

## Agenda

# Corporate Governance and Human Resources Committee Meeting

February 9, 2022 | 3:30-4:30 p.m. Eastern  
Virtual Meeting

**WebEx Link:** [Join Meeting](#)

### Introduction and Chair's Remarks

### NERC Antitrust Compliance Guidelines\*

### Agenda Items

1. **Minutes\* — Approve**
  - a. November 3, 2021 Meeting
2. **Proposed Amendments to Board Committee Mandates\* – Approve and Recommend to Board of Trustees for Approval**
3. **Proposed Increase in Vice Chair Stipend\* – Approve and Recommend to Board of Trustees for Approval**
4. **Board Committees' Self-Assessment Surveys\* — Approve**
5. **Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results\* — Review**
6. **Proposed Amendment to the NERC Governance Guidelines\*— Approve and Recommend to Board of Trustees for Approval**
7. **Annual Conflict of Interest and Independence Report\*— Review**
8. **Human Resources and Staffing\* — Update**
9. **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

November 3, 2021 | 11:30 a.m. – 12:15 p.m. Eastern

Virtual Meeting

### Call to Order

Chair George S. Hawkins called to order a duly noticed 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 November 3, 2021, at approximately 11:30 a.m. Eastern, and a quorum was declared present.

Present at the meeting were:

#### Committee Members

George S. Hawkins, Chair

Jane Allen

Robert G. Clarke

Colleen Sidford

Roy Thilly

Kenneth W. DeFontes, Jr., *ex officio*

#### Board Members

Larry Irving

Susan Kelly

Suzanne Keenan

Robin E. Manning

Jim Piro

James B. Robb, NERC President and Chief Executive Officer

#### NERC Staff

Tina Buzzard, Assistant Corporate Secretary

Manny Cancel, Senior Vice President and CEO 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

Sônia Mendonça, Senior Vice President, General Counsel and Corporate Secretary

Lauren Perotti, Senior Counsel

Bryan Preston, Vice President, People and Culture

Janet Sena, Senior Vice President, External Affairs

Andy Sharp, Vice President and Chief Financial Officer

Mechelle Thomas, Vice President, Compliance

#### Chair’s Remarks

Mr. Hawkins welcomed the participants to the meeting. He remarked on the momentous changes in workforce participation models due to the pandemic and emphasized that the Committee and NERC management continue to pay close attention to the health and welfare of the enterprise as changes unfold.

Mr. Hawkins also welcomed the new NERC Vice President of People and Culture Bryan Preston.

Mr. Hawkins reported that the Committee met in closed session on September 28, 2021, to review the results of the Board of Trustees compensation study and discuss the Trustee compensation recommendations being presented at this meeting. The Committee also reviewed the results of the NERC officer compensation study it commissioned. Mr. Hawkins reported that the Committee met in closed session on November 1, 2021, to review its mandate and travel policies and conduct executive sessions to discuss NERC's people and culture initiatives and compensation matters.

### **NERC Antitrust Compliance Guidelines**

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

### **Minutes**

Upon motion duly made and seconded, the Committee approved the minutes for the August 11, 2021, meeting as presented to the Committee.

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

Ms. Perotti presented the Board of Trustees Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey for the Committee's approval, referencing the materials included in the advance agenda package. She noted that the questions remain consistent from prior years to aid in more meaningful year over year analysis, and the results would be reviewed and discussed at the February 2022 meetings.

Upon motion duly made and seconded, the Committee approved the Board of Trustees Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey, as presented to the Committee.

### **Board of Trustees Proposed Compensation Changes**

Mr. Hawkins introduced the topic, noting that the Committee engaged the compensation consulting firm of Meridian Compensation Partners ("Meridian") to conduct an update to the market study of Board compensation completed in 2018, to aid in its determination of whether to recommend any changes to the Board's compensation program. He referred to the findings of the Meridian report summarized in the advance agenda package. Mr. Hawkins then reviewed the proposed changes to existing trustee compensation, noting that the proposed target annual retainer is below the median of the range contemplated by the NERC Governance Guidelines and no changes are being proposed to the chair and liaison retainers at this time.

Following discussion and upon motion duly made and seconded the Committee voted to accept the Meridian report and recommend for the Board's approval the following Trustee compensation program:

- Annual Retainer: Establish a target annual retainer for each Trustee of \$135,000. The new retainer will be implemented annually over the next three years with no increase in 2022, a \$3,500 increase in 2023, and a \$4,000 increase in 2024.

