and speak to each other. NERC members and the public will have listen-only access to the teleconference. NERC will provide the appropriate dial-in numbers with the meeting agenda.

Access by NERC members and the public to meetings or teleconferences may be subject to reasonable limitation, based on availability and size of facilities.

The Board and Board committees may, in accordance, with the NERC Bylaws, take action without a meeting pursuant to written consent.

## **12. Minutes of Meetings.**

The Board, Board committees, standing committees, standing committee executive committees, subcommittees, task forces and working groups shall each keep and post written minutes of each meeting. Minutes should contain the following information unless otherwise agreed to by NERC's General Counsel:

- Place, date and time of meeting
- When and how notice was given
- Meeting chair and officers present
- List of attendees and whether quorum was present
- Statement that minutes from prior meeting were reviewed, amended if necessary, and approved
- Description of the substance of matters discussed (presentations and written materials considered should be included as exhibits, if feasible, or specifically identified and incorporated by reference)
- Statement of specific actions taken (including moving party and, where the required number of affirmative votes is other than a simple majority, the number of votes for and against)

In general, minutes are not a transcript of the meeting. The minutes should be in sufficient detail to apprise the reader of the general tenor and scope of the discussion (including minority positions), without attempting to record the statements or opinions of each person speaking. This policy is not intended to change existing policies with respect to confidentiality of data. Minutes of non-public meetings should be kept on a non-public basis or prepared in a manner that does not disclose non-public information. A copy of final minutes should be posted to the NERC Web site and made available to each committee member promptly after each meeting. Minutes from one meeting should be reviewed, amended (if necessary), and approved at the following meeting.

## **13. Setting of Board Agenda.**

The Chair shall prepare with the CEO the agenda for each meeting.

## **ETHICS AND CONFLICTS OF INTEREST**

### **14. Ethics and Conflicts of Interest.**

It is NERC's policy that its Trustees, officers, and employees ("NERC Representatives") maintain the highest ethical standards in their business conduct.

NERC Representatives shall avoid and refrain from involvement in or situations where there is a conflict of interest ("Conflict"). In general, a Conflict arises where a NERC Representative's personal financial interest is affected or may reasonably appear to be affected by his or her actions or decisions in his or her

capacity at NERC. NERC will depend upon the integrity of each NERC Representative to complete his or her own assessment of individual Conflicts.

The NERC Bylaws contemplate that the NERC Board will include a management trustee and a number of independent trustees. An independent trustee, under Art. III, section 3(a) of the ~~bylaws~~ Bylaws is defined as:

a person ~~(i)~~ who is not ~~(i)~~ an ~~officer or~~ employee of the Corporation, ~~(ii)~~ a user, owner, operator of the Bulk Power system subject to Reliability Standards, or member or an officer, director, or employee of ~~a member of the Corporation such an entity, or~~ ~~(iii)~~ an officer, director, or employee of any entity that would reasonably be perceived as having a direct financial interest in the outcome of ~~board~~ Board decisions; and ~~is~~ ~~(ii)~~ a person who does not have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee.

In reviewing the qualifications of independent trustees, both during the initial selection process and on an ongoing basis, NERC considers what circumstances require that a person be excluded from Board service to ensure NERC's independence as provided in Art. III section 3(a)(i)-~~(ii)~~. These exclusion requirements are supplemented by the catchall provision for other situations which would interfere with a Board members' exercise of independent judgment in Art. III, section 3(a)~~(ii)~~.

The following are excluded from NERC Board service under Art. III, section 3(a)(i)-~~(ii)~~, or require a review under Section 3(a)~~(ii)~~ for possible exclusion:

- NERC employees, other than the management trustee, are excluded.
- Members, officers, directors, and employees of registered entities are excluded.
- Advisors, contractors, consultants or service providers of registered entities are excluded. This exclusion is a result of application of the catchall provision in Section 3(a)-~~(iii)~~ for other relationships that would interfere with the exercise of independent judgement.
- The same relationships specified above involving trustees' spouses or partners require exclusion. Such relationships involving other family members should be reviewed under Section 3(a)~~(ii)~~ for the possible interference with the trustee's independent judgment and may be resolved through exclusion or disclosure and recusal depending on the circumstances.
- Persons with (i) ownership interests in registered entities, other than through mutual funds, independently managed 401(k) accounts or through small stock holdings in entities whose business is largely not subject to NERC regulation and/or (ii) with stock options, retirement accounts, or other benefits the value of which are dependent on the financial performance of a registered entity are excluded. Where the benefit is based on former employment compensation, is provided subject to a legally enforceable obligation, and is not dependent on entity performance, the benefit will not require exclusion, but is subject to disclosure and recusal requirements.
- Any person with a personal, ongoing business relationship with one or more (a) organizations that represent or advocate for the interests of registered entities, or (b) organizations that provide forums for registered entities to exchange information, examine issues or otherwise provide coordination for registered entities are excluded. Such relationships include but are not limited to employees, officers, directors, advisors, and contractors or service providers to such entities. The same relationships involving trustees' spouses or partners are also covered by these prohibitions. Relationships involving other family members should be reviewed for the possibility of interference with the trustee's independent judgment and may be resolved through exclusion, disclosure and recusal depending on the circumstance.

