Call to Order

Introductions and Chair’s Remarks

NERC Antitrust Compliance Guidelines

Agenda Items

1. Minutes* — Approve
   a. May 3, 2018


3. Board of Trustees Remuneration Study Findings* – Accept Consultant’s Report and Recommend to Board of Trustees Any Changes to Trustee Compensation

4. 2018 ERO Enterprise and Corporate Performance Metrics* – Review

5. Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments* — Review


7. Human Resources and Staffing Update* – Review

8. 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.
Chair Robert G. Clarke 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 May 3, 2018, at 2:00 p.m. Eastern, and a quorum was declared present. The agenda is attached as Exhibit A.

Present at the meeting were:

**Committee Members**
- Robert G. Clarke, Chair
- Frederick W. Gorbet
- George S. Hawkins
- Roy Thilly

**Board Members**
- Kenneth W. DeFontes, Jr.
- David Goulding
- Suzanne Keenan
- Jan Schori
- Jim Robb, President and Chief Executive Officer

**Committee Members Not Present**
- Robin E. Manning

**NERC Staff**
- Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
- Tina Buzzard, Associate Director
- Damon Epperson, Director of Human Resources
- Stan Hoptroff, Vice President, Chief Technology Officer, and Director of Information Technology
- Scott Jones, Senior Vice President, Chief Financial and Administrative Officer, and Corporate Treasurer
- Mark G. Lauby, Senior Vice President and Chief Reliability Officer
- Sonia C. Mendonça, Vice President, Deputy General Counsel, and Director of Enforcement
- Janet Sena, Senior Vice President and Director of Policy and External Affairs
- Michael Walker, Senior Vice President and Chief Enterprise Risk and Strategic Development Officer

**NERC Antitrust Compliance Guidelines**
Mr. Clarke 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 Mr. Berardesco.
Minutes
Upon motion duly made and seconded, the Committee approved the minutes of the February 7, 2018 meeting as presented at the meeting.

Report on Matters Discussed in April 17, 2018 Closed Session
Mr. Clarke reported that during the April 17, 2018 meeting, the Committee reviewed its annual work plan, results of the Board committee self-assessments, and corporate governance aspects of the Form 990. The Committee also performed the annual review of the benefit plans, and discussed budget and personnel assumptions for the 2019 budget.

2017 Board Committee Self-Assessment Results
Mr. Berardesco presented the Board committee self-assessment results, referencing the report included in the advance agenda package. He discussed the self-assessment process, noting NERC used TalentQuest as in previous years, and that the questions were shorter this year with an open-ended focus. Mr. Berardesco noted the responses indicate that the Board committees continue to function effectively, and leadership and the committee mandates remain appropriate. He highlighted one comment received by the Nominating Committee regarding whether to consider non-C-suite candidates for the Board. Mr. Clarke highlighted that there was 100 percent participation in the surveys.

2018 ERO Enterprise and Corporate Metrics Update
Mr. Lauby reviewed the status of the ERO Enterprise and Corporate Metrics, referencing the materials included in the advance agenda package. He noted the color convention for the metrics, and that the results were only for the first quarter and thus preliminary. Mr. Lauby discussed the purpose of each metric, and noted areas that are being closely monitored. The Committee did not object to the removal of metric 4c.

Annual Review of Trustee Compensation
Mr. Clarke noted that the Board was required to review trustee compensation on an annual basis. He explained that Willis Towers Watson will create updated data following the 2015 survey format, which had been used to inform compensation adjustments for the last three years. Mr. Clarke noted that results are expected in June, and the Board will review and discuss at the open meeting in August.

Staffing and Recruiting Update
Mr. Jones provided an update on staffing and recruiting, referencing the information included in the advance agenda package. He noted the Company is investing in leadership development, and that 2017 was a positive year related to attrition.
Adjournment
There being no further business, and upon motion duly made and seconded, the meeting was adjourned.

Submitted by,

[Signature]

Charles A. Berardesco
Corporate Secretary
Board of Trustees Remuneration Study Findings

Action
Accept Consultant’s Report and recommend to Board of Trustees any changes to Trustee compensation.

Summary
The Committee, in accordance with the requirements of the NERC Governance Guidelines, its Mandate, and the Settlement Agreement with FERC relating to the 2012 audit, conducts 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 (WTW), 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. A summary of the final draft report, prepared by WTW, is attached hereto for acceptance by the Committee.