- Chair Retainer: Continue the annual retainer for the Board Chair of \$47,500.
- Committee Chairs Retainer: Continue the annual retainer for Committee Chairs of \$10,000, with an annual review in 2023 and 2024 if an adjustment is warranted.
- Vice Chair and Liaison Retainers: Continue the annual retainer of \$5,000 for the Board Vice Chair, with a separate retainer of \$5,000 for the Trustee who is designated as the liaison to the Standards Committee and the Trustee designated as the liaison to the Reliability and Security Technical Committee.

Mr. Hawkins thanked the Committee and the Board for their work and thoughtful discussions regarding this matter.

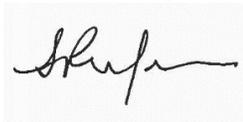
### **Human Resources Update and Staffing Report**

Mr. Epperson provided the human resources and staffing update, highlighting positive trends in employee engagement, record low attrition, and the recent addition of Mr. Preston. Mr. Hawkins reported highlights from Mr. Preston's discussion at the November 1 closed meeting, noted the continued importance of diversity and inclusion efforts, and remarked on the need to remain competitive in light of current labor market conditions.

### **Adjournment**

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

Submitted by,



Sônia Mendonça  
Corporate Secretary

## **Proposed Amendments to Board Committee Mandates**

### **Action**

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

### **Summary**

As part of the annual review of all Board committee mandates, the Corporate Governance and Human Resources Committee (CGHRC) is asked to approve and recommend to the Board for approval at its February meeting proposed amendments to the CGHRC, Finance and Audit Committee (FAC), and Enterprise-wide Risk Committee (EWRC) mandates.

As to the CGHRC mandate, management is recommending the following revisions:

- Consistent with its corporate governance oversight role, the CGHRC will review on a periodic basis the charters of NERC's standing committees and recommend changes to the Board, as appropriate.
- Consistent with its current practice, the CGHRC will meet at least quarterly instead of twice yearly.

Management is recommending the following revision to the FAC mandate:

- The FAC will no longer approve a three-year audit plan as provided in the current mandate. Instead, the Director of Internal Audit will develop an annual audit plan, which includes a near-term, comprehensive projection of risk and associated audit activities. This update reflects the adoption of a periodic risk assessment process that occurs throughout the year and is more agile and reflective of internal and external factors that impact the organization's internal control environment.

Management is recommending the following revisions to the EWRC mandate:

- The EWRC will report the "top or key risks to the corporation, emerging risks, and trends," instead of the "magnitude of material risks to the corporation." This revision improves the description of the monitored risks without a definition of "material" that applies to the corporation.
- As a related change, the EWRC will report "the processes, procedures, and controls in place to manage key risks," in place of reporting on the mechanisms applicable to "material risks."
- Given the sensitive and confidential nature of material reviewed and discussed by the EWRC, NERC management clarifies that confidential obligations applicable to meeting participants are memorialized in different vehicles, not all of which are approved by the EWRC.

No revisions have been recommended to the mandates of the Technology and Security or Compliance Committees at this time. The Nominating Committee will review its mandate at its

March 2022 meeting with any recommended revisions to be presented to the CGHRC at its May 2022 meeting.

# Board of Trustees Corporate Governance and Human Resources Committee Mandate

Approved by the Board of Trustees: ~~February 4,~~  
~~2021~~TBD

## Committee Membership

The Board of Trustees Corporate Governance and Human Resources Committee (CGHRC or the Committee) of the North American Electric Reliability Corporation (NERC) shall be composed of not less than three and not more than six of the independent members of the Board of Trustees (Board). The members of the CGHRC 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 CGHRC shall continue to be a member thereof until a successor is appointed, unless a member resigns, is removed, or ceases to be a trustee of the corporation. When a vacancy occurs at any time in the membership of the CGHRC, it may be filled by the Board.

## Purpose

The purpose of the CGHRC is to assist the Board in (i) ensuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation's employee compensation and benefit approaches, including the compensation of the corporation's Board members and officers, and (iii) overseeing the corporation's programs and practices for personnel development and human resources, 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 CGHRC shall have the following authority and responsibilities:

### Corporate Governance:

1. Develop criteria governing the overall composition of the Board for recommendation to the Board.
2. Periodically review the criteria for independence of the Board set out in the NERC Bylaws and recommend changes to the Board, as appropriate.
3. Monitor the membership of the Board to ensure that: (i) the Board members are independent, (ii) qualifications under any applicable laws are maintained, and (iii) specific situations of conflict of interest are avoided.
4. Coordinate an annual effectiveness evaluation of the Board, its structure, and processes.
5. Review the self-assessments of the Board committees to assure that they are being done on a consistent basis.

