

## Board of Trustees Enterprise-wide Risk Committee Mandate

Approved by the Board of Trustees: February 11, 2016

### Committee Membership

The Board of Trustees Enterprise-wide Risk Committee (EWRC or the Committee) of the North American Electric Reliability Corporation (NERC or the Corporation) shall be composed of not less than three and not more than six of the independent members of the Board of Trustees (Board), one of whom shall be the chair of the Finance and Audit Committee. In addition, the members of the EWRC shall include the chair of NERC's Compliance and Certification Committee (CCC) and the chair of the Regional Entity Management Group (REMG). In the event that the chair of the CCC and/or REMG are unavailable to attend a meeting, they may designate an alternate member of the CCC Executive Committee (Chair, Vice Chair, and Subcommittee Chairs) or REMG, respectively, to attend and participate in EWRC meetings in their absence.

The members of the EWRC shall be appointed or reappointed by the Board at the regular meeting of the Board immediately following each Annual Meeting of the Member Representatives Committee. Each member of the EWRC shall continue to be a member thereof until a successor is appointed, unless the member resigns, is removed, or, for the chairs of the CCC or REMG, ceases to be chair of the CCC or REMG, respectively. When a vacancy occurs at any time in the membership of the EWRC, it may be filled by the Board.

Given the sensitive and confidential nature of the material reviewed and discussed by the EWRC, any non-trustee member (or permitted attendee in lieu of a member) shall be required to enter into confidentiality agreements with the corporation in a form approved by the EWRC.

### Purpose

The purpose of the EWRC is to assist the Board in the oversight of (i) the corporation's risk management program, internal controls processes and ethics related policies and procedures, (ii) compliance by NERC and each of the Regional Entities with the NERC Rules of Procedure (ROP) and governmental authorizations, regulations and orders, and (iii) coordinating with the CCC with respect to the CCC's execution of its responsibilities under applicable orders, the ROP and the CCC's Charter, as well as performing such other responsibilities as directed by the Board or this Mandate.

## Committee Authority and Responsibilities

To carry out its purpose, the EWRC shall have the following authority and responsibilities:

1. Review, make recommendations to the Board, and oversee the development and implementation of internal risk management and internal control strategies, policies, procedures, and mitigation programs.
2. Provide oversight and direction to guide the design and implementation of risk management practices which ensure that:
  - a. Best practices are incorporated;
  - b. Management of the corporation understands and accepts its responsibility for identifying, assessing, and managing risk;
  - c. Risk assessments are performed periodically and completely; and,
  - d. Adequate and effective risk mitigation strategies are in place.
3. Monitor and assess the adequacy of:
  - a. The corporation's compliance with internal operating procedures and controls, as well as corporate ethics policies, codes of conduct, and conflicts of interest;
  - b. The corporation's and the eight Regional Entities' compliance with the ROP, as well as applicable regulations, orders, or other authorizations by the Federal Energy Regulatory Commission (FERC) and any other applicable governmental entities;
  - c. Regional Entities' performance of obligations under the delegation agreements between the Regional Entities and the corporation; and,
  - d. Risk mitigation practices adopted by the corporation.
4. Coordinate with the CCC with respect to the CCC's execution of its responsibilities under applicable FERC orders, the ROP, and CCC Charter, including:
  - a. Monitoring NERC's compliance with any Reliability Standards that apply to NERC;
  - b. Establishing procedures for monitoring NERC's compliance with the ROP in the design and execution of NERC's standards development, compliance monitoring and enforcement, and organization registration and certification program;
  - c. Overseeing NERC's performance of an independent audit of its compliance monitoring and enforcement program and its organization registration and certification programs;
  - d. Sharing information in order to leverage EWRC and CCC activities to maximize the benefits of both internal review and independent review perspective; and,
  - e. Overseeing the establishment and implementation of internal audit and risk management capability to ensure that risks are being systematically identified and that appropriate control procedures are established and implemented.
5. Provide recommendations regarding resource requirements in connection with the annual business plan and budget process.

6. Prepare reports to the Board no less than annually and at such other times as deemed necessary in the judgment of the chair of the EWRC regarding:
  - a. The magnitude of all material risks to the corporation;
  - b. The processes, procedures, and controls in place to manage material risks; and
  - c. The overall effectiveness of the risk management and internal controls processes.
7. Conduct an annual executive session meeting with each of the corporation's general counsel and head of internal audit, and such external parties utilized by the corporation in the performance of internal audit functions as the Committee shall elect.
8. Perform such other functions as may, from time to time, be delegated or assigned by the Board.

## **Committee Meetings**

The EWRC shall meet at least quarterly by conference call or in person. Meetings may occur at the same place in conjunction with the regular Board meetings of the corporation, or as determined by the members of the BOTCC, using the same meeting procedures established for the Board. The EWRC shall meet in closed session given the sensitive nature of the materials discussed.

Attendees at the meeting may include the Chief Executive Officer of the corporation, the Chief Financial and Administrative officer of the corporation, and such other employees of the corporation or other individuals as the Chair of the EWRC deems advisable. The EWRC may, at the discretion of the Chair and with notice to the EWRC members, meet in special session with only Board members present.

A majority of the EWRC members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the EWRC requires a vote of a majority of the Committee members then in attendance at any Committee meeting provided a quorum is present; and (b) participation may be telephonic or by Action without a Meeting. The Committee may hold special meetings as circumstances require. Minutes of each Committee meeting shall be maintained as part of the Committee's record.

## **Governance**

The Board, or in the event of their failure to do so, the members of the EWRC, shall appoint a chair from among their members. The EWRC Chair shall be responsible for leadership of the Committee, including scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. A member(s) of the NERC staff shall assist the Chair and shall serve as the non-voting secretary.

## **Review**

The EWRC shall review this mandate annually and recommend to the Board Corporate Governance and Human Resources Committee any changes it considers advisable. Any changes must be approved by the full Board. The EWRC shall complete a self-assessment annually to determine its effectiveness.