As set forth in the attached summary, WTW compared current Trustee compensation and the structure of the Board’s current compensation program to the market perspectives used in 2015, also updating its view of overall compensation trends. The attached summary of findings includes (i) comparing the “typical Trustee’s” compensation to the “typical Director’s” compensation, (ii) comparing the NERC Board Chair’s compensation to the market perspectives for non-executive chairs (i.e., independent chairs of boards where the CEO of the organization is not also the board chair), (iii) comparing the Board’s committee chair compensation to the market perspectives, (iv) comparing the workload of NERC Trustees to the market perspectives and (v) reviewing trends in director compensation.

Key findings by WTW include:

1. The total remuneration of a “typical trustee”, based on available 2016, and in limited cases, 2017 data for Regional Entities and Regional Transmission Organizations (RTOs)/Independent System Operators (ISOs) and 2017 data for Investor Owned Utilities (IOUs) and general industry peers, was above the median value at Regional Entities, slightly above the median value at RTOs/ISOs and significantly below the median value at IOUs and general industry peers.

2. The total compensation of NERC’s Board Chair was above the average value at Regional Entities and median value at RTOs/ISOs and significantly below the median value at IOUs and general industry companies.

3. The additional compensation for Board Committee chairs is comparable to or above the median provided to committee chairs at the three most common types of committees.
4. The workload of NERC Trustees has increased in recent years and continues to be among the highest at each of the market perspectives.

5. In terms of overall trends in director compensation, (i) compensation has increased by 1% for the Regional Entities, 2% for the RTO/ISOs, 5% for IOUs, and 9% for the general industry peers, (ii) companies continue to eliminate per-meeting fees and shift to the use of annual retainers, with 78% of the general industry peers and 67% of the IOUs using retainers only, and (iii) a majority of companies continue to provide additional retainers to non-executive board chairs and committee chairs.

Based on its findings, WTW recommended that NERC maintain its current retainer compensation approach (rather than per meeting fees) consisting of:

1. Trustee annual retainer
2. A retainer for each committee chair
3. A retainer for the non-executive chair

WTW further noted that given the increased workload of Trustees, the current position of trustee compensation in the bottom half of the competitive pay range and the increase in market pay levels since the last study, an increase in Trustee compensation is warranted. Under NERC’s Governance Guidelines, the Committee is required to determine the dollar range between the 50th percentile of RTOs/ISO independent director compensation and the 25th percentile for IOU independent director compensation. As noted in the WTW study, the resulting target ranges for the three elements of Board compensation would be:

<table>
<thead>
<tr>
<th>Compensation Type</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustee Annual Retainer</td>
<td>$97,500 to $165,000</td>
</tr>
<tr>
<td>Committee Chair Retainer</td>
<td>$7,500 to $10,000</td>
</tr>
<tr>
<td>Non-Executive Chair Retainer</td>
<td>$130,000 to $250,000</td>
</tr>
</tbody>
</table>

Based on the above ranges, the WTW suggested that a $15,000 increase in the annual retainer for each Trustee and the Non-Executive Board Chair, implemented over three years, should be considered, with no change for the annual committee chair retainer. This would result in target compensation at the following levels at the end of the three year phase-in:

<table>
<thead>
<tr>
<th>Compensation Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trustee Annual Retainer</td>
<td>$127,500</td>
</tr>
<tr>
<td>Committee Chair Retainer</td>
<td>$10,000</td>
</tr>
<tr>
<td>Non-Executive Chair Retainer</td>
<td>$175,000</td>
</tr>
</tbody>
</table>

Key Considerations for the Committee's Review and Discussion

In determining its recommendation to the Board with respect to Board compensation, the Committee intends to consider the following:

1. The findings and recommendations contained in the WTW report.
2. The fact that Regional Entity and RTO/ISO data is from 2016 and in limited cases, 2017 and IOU and general industry data is from 2017, and that it is reasonable to assume from the trends shown in the report, that compensation has continued to increase.
3. The need to consider any compensation adjustment in light of NERC’s overall budget.

4. That the workload for all Trustees has continued to be at a level higher than any of the peer groups.

5. The Board Chair, Vice Chair and Committee chairs have substantial additional responsibilities and time commitments. In addition, a member of the Board, currently the Vice Chair, serves as a liaison to the Standards Committee.

