

Agenda

Corporate Governance and Human Resources Committee

May 13, 2020 | 11:00-11:45 a.m. Eastern
Conference Call

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Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines*

Agenda Items

1. **Minutes* — Approve**
 - a. February 5, 2020 Meeting
2. **Board Committees' Self-Assessment Surveys Results* — Review**
3. **Annual Review of Trustee Compensation* — Update**
4. **Staffing and Recruiting Update* — Review**
5. **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 5, 2020 | 8:00-9:00 a.m. Pacific

westdrift Manhattan Beach, Autograph Collection
1400 Park View Avenue
Manhattan Beach, California 90266

Mr. Kenneth W. DeFontes, Chair 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 February 5, 2020, at 8:00 a.m. Pacific, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Kenneth W. DeFontes, Chair
Robert G. Clarke
Robin E. Manning
Jan Schori
Roy Thilly, *ex officio*

Board Members

Janice B. Case
Frederick W. Gorbet
George S. Hawkins
Suzanne Keenan
James B. Robb, President and Chief Executive Officer
Colleen Sidford

NERC Staff

Tina Buzzard, Associate Director
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
Stan Hoptroff, Vice President, Business Technology
Ed Kichline, Senior Counsel and Director of Enforcement Oversight
Mark Lauby, Senior Vice President and Chief Engineer
Bill Lawrence, Vice President, ERO Enterprise Security Initiatives
Sônia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
Janet Sena, Senior Vice President, External Affairs
Andy Sharp, Vice President, and Interim Chief Financial Officer
Mehelle Thomas, Vice President, Compliance

NERC Antitrust Compliance Guidelines

Mr. DeFontes 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.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the October 31, 2019 meeting as presented at the meeting.

Report on Matters Discussed in January 13-14 and February 4, 2020 Closed Sessions

Mr. DeFontes reported that during these meetings, the Committee addressed a number of compensation related items, including: (i) acceptance of the 2019 metrics results; (ii) recommendation of the compensation for the Chief Executive Officer; and (iii) approval of NERC officer compensation. The Board also conducted its annual review of the Board Chair, and reviewed the overall Board schedule and Trustee stakeholder outreach.

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 and recommended approval by the Board.

2020 Board of Trustees Committee, Chair and Chair-Elect/Vice Chair Appointments and Related Assignments

Mr. DeFontes reviewed the Committee, Chair, and Chair-Elect/Vice Chair appointments, and related assignments recommended by Mr. Thilly. After discussion, and upon motion duly made and seconded, the Committee recommended approval of the proposed appointments and assignments by the Board.

2020 Work Plan Priorities

Mr. Lauby reviewed the proposed 2020 Work Plan Priorities, highlighting how the priorities closely align with the ERO Enterprise Long-Term Strategy. The Committee proposed revising the wording for the Supply Chain objective in the 2020 Work Plan Priorities. After discussion, and upon motion duly made and seconded, the Committee approved the 2020 Work Plan Priorities and recommended approval by the Board, recognizing the Supply Chain language will be revised.

2019 Work Plan Priorities Year-End Report

Mr. Lauby reviewed the 2019 Work Plan Priorities Year-End Report, referencing the material included in the advance agenda package. He noted that the 2019 Work Plan was largely on track, and all but one objective was completed.

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 ("MRC") Assessment of Board of Trustees Effectiveness, referencing the presentation included in the advance agenda package. She highlighted the 100 percent response rate and the increased

comment rate by the Board and MRC. The Committee discussed the importance of maintaining a focus on the effectiveness and efficiency of meetings and stakeholder engagement.

NERC Governance Guidelines Annual Review

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

Annual Conflict of Interest and Independence Report

Mr. DeFontes 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. He reported that no independence issues were identified and all appropriate recusals are in place.

Annual Review of Committee Mandate

Mr. DeFontes noted that the Committee is required to review its mandate on an annual basis. He stated that the NERC Legal Department did not recommend any revisions to the Committee Mandate.

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 investments and progress in enhancing all Human Resource products and services, resulting in improved employee retention and a low annual attrition rate for 2019.