- Employees, directors, or officers of entities that perform substantial business<sup>1</sup> with registered entities such that maintaining good relationships with the electric industry is an important business interest are excluded. Relationships involving consulting or advising such entities on issues not in any way related to NERC jurisdiction or responsibilities should be reviewed under Section 3(ii) for the possibility of interference with the trustee’s independent judgment and may be resolved through exclusion, disclosure and recusal as appropriate.
- Relationships with entities that perform business with registered entities below the “substantial” threshold noted above for exclusion should be reviewed under Section 3(a)(ii) for the possibility of interference with the trustee’s independent judgment and may be resolved through disclosure and recusal, recognizing that under certain circumstances, such as when the relationship focuses on the electric utility portion of the entity’s business, an exclusion may apply.
- Relationships with NERC members that are not registered entities should be reviewed under Section 3(a)(iii) for the possibility of interference with the trustee’s independent judgment and may be resolved through disclosure and recusal.

While not prohibited under the Bylaws, certain other relationships may create an appearance of a conflict and should be addressed through disclosure and recusal:

- Former employment with a registered entity at a senior level.
- Significant professional relationships with senior management at a registered entity.

NERC’s Bylaws set forth the requirements for Trustees with respect to disposition of financial interests or service for any other organization that could result in a Conflict, provided that if a financial interest that would give rise to a Conflict results from a gift, inheritance, distribution of marital property or other involuntary acquisition, divestiture of such interest must occur within 90 days of acquisition.

With respect to any NERC Representative who is an officer or employee, such NERC Representative shall divest financial interests that would give rise to a Conflict within 60 days of the effective date of his or her employment with NERC. If a prohibited financial interest that would give rise to a Conflict results from a gift, inheritance, distribution of marital property or other involuntary acquisition, divestiture must occur within 90 days of acquisition.

A NERC Representative must recuse himself or herself from participation in any particular matter involving the subject of the Conflict until the Conflict is resolved. Where, in the opinion of the Chair or the CEO, a Conflict exists or may exist but does not as a practical matter have any material impact on NERC or on the decisions or actions of the NERC Representative, the Chair (or in the event the Chair is the subject of the Conflict or potential Conflict, the Vice Chair) or the CEO may, after consultation with NERC’s General Counsel, in writing permit such Conflict to continue.

In evaluating whether a Conflict exists or may exist in connection with the ownership or other control of the right to vote or dispose of an equity interest in an entity, or any entity controlling such an entity, that is a NERC member or is subject to NERC reliability standards, the Chair or the CEO, as the case may be, may determine, provided the NERC Representative is recused from any matters directly relating to the entity, that such equity interest represent a de minimis ownership position that would not as a practical

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<sup>1</sup> Substantial business would include situations in which 25% of the company’s revenues come from work related to the electric industry.

matter have any material impact on NERC or the decisions of the NERC Representative, provided that (i) such equity interest is publicly traded and does not represent in excess of 0.5% of the outstanding equity interests of such entity, (ii) the value of the equity interest does not represent more than 5% of the NERC Representative's aggregate financial assets, and (iii) no more than 5% of the entity's consolidated gross revenues come from activities that would require the entity (or any subsidiary entity) to register with NERC. The NERC Representative shall disclose any such equity interest to the NERC General Counsel, who shall (i) notify the Chair and CEO, (ii) maintain a record of any such equity interest and (iii) provide an annual update to the CGHRC as to any such equity interest. Notwithstanding the foregoing, the Chair or CEO, as the case may be, may determine, after consultation with the General Counsel and the CGHRC, to require the NERC Representative to dispose of such equity interest on a timetable to be determined by the Chair or CEO, as the case may be.