6. That the current compensation structure, utilizing fixed retainers, is consistent with best practice trends in director compensation.

7. That it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with Regional Entities, ISOs and RTOs, IOUs, and even private sector companies in attempting to attract such individuals to NERC.

8. That the conflict of interest requirements at NERC for Trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and the fact that NERC is non-profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to Trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

**Potential Approach**

In its initial review of the WTW report, and with consideration of the factors listed above, the Committee has discussed a possible approach to adjusting Board compensation. The Committee is currently considering the following option, and will discuss it, and other potential alternatives, at its open meeting on August 15 where MRC member, stakeholder, and public input will be invited:

1. Establish a target annual retainer for each Trustee of $127,500, which is below the median of the range contemplated by the NERC Governance Guidelines. The new retainer would be implemented in three equal annual installments of $5,000, beginning in 2019, and be fully implemented for 2021. This will assist in the potential recruitment of board candidate(s) for the next several years.

2. Establish a target annual retainer for the Board Chair of $175,000, which is below the median of the range contemplated by the Governance Guidelines. The new retainer would be implemented in three equal annual installments, beginning in 2019, and be fully implemented for 2021.

3. Set the retainer for the Board Vice Chair at $5,000, with a separate retainer of $5,000 for the Trustee who is designated as the liaison to the Standards Committee.

4. There would be no separate retainer for the liaison to the ESCC, as the current Board Chair will serve in that role.

The total additional financial impact of this proposal in 2021 (when fully implemented) to NERC would be approximately $150,000. The phased-in approach described above would result, based on the current Board membership, in approximately $50,000 in additional expenditures for each of 2019, 2020 and 2021, which has been reflected in the proposed 2019 NERC Business Plan and Budget and forecast being presented to the Board at the August meeting for approval.
While it is the expectation of the Committee that this compensation adjustment (assuming some action on this proposal or any alternate) should permit NERC to solicit and retain qualified individuals as independent trustees through 2021, in accordance with its Mandate, the Committee will review compensation each year to confirm that circumstances remain as anticipated in this effort (including the opportunity for MRC/stakeholder/public comment), and it is also expected that the Committee will conduct another formal review of compensation in 2021 for subsequent years to assure that NERC remains competitive in the market for independent trustees.
Introduction

North American Electric Reliability Corporation (NERC) engaged Willis Towers Watson to conduct a Board of Trustees’ (or Directors’) compensation and structure assessment examining four market perspectives

- Willis Towers Watson last performed this assessment for NERC in July 2015 and utilized the same methodology
- The four market perspectives examined are as follows (see the Appendix for peer companies):
  1. **Regional Entities (RE):** 6 of 8 organizations\(^1\) are included in the analysis
  2. **Regional Transmission Organization / Independent System Operator (RTO/ISO):** 7 of 9 organizations\(^2\) are included in the analysis
  3. **Investor Owned Utilities (IOU):** 12 organizations with median revenues of $1.4 billion
  4. **General Industry (GI):** 13 organizations with median revenues of $474 million and median asset size of $711 million

Notes:
(1) 2 of 8 organizations have all stakeholder boards and thus do not compensate their board members.
(2) PJM Interconnection and Ontario Independent Electric System Operator do not publicly disclose their Director compensation program. We received data from them in 2015, but were not able to secure data for this year’s study.
Typical Trustee Total Remuneration

- NERC’s “typical Trustee” total remuneration of $112,500 falls above the median value provided by RE and RTO/ISO peers, but below the median value at IOU and GI peers.
- The chart below presents the range (minimum to maximum) and median of total remuneration provided to a “typical Director” for each market perspective.

![Chart showing total remuneration for typical Director across different markets.

<table>
<thead>
<tr>
<th>Retainer</th>
<th>NERC Total Remuneration as a % of Peer Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retainer</td>
<td>188%</td>
</tr>
<tr>
<td>No Retainer</td>
<td>172%</td>
</tr>
</tbody>
</table>

Notes:
1. A “typical Trustee” or “Director” cannot be in a Board leadership position, an employee of the company or serve as a Director for less than a full year.
2. Compensation for Regional Entities, RTOs / ISOs, and NERC includes Committee Chair compensation while it has been excluded from IOUs and the General Industry market perspectives, given applicable disclosure.
Non-Executive Chair Total Remuneration

- NERC’s total remuneration to the Non-Executive Chair of the Board of $160,000 falls above the median value provided by RE and RTO/ISO peers, but below the median value at IOU and GI peers.
  - The chart below presents the range (minimum to maximum) and median of total remuneration provided to a Non-Executive Chairman for each market perspective.