6. Review on a periodic basis the structure of the other Board committees and, together with chairs of other Board committees, review the mandate of each committee and recommend changes to the Board, as appropriate.
- ~~7.~~ 7. Consult with the Board chair on Board committee membership and chairs, and other Board-related assignments.
- ~~7.8.~~ 7.8. Ensure the meaningfulness and timeliness of support, information, and documentation from NERC management to the Board.
- ~~8.9.~~ 8.9. Develop a Board member and company code of conduct and conflict of interest policy for adoption by the Board and periodically review the code of conduct and conflict of interest policy and recommend changes, as appropriate.
- ~~9.10.~~ 9.10. Develop recommendations for the Board regarding Board member succession policy.
- ~~10.11.~~ 10.11. Develop Governance Guidelines for adoption by the Board that address the overall governance processes of the Board, and periodically review them and recommend changes, as appropriate.
- ~~11.12.~~ 11.12. Review, on a periodic basis, the charters of each of the standing committees of the Corporation and recommend changes to the Board, as appropriate.

#### Compensation and Benefits:

1. Review, on an annual basis, the compensation plan for members of the Board and make recommendations to the Board, as appropriate.
2. Conduct periodic reviews of industry compensation and benefit practices and trends and other information in order to assess the adequacy, effectiveness and competitiveness of the Company's compensation and benefit plans for Board members and officers.
3. Review and receive periodic updates on the Corporation's annual performance goals for use in determining incentive compensation.
4. Review and approve a general compensation and benefit structure for the officers and management of the corporation.
5. Review the performance and approve the compensation and significant benefit plans for all officers of the Corporation, including salaries, bonuses, life insurance and retirement benefits, based on recommendations by the NERC's President and Chief Executive Officer (the "CEO").
6. Recommend to the Board the appropriate compensation, including salary and bonus, of the CEO.

#### Personnel Development and Human Resources:

1. Regularly review the performance of the CEO and provide feedback as appropriate.
2. Review with the CEO the essential elements of key personnel succession planning.
3. Review overall staffing levels and management's plans and activities for the development and improvement of key personnel.

## Other Matters

1. Oversee the corporation's retirement plans and take various other actions related thereto, including, but not limited to, the following: (i) create such retirement plan investment policy statements and retirement plan oversight committees as it deems appropriate to provide day to day oversight of the company's retirement plans; (ii) review, on an annual basis, the performance of the company's retirement plans; and (iii) undertake such other actions as it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
2. Review the corporate governance aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.
3. Whenever it may be appropriate to do so, retain and receive advice from experts, including independent compensation consultants and legal counsel, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the CGHRC as the CGHRC may consider appropriate.
4. Perform such other functions as may be delegated from time to time by the Board.

## Committee Meetings

The CGHRC shall meet at least ~~twice a year~~ 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 CGHRC, using the same meeting procedures established for the Board. Meetings may be held in either open or closed session as set forth in the Bylaws of the corporation.

A majority of the Committee members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the CGHRC 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 CGHRC, shall appoint a chair from among their members. The CGHRC Chair shall be responsible for leadership of the Committee, scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. The CGHRC shall appoint a person, who does not need to be a member of the Board or of the Committee, to assist the Chair and serve as the non-voting secretary.

## Review

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

### **Proposed Increase in Vice Chair Stipend**

#### **Action**

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

#### **Summary**

In November 2021 upon recommendation of the Corporate Governance and Human Resources Committee (CGHRC), the Board approved certain modifications to the Trustee compensation program to be implemented during a three year period, from 2022 to 2024. Among other things, the Board set a new annual retainer of \$135,000 for each Trustee, to be accomplished through a \$3,500 increase to the current retainer levels in 2023 and a \$4,000 increase in 2024. The Board maintained the retainer for the Board chair and Committee chairs at current levels with the understanding that it would perform an annual review to consider whether an adjustment to the retainers for Committee chairs would be warranted in 2023 and 2024.

In reviewing the 2022 committee assignments and considering the Board Vice Chair's workload in 2022 is expected to match the Committee chair workload, the CGHRC is considering an increase in the Vice Chair retainer to \$10,000, beginning in 2022.

This adjustment is consistent with the CGHRC's findings in November regarding the substantial additional responsibilities and time commitment associated with the role of Vice Chair, and the importance for NERC to be able to recruit and retain qualified and quality individuals to Board service, in light of competition from other organizations and significant limitations to outside activities for NERC Trustees due to a strict conflict of interest policy.