It will be considered a Conflict if a NERC Representative requests, accepts, or offers anything with a value of more than \$100, including but not limited to travel expenses, vacations, property, discounts, contributions, goods or services from an industry stakeholder or any other person or entity doing business with NERC. Acceptance or provision of an occasional business-related meal or transportation is permissible when the value involved is not excessive and clearly will not place NERC Representatives under any obligation to the donor or recipient. Gifts that constitute a Conflict should be returned or offers declined, with an appropriate explanation. If a NERC Representative receives a prohibited gift that is not returnable (e.g., perishable), such gift may be given to an appropriate charity.

**15. Process for Reviewing Conflicts of Interest.**

Annually, NERC's General Counsel shall distribute to each NERC Representative a copy of NERC's conflict of interest policies, together with a list of the registered entities from the NERC Compliance Registry, together with a questionnaire that requires the disclosure of potential conflicts of interest. New independent Trustees and employees should complete the questionnaire upon joining NERC. The General Counsel shall review the completed questionnaires each year and communicate with the individuals involved about any potential conflicts. Each individual must recuse himself or herself from any particular matter involving an entity that presents a conflict of interest until such time as the conflict of interest is resolved. The General Counsel shall report the results of the review of the conflict of interest questionnaires to the CGHRC. Conflicts involving independent Trustees shall also be reported to the Chair. The General Counsel shall provide consultation and advice on matters of possible conflicts of interest as the occasion warrants.

## **COMPENSATION**

**16. Compensation of Independent Trustees.**

Consistent with its Mandate, as amended from time to time, the CGHRC shall annually review the compensation plan for independent Trustees. The objective of the Committee's review is to assure that NERC is able to attract and retain individuals who have the necessary skills, experience, personal characteristics and commitment to be an effective Trustee, taking into account, in particular, the workload of Trustees, the alternative opportunities available to those NERC wishes to attract and retain, and the stringent conflict-of-interest provisions governing NERC Trustees.

In conducting the review of compensation, the CGHRC should evaluate the amount of work and level of responsibility Trustees are being asked to undertake and, from time to time, but no less than every three years, examine market data with respect to the compensation of the members of the governing boards of other relevant organizations utilizing an independent compensation consultant.

Such market data may include available compensation data from the Regional Entities, RTO/ISOs, investor owned utilities (meeting such characteristics as are approved by the Committee in consultation with the independent compensation consultant) and a general industry peer group (as approved by the Committee in consultation with the independent compensation consultant).

As an initial compensation target benchmark range, the Committee shall determine the dollar range between the 50<sup>th</sup> percentile of RTO/ISO independent director compensation and the 25<sup>th</sup> percentile of IOU independent director compensation, as reflected in the most recent independent compensation consultant report. Each Committee review should evaluate the appropriateness of continued utilization of this target benchmark range and whether changes should be considered in connection with modifications to compensation. The Committee's recommendations should, in principle, be within the benchmark range and influenced by the overall objective of the Committee's review and specific considerations as set forth above.

Any potential modifications to the Trustee compensation plan shall be discussed during an open meeting of the CGHRC, together with a summary of any report from the independent compensation consultant, and the Committee shall report its recommendations to the Board at an open Board meeting. In developing its recommendation, the CGHRC shall establish a compensation target for the independent Trustees, the Board Chair and Vice Chair, Committee Chairs and such other Trustee positions as may be appropriate, as well as a timeline for implementation of any changes.

Any modifications to the compensation plan for independent Trustees shall be approved by the Board during an open meeting, and shall take effect as determined by the Board.

**17. Compensation of Chief Executive Officer, Other Officers and Key Employees.**

The annual compensation, including the bonus, of NERC's CEO shall be determined by the Board, after review and recommendation by the CGHRC and after taking into account the degree to which NERC and the CEO have achieved established goals. In its deliberations, the CGHRC shall make use of market data as it deems appropriate.

The annual compensation, including bonuses, of NERC's other officers shall be reviewed and approved by the CGHRC, after recommendations from the CEO. The CGHRC shall make use of market data as it deems appropriate, and shall also consider the degree to which NERC and the officer have achieved established goals.

The annual compensation of other key employees shall be determined by the CEO, taking into account the degree to which NERC and personal goals have been achieved, after consultation with the CGHRC concerning overall corporate salary and bonus structure. The CEO shall use market data as part of the consideration. The recommendations of the CEO must be documented in a memorandum to NERC's Chief Financial Officer ("CFO") and the Chair of the CGHRC.

**OTHER MATTERS**

**18. No Personal Loans to Directors or Executive Officers.**

It is NERC's policy to not extend any loans to any NERC officer or Trustee.