Adjournment

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

Submitted by,



Sônia Mendonça
Corporate Secretary

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

- 2020 NERC Board of Trustees Committees' Self-Assessments Results

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

NERC Committee Assessments

2019 Board of Trustees Working Sub-Committees
Final Results

Sonia Mendonca, Senior Vice President and General Counsel
Corporate Governance and Human Resources Committee Meeting
May 13, 2020

RELIABILITY | ACCOUNTABILITY



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- NERC engaged TalentQuest to conduct its annual Board of Trustees' Committee Surveys. This report provides the results for the assessments from the following six committees:
 - *Compliance Committee (5 members)*
 - *Nominating Committee (12 members)*
 - *Finance and Audit Committee (5 members)*
 - *Enterprise-wide Risk Committee (8 members)*
 - *Corporate Governance and Human Resources Committee (5 members)*
 - *Technology and Security Committee (5 members)*
- The assessments consisted of the same three Yes-No questions with comment fields for explaining responses.
 - *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?*

- Response from the committee members was as follows:
 - *Compliance Committee, 5 of 5 members – 100%*
 - *Nominating Committee, 10 of 12 members – 82%*
 - *Finance and Audit Committee, 4 of 5 members – 80%*
 - *Enterprise-wide Risk Committee, 7 of 8 members – 87.5%*
 - *Corporate Governance and Human Resources Committee, 5 of 5 members – 100%*
 - *Technology and Security Committee, 5 of 5 members – 100%*
- 97% of all committee members were able to answer “Yes” to questions 1 and 2. 100% were able to answer “Yes” to question 3
- Comment themes and specific counts appear on the following slides by Committee

Assessment Results By Committee

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
 - *The organization and structure of the committee is appropriate.*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
 - *Great progress; continued focus on repeat medium and serious violations.*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=5**
 - *The mandate is appropriate.*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 90% “Yes”, 10% “No” N=10**
 - *Successful addition of a new Trustee.*
 - *Committee make-up, communications, and partnership with the MRC members continues to be appropriate.*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=10**
 - *The Committee continues to perform effectively taking the responsibility of ensuring new members possess the needed skills, experience, and meet all independence requirements.*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% "Yes" N=10**
 - *The mandate is clear, simple, and appropriately provides for common support by the MRC and Board members in the selection of new members.*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=4**
 - *The Committee Chair and NERC Staff have done an excellent job of focusing in the proper areas, making good use of the Committee’s time, and providing information in a clear and transparent manner.*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=4**
 - *The Committee continues to perform effectively; suggested focus areas for 2020: cash management, internal controls, total ERO reserves, business plan and budget process, financial statements format.*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% "Yes", N=4**
 - *The mandate is appropriate.*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=7**
 - *Meeting preparation, and quality of materials and presentations is appropriate and effective.*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 83% (5) "Yes", 17%(1) "No" N=6**
 - *Committee is performing effectively; focus areas for 2020: ensure work plan is appropriate and not overly ambitious, continue to refine the level and delivery of information with respect to defining risks and their mitigating activities.*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% "Yes", N=6**
 - *The mandate is appropriate; continue proper collaboration on identification of emerging risks with other Board Committees as needed.*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
 - *The organization and structure of the committee is appropriate.*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
 - *The committee is performing effectively; focus area for 2020: Board and NERC staff compensation market studies.*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% "Yes", N=5**
 - *The mandate is appropriate.*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
 - *The Committee Chair and NERC Staff have done an excellent job of focusing in the proper areas, making good use of the Committee’s time, and providing continued education on important matters such as cyber hygiene.*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
 - *The committee is performing effectively; focus area for 2020: continued oversight of the Align project, information security program, and the E-ISAC.*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% "Yes", N=5**
 - *The mandate is appropriate.*



Questions and Answers

Annual Review of Trustee Compensation

Action Review

Summary

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 and the firm which conducted a market study of board compensation on behalf of NERC in 2013 and 2015, to update its 2015 study of board compensation to aid the Committee in its review of the NERC Trustee compensation program (a responsibility of the Committee under its Mandate) and to 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. Given the multi-year compensation adjustment plan, management is not recommending any action this year.

Staffing and Recruiting Update

Action

Review

Background

2019 was a pivotal year in the company's multi-year human resources (HR) strategy. Management and HR have made significant investments and progress in enhancing all HR products and services to strengthen the quality, performance and loyalty of staff. Significant progress has been made in augmenting technical staff in E-ISAC, galvanizing the leadership team through ongoing training and team-building activities, and strengthening availability of service in the Washington, D.C. office through the addition of a HR Business Partner with particular skills in organization development and change management.

Work remains active on the continued development of NERC's "invented future," but, with the impact of COVID-19, management has devoted additional resources to employee wellness to ensure staff have access to productivity and coping tools. Through regular business continuity communications and additional focus on employee wellbeing, the company has developed a prioritized set of goals on which progress is being made. Workforce development teams are continuing to develop and refine enhanced recruitment/selection, onboarding, performance management, and diversity and inclusion programs, and management will continue to report on these initiatives.