If recommended by the CGHRC, the adjustment to the Vice Chair stipend will be submitted to the Board for consideration.

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

### **Action**

Approve

### **Summary**

In connection with the November 2017 approved revised approach for the Board Committees' self-assessment surveys, NERC management presents a draft of the proposed surveys, a copy of which is included in the materials, for Committee approval.

Management recommends the following timeline for the 2022 governance year-end Committee surveys:

- Surveys distributed to Committee members by February 15, 2022.
- Responses due by March 15, 2022.
- Draft summary of results provided to Board and Committee Chairs by April 8, 2022.
- Results presented at the May 2022 CGHRC meeting with additional discussion as needed at the individual Committee meetings.

# Committee Self-Evaluations

February 9, 2022

## Timeline and Structure

The Committee Self-Evaluations will be administered in February, at the end of the governance year. The Self-Evaluations for the Board of Trustees and the Member Representatives Committee will continue to take place around November.

The Self-Evaluations will occur online, accessible through a link provided by the vendor, consistent with prior practice.

## Survey Questions

The Self-Evaluation for each Committee will consist of the same three questions, except the “purpose” included in Question 2 will vary. Each question will be answered with either “Yes” or “No.” Questions answered “No” will require the Trustee respondent to include a comment. The Trustee respondent will also have the option to include a comment with a response of “Yes.”

### Sample Instructions:

In considering each question, the Trustee respondent should provide a response of “Yes” or “No.” The survey will include a prompt requiring comment for any item answered “No.” Optional comments may be provided for questions answered “Yes.”

### Sample survey questions (information in brackets will vary per committee):

1. Is the organization and structure of the committee appropriate for effective operation? For example, the number of members, number of meetings, quality and timeliness of materials provided in support of the agenda, and the management of the Committee Chair.
2. The purpose of [COMMITTEE NAME] is [PURPOSE]. Is the committee effectively carrying out its purpose as stated above, [include the following if not part of Committee’s purpose “as well as performing such other responsibilities as directed by the Board or the committee mandate”]<sup>1</sup>? Include any specific suggestions regarding where the committee should focus further effort to address its purpose.
3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate.

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<sup>1</sup> Include for CC and NC. All other committees’ purposes include this sentence.

Committee	Purpose from Mandate
CC	The purpose of the BOTCC is to assist the Board with governance, oversight, guidance, and policies to help assure the NERC Compliance Monitoring and Enforcement Program (CMEP) and the NERC Organization Registration and Certification Program (ORCP), as administered by NERC and the Regional Entities to which NERC has delegated authority pursuant to Regional Delegation Agreements, support the reliability of the North American bulk power system, and are administered fairly and efficiently.
CGHRC	The purpose of the CGHRC is to assist the Board in (i) ensuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation's employee compensation and benefit approaches, including the compensation of the corporation's Board members and officers, and (iii) overseeing the corporation's programs and practices for personnel development and human resources, as well as performing such other responsibilities as directed by the Board or this Mandate.
EWRC	The purpose of the EWRC is to assist the Board in the oversight of (i) the corporation's risk management program, (ii) internal controls processes and ethics related policies and procedures, and (iii) the Compliance and Certification Committee's monitoring responsibilities under the Rules of Procedure with respect to the NERC Compliance Monitoring and Enforcement Program, Organization Registration program, Organization certification program, and the Reliability Standards development programs.
FAC	The purpose of the FAC is to assist the Board in fulfilling its oversight responsibilities for (i) NERC's audits and related governance, risk management and control processes performed by NERC Internal Audit; (ii) financial results and reporting process; (iii) system of internal financial and accounting controls and financial audit process; (iv) its oversight of the NERC, Regional Entities, and Western Interconnection Regional Advisory Board business plans and budgets; and (v) performing such other responsibilities as directed by the Board or this Mandate. NERC's EWRC shall have primary responsibility overseeing the development and implementation of NERC's oversight that is performed in coordination with the Compliance and Certification Committee.
NC	The purpose of the BOTNC is to act as the nominating committee required by Article III, Section 5 of the corporation's Bylaws.
TSC	The purpose of the TSC is to assist the Board by providing oversight to the corporation's (i) information technology program, (ii) information security program, and (iii) Electricity Sector Information Sharing and Analysis Center (E-ISAC), as well as performing such other responsibilities as directed by the Board or this Mandate.