**19. Process for Review of IRS Form 990.**

Each year NERC's independent auditor or such other tax preparer as is selected by the CFO after consultation with the Finance and Audit Committee shall prepare a draft of IRS Form 990, working with the CFO. The CFO may also engage the services of outside counsel in preparing the draft Form 990. Prior to filing the Form 990, the CFO and General Counsel shall review the draft Form 990. The draft Form shall be sent to all members of the Board for review, and the Finance and Audit Committee and the CGHRC shall include a review of the draft Form 990 on a meeting agenda. The minutes of the meetings of the Finance and Audit Committee and the CGHRC shall record the timing and nature of the review. The CFO shall prepare a memorandum for the file each year describing the timing, nature and individuals involved in the preparation and review of the Form 990.

**20. Amendments to these Guidelines.**

These Governance Guidelines may be amended by the Board from time to time. The CGHRC shall from time to time review these Governance Guidelines and recommend any amendments to the Board.

**Approved by Board of Trustees February 6, 2014**

**As amended by Board of Trustees November 5, 2015**

**As amended by Board of Trustees May 5, 2016**

**As amended by the Board of Trustees, May 11, 2017**

**As amended by the Board of Trustees, March 31, 2020**

**[As amended by the Board of Trustees, May 13, 2021](#)**

## **Board Committees' Self-Assessment Surveys Results**

### **Action**

Review

### **Summary**

Results of the 2020 NERC Board of Trustees Committees' self-assessments, which assess and monitor annually the performance and effectiveness of the Committees, will be reviewed.

### **Attachment**

- 2021 NERC Board of Trustees Committees' Self-Assessments Results

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC Committee Assessments

## 2020 Assessment Year Results

Lauren Perotti, Senior Counsel

Corporate Governance and Human Resources Committee Meeting

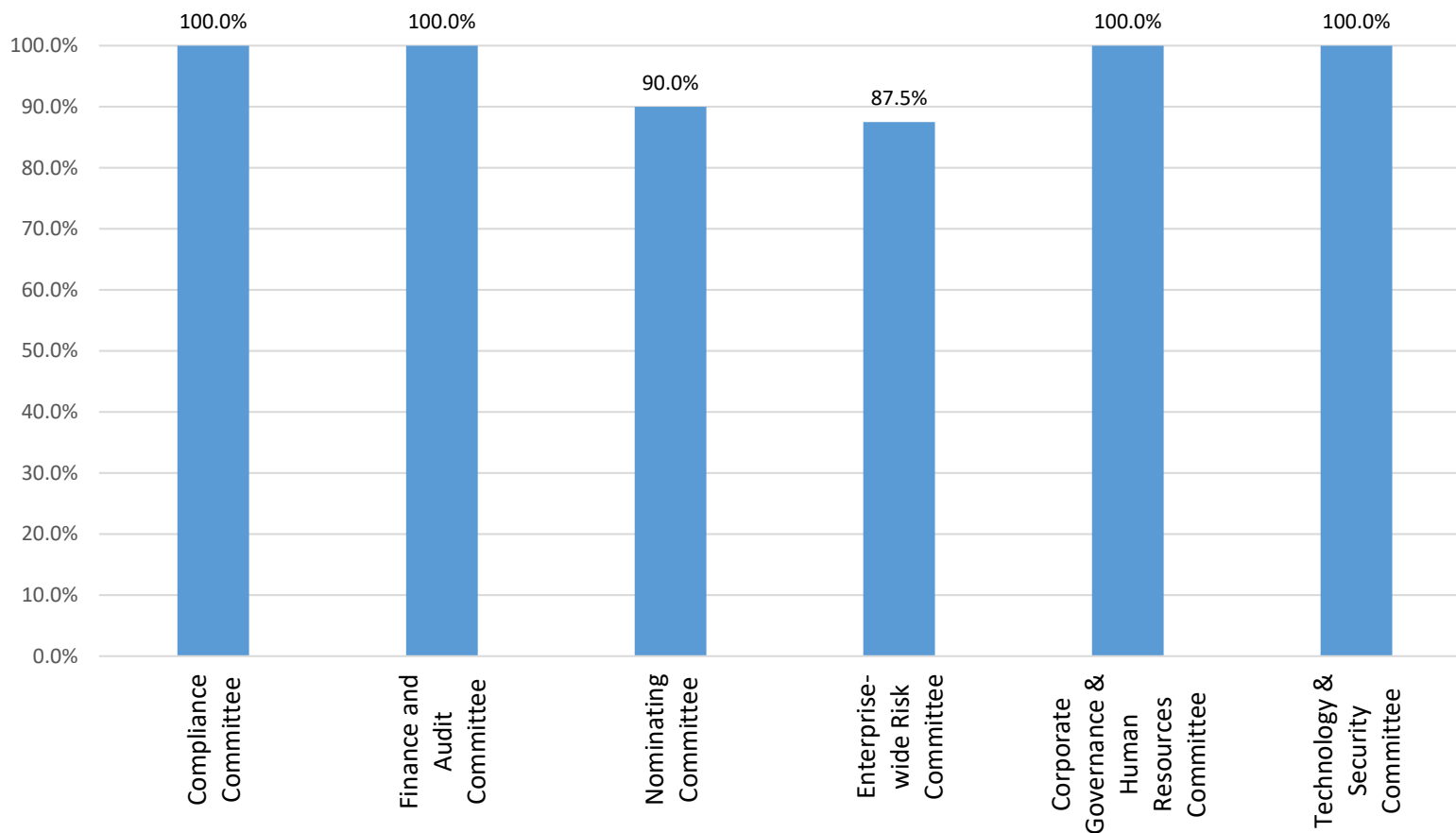
May 12, 2021

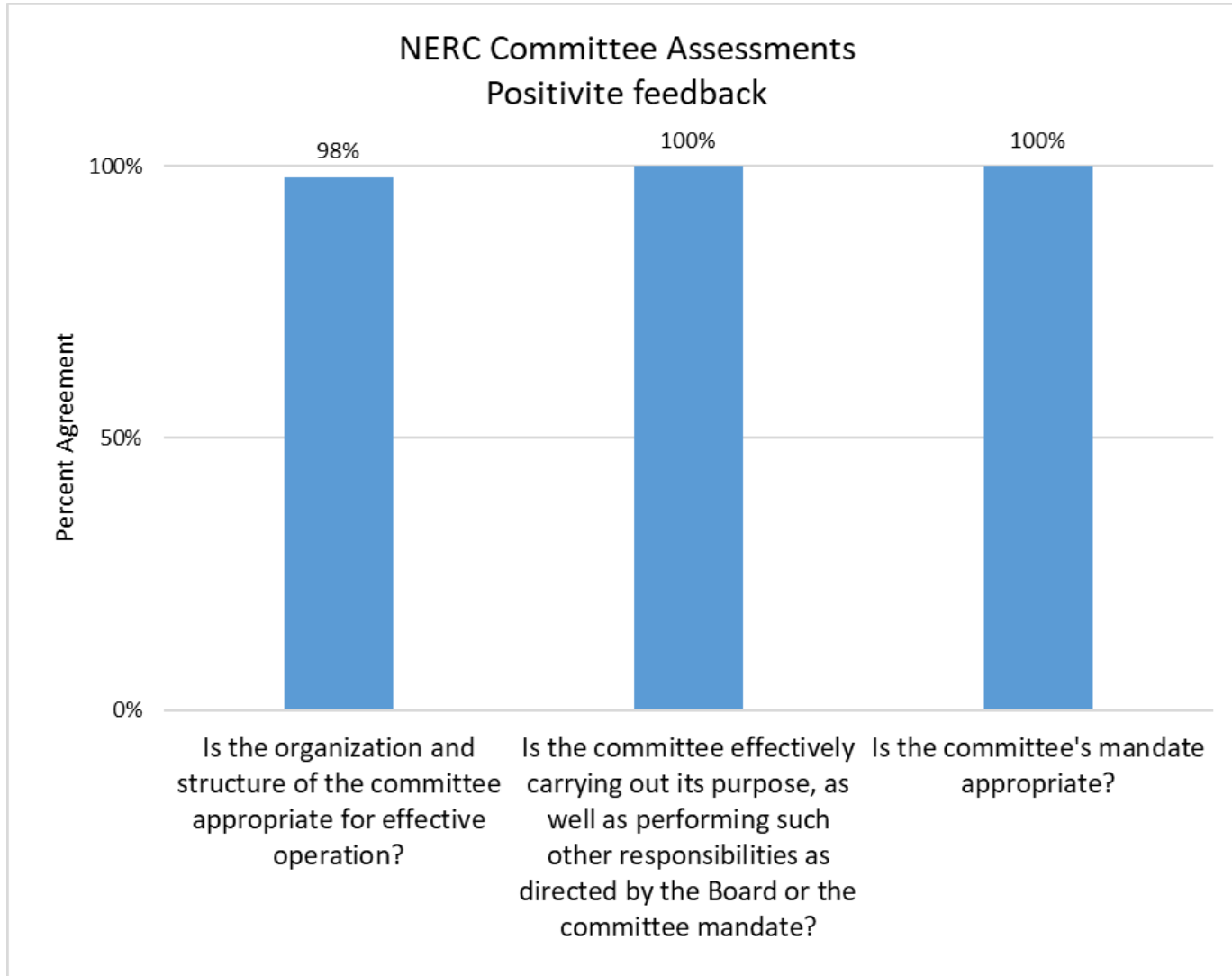
**RELIABILITY | ACCOUNTABILITY**



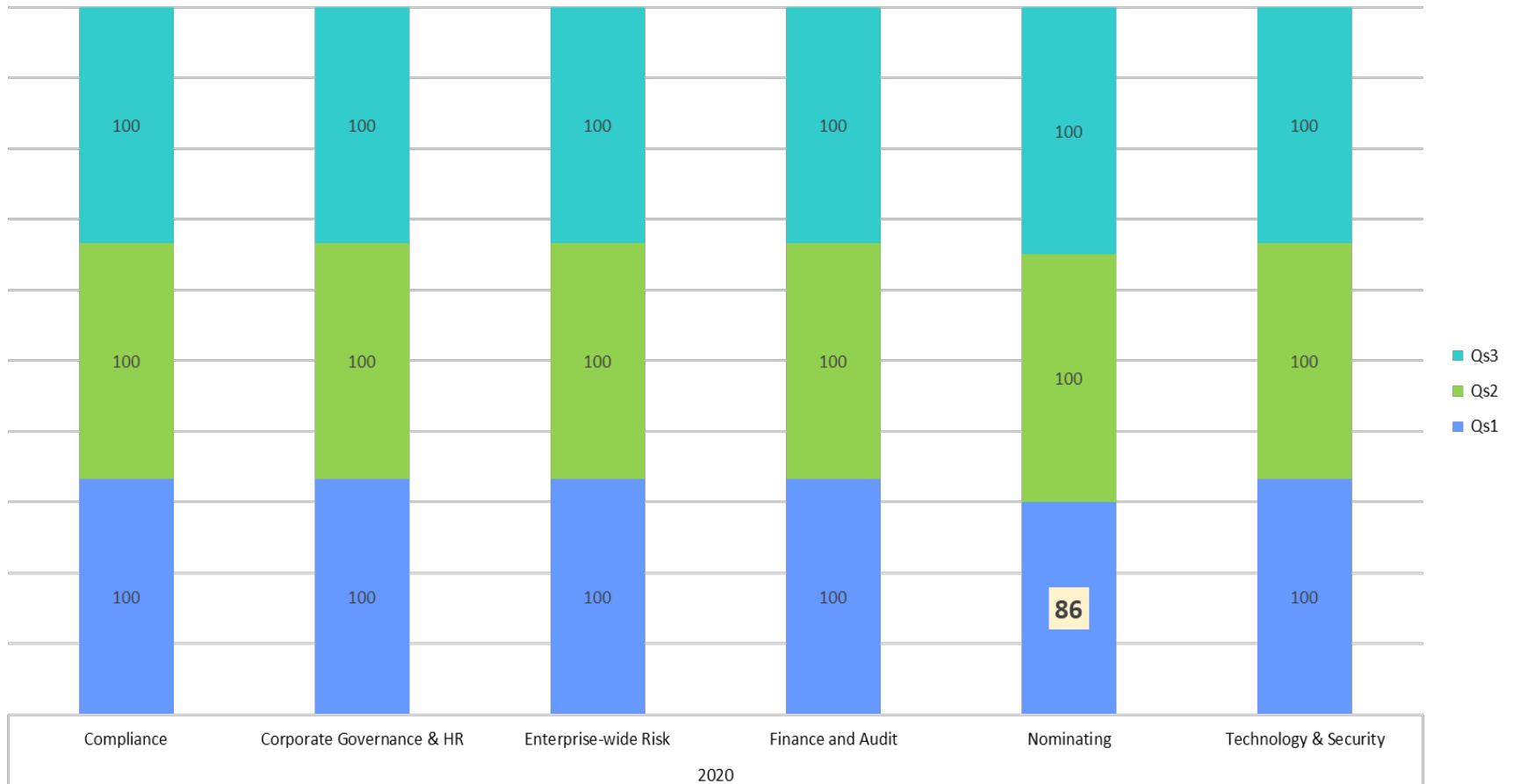
- Consistent questions used since 2018 (2017 assessment year):
  - Is the organization and structure of the committee appropriate for effective operation?
  - Is the committee effectively carrying out its purpose, as well as performing such other responsibilities as directed by the Board or the committee mandate?
  - Is the committee's mandate appropriate?
- Near 100% response rate:
  - Compliance Committee, 5 of 5 members – 100%
  - Nominating Committee, 9 of 10 members – 90%
  - Finance and Audit Committee, 5 of 5 members – 100%
  - Enterprise-wide Risk Committee, 7 of 8 members – 87.5%
  - Corporate Governance & Human Resources Committee, 6 of 6 members – 100%
  - Technology & Security Committee, 4 of 4 members – 100%
- Generally positive feedback:
  - 98% of all committee members responded “Yes” to question 1. All responded “Yes” to questions 2 and 3.