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

**Action**  
Review

**Summary**

Results of the 2021 NERC Board of Trustees (Board) Self-Assessment and Member Representatives Committee Assessment of the Board Effectiveness Survey, which annually assesses and monitors the performance and effectiveness of the Board, will be reviewed.

## **Proposed Amendment to the NERC Governance Guidelines**

### **Action**

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

### **Background**

Annually, the Corporate Governance and Human Resources Committee has the opportunity to review a number of policies embodied in the NERC Governance Guidelines, including those relating to the criteria for the overall composition of the Board, the criteria for independence of the Board, policies on codes of conduct and conflicts of interest, and other governance matters. The Governance Guidelines were last revised by the Board at its May 13, 2021, meeting.

At its November 1, 2021, closed meeting, the Board received training from the General Counsel on fiduciary duties, governance responsibilities, and emerging trends in corporate governance. Noting that the Board may periodically consist of an even number of members, the Board discussed revising the Governance Guidelines to include a provision to determine the outcome of any tied votes. As part of the annual review cycle, and based on the discussion from the November governance training, management is recommending the inclusion of a tie-breaker provision to the Governance Guidelines, as shown in the attached redline.

No other revisions are recommended at this time.

### **Summary**

The proposed Governance Guidelines include a new tie-breaker provision to determine the outcome of any tied votes. In the event the Board takes a vote on an action requiring a simple majority and such vote results in a tie, the vote of the independent Trustees shall control the outcome; the vote of the management Trustee (i.e., the president of the corporation) shall be excluded.

## 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.

In the event the Board takes a vote on an action requiring a simple majority and such vote results in a tie, the vote of the management trustee shall be excluded to determine the outcome.

## **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 is defined as:

a person who is not (i) an employee of the Corporation, (ii) a user, owner, operator of the Bulk Power system subject to Reliability Standards, or an officer, director, or employee of such an entity, (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 decisions; and is 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)(iii).

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

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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.

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 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**

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

### **Action**

Review

### **Background**

Pursuant to its Mandate, the Committee is required to:

1. Periodically review the criteria for independence of the Board of Trustees (Board) as set out in the NERC Bylaws and recommend any changes to the Board, as appropriate.
2. Monitor the membership of the Board to determine that (i) Board members are independent; (ii) qualifications under any applicable laws are maintained; and (iii) specific situations of conflict of interest are avoided.

Consistent with past practice, the Legal and Human Resources departments have distributed and reviewed conflict of interest questionnaires for all NERC Trustees, officers, key employees and all other employees. In addition, the Legal department has reviewed the independence criteria for Trustees as set forth in the NERC Bylaws and considered any applicable legal requirements related thereto, including Section 215 of the Federal Power Act.

The Legal and Human Resources departments have advised the Committee that:

1. Based on the completed conflict of interest questionnaires, each NERC Trustee, officer, key employee and employee is in compliance with all applicable conflict of interest and independence requirements.
2. No modifications are necessary to NERC's independence and conflict of interest requirements or policies.
3. NERC's current Board meets all qualifications under applicable laws.

## **Human Resources and Staffing**

### **Action**

Update

### **Background**

NERC management is in its second year of re-imagining the processes by which we attract, engage, and retain employees, continuing to make investments in programs and tools for staff wellbeing and productivity to ensure we're appropriately positioned to meet our human capital needs for the next five years and beyond.

In 2021 management focused attention on the first of four stages in NERC's People Strategy, the Foundation Integration, which included defining our diversity and inclusivity goals and implementing supporting initiatives such as employee resource groups, Transformational Leadership training, and communications and performance management enhancements. As part of the company's workforce planning, focus was also given to succession management.

Work on additional items in the Development Integration phase will begin, which includes a heavy focus on the engagement element of our attraction, engagement, retention model, and will continue the enhancement of programs such as performance management and staff and leadership development. Efforts will also be concentrated on improving processes related to total rewards, talent acquisition, compensation management, and the development of workforce analytics.

Once the above phases are in process, we will move to the Talent Integration and Ongoing Development phase to further enhance our processes. This will allow us to monitor the company's culture through surveys, key performance indicators and other signs of organization health and make adjustments to future human capital plans as appropriate.

As the phases are implemented, Management will continue to closely monitor federal, state, and local COVID-19 guidance to ensure employees are comfortable as the company considers responsible reentry timelines and processes.

As the company continues to execute against its long-term strategic people and culture plan, management will make periodic updates to the Board of Trustees on key milestones and progress.