Percent participation





Is the organization and structure of the committee appropriate for effective operation?	Is the committee effectively carrying out its purpose, as well as performing such other responsibilities as directed by the Board or the committee mandate?	Is the committee's mandate appropriate?
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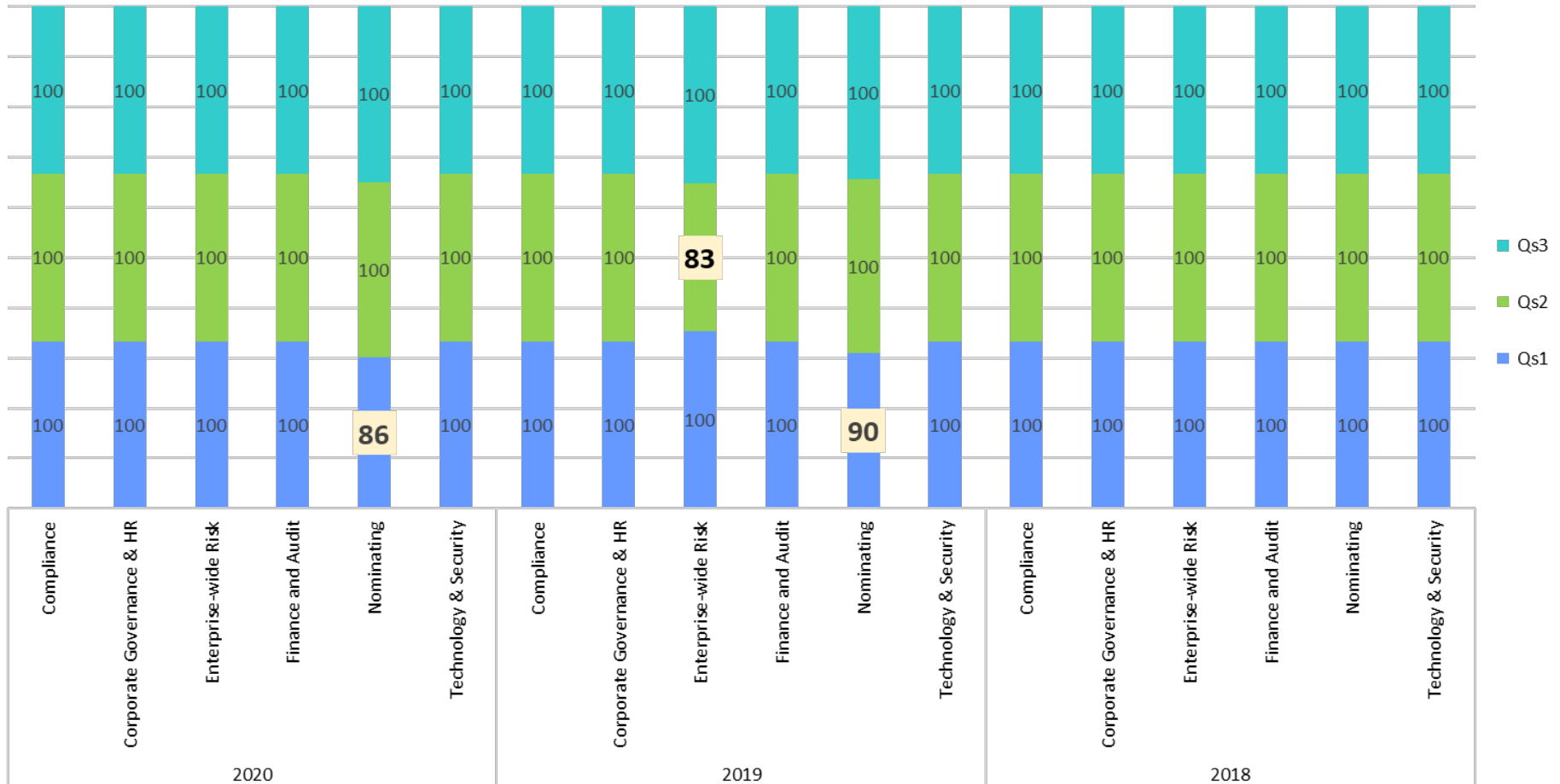
- Over the past few years, the Compliance Committee has continued to evaluate its purpose and its focus has been sharpened toward prioritizing the workload, engaging the Regions to manage within the prescribed guidelines with appropriate oversight and guidance, and addressing industry concerns with implementation of such initiatives as CMEP.
- The Nominating Committee has successfully evaluated and selected five new Trustees since 2018. As the industry landscape is fluid, the Committee has continued to focus on ensuring that they have access to people of diverse backgrounds with the requisite knowledge and skills to support the work of NERC, while ensuring the independence of the new Trustees.



- The Finance and Audit Committee and Regional Entities' continued focus of implementing efficiencies in the business plan and budget process over the past few years has resulted in two consecutive years of clean FERC orders. The Committee's ongoing commitment to evaluate its purpose has resulted in critical charter amendments including clarifying the interaction and coordination with other committees, including the Enterprise-wide Risk Committee.
- The Enterprise-wide Risk Committee has focused over the past few years on establishing a mandate that effectively covers the needs and purpose of the Committee to include embedding a risk culture in all corporate functions, clarifying roles with the Finance and Audit Committee in audit responsibilities, and understanding the level of participation by the Compliance and Certification Committee as a member of the Committee.

- The Corporate Governance and Human Resources Committee has over the past few years effectively continued its mandated responsibilities of corporate governance, understanding the scale and importance of the issues at hand even during the extreme challenges this year with COVID-19.
- As the newest Board Committee, the Technology and Security Committee has worked each year to focus on the appropriate security topics to include oversight of NERC's IT initiatives such as Align and the Secure Evidence Locker, a renewed focus overseeing the information security program and the E-ISAC, and providing guidance and input in real-time regarding active security threats (ex., the recent Supply Chain Compromise).

Is the organization and structure of the committee appropriate for effective operation?	Is the committee effectively carrying out its purpose, as well as performing such other responsibilities as directed by the Board or the committee mandate?	Is the committee's mandate appropriate?
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# Questions and Answers

## **Annual Review of Trustee Compensation**

### **Action**

Update

### **Background**

The Committee is required to conduct an annual review of Trustee compensation and conducts periodic studies regarding the structure and amount of Trustee compensation.

In 2018, the Committee retained Willis Towers Watson, an independent consultant with extensive national expertise in analysis of board compensation to update the firm's 2015 study of board compensation to: (i) aid the Committee in its review of the NERC Trustee compensation program (a responsibility of the Committee under its Mandate); and (ii) assist the Committee in determining whether to recommend any changes to the program. In August 2018, the Committee recommended to the Board, and the Board approved, a three year phase-in of new compensation levels that will be implemented through 2021.

### **Summary**

In March, NERC management conducted a Request for Proposal (RFP) process, at the direction of the Committee, to identify and select a consultant to assist the Committee with three studies: Board of Trustees compensation, NERC Officer compensation, and a Staff Pay Mix Advisory. Four companies responded: Meridian, Pay Governance, Mercer and Willis Towers Watson; Korn Ferry and Quatt Associates declined to participate. The Committee at its April 22 closed meeting reviewed the RFP submissions and selected Meridian Compensation Partners, LLC (Meridian) as the successful firm. Meridian attended the Committee's May 4 closed meeting, introduced the study team, provided an overview of its proposed management of the three studies, and sought input and guidance from the Committee.

Any recommended adjustments to the Trustee's compensation will be brought for Committee approval and recommendation to the Board of Trustees for approval at the Committee's November 2021 meeting.

## **Human Resources and Staffing Update**

### **Action**

Review

### **Background**

In 2020, NERC made a deliberate choice to use the global pandemic as an opportunity to strengthen the processes by which we attract, retain, and engage employees in the “new normal” work environment.

The company also kept focus on cultural transformation to ensure staff wellness and productivity. Key successes in 2020 included more frequent and interactive town halls, all-staff training on implicit bias as part of the company’s diversity and inclusion goals, establishment of multiple employee resource groups, enhanced performance management processes and technology, and investments in training for leading teams in virtual environments. Not only did these initiatives result in the company’s lowest attrition rate, but they created the foundation for additional strengthening of the company’s culture and staff loyalty and engagement in 2021. In the coming year, the company will build on this foundation to continue to make significant investments in the culture including routine climate surveys, all-staff, multi-day Transformation Leadership training, additional manager training and empowerment to be “better leaders,” and continued development of a flexible workforce.