### NERC Total Remuneration as a % of Peer Median

<table>
<thead>
<tr>
<th>Market</th>
<th>Total Remuneration</th>
</tr>
</thead>
<tbody>
<tr>
<td>RE</td>
<td>$130,250</td>
</tr>
<tr>
<td>RTO/ISO</td>
<td>$128,000</td>
</tr>
<tr>
<td>NERC</td>
<td>$160,000</td>
</tr>
<tr>
<td>IOU</td>
<td>$264,931</td>
</tr>
<tr>
<td>GI</td>
<td>$364,378</td>
</tr>
</tbody>
</table>

### Notes:
(1) Average data was provided due to insufficient sample size to calculate the median.
The additional compensation provided to NERC Committee Chairs is comparable to or above the median (50th percentile) of Committee Chairs of the three most common types of committees for both the IOU and General Industry peers.

NERC provides an annual cash amount of $10,000 to Committee Chairs and the independent Trustee serving on the Electricity Sub-Sector Coordinating Council.

<table>
<thead>
<tr>
<th>Committee Chair Additional Pay Element</th>
<th>NERC</th>
<th>Investor Owned Utilities</th>
<th>General Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance &amp; Audit Committee</strong></td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Total Compensation</td>
<td></td>
<td>100% $10,000 $11,250 $13,125</td>
<td>92% $9,750 $10,500 $18,125</td>
</tr>
<tr>
<td><strong>Corporate Governance / Compensation Committee</strong></td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Total Compensation</td>
<td></td>
<td>100% $9,625 $10,000 $11,563</td>
<td>92% $6,750 $7,750 $13,125</td>
</tr>
<tr>
<td><strong>Nominating Committee</strong></td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Total Compensation</td>
<td></td>
<td>92% $7,500 $7,500 $10,000</td>
<td>92% $3,938 $5,000 $7,750</td>
</tr>
<tr>
<td><strong>Compliance Committee</strong></td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Total Compensation</td>
<td></td>
<td>N/A N/A N/A</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td><strong>Standards Oversight and Technology Committee</strong></td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Total Compensation</td>
<td></td>
<td>N/A N/A N/A</td>
<td>N/A N/A N/A</td>
</tr>
<tr>
<td><strong>Enterprise-Wide Risk Committee</strong></td>
<td>$10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional Total Compensation</td>
<td></td>
<td>N/A N/A N/A</td>
<td>N/A N/A N/A</td>
</tr>
</tbody>
</table>

**Notes:**
1. Market data for Investor Owned Utilities and General Industry are reflective of Compensation Committees.
2. Market data for Investor Owned Utilities and General Industry are reflective of Corporate Governance and Nominating Committees.
Workload

- Compared to all four market perspectives, NERC ranks among the highest in regards to average hours worked and number of meetings held (both Board and Committees)
  - Findings do not include the regional board meetings NERC’s Trustees attend throughout the year

![Bar chart showing median hours worked per week for NERC, RTO/ISO, and RE peers (Fiscal 2016 Data)]

![Bar chart showing median number of meetings for NERC vs. General Industry & IOUs (Fiscal 2017 Data)]

**Notes:**

(1) Hours disclosed excludes the Chairman of the Board.
(2) NERC’s 2017 average hours increased to 9.9 hours, but 2017 market data are currently unavailable.
(3) Market data for Investor Owned Utilities and General Industry is reflective of Compensation Committees.
(4) Market data for Investor Owned Utilities and General Industry is reflective of Corporate Governance and Nominating Committees.
Pay Structure

- NERC’s practice of paying retainers (in lieu of board of committee meeting fees) is consistent with IOU and GI peer practices and continues to align with broader market best practice.

Prevalence of Cash Retainers (in lieu of Meeting Fees)

<table>
<thead>
<tr>
<th></th>
<th>FY2010</th>
<th>FY2014</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>GI</td>
<td>33%</td>
<td>67%</td>
<td>78%</td>
</tr>
<tr>
<td>IOU</td>
<td>17%</td>
<td>42%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Notes:
(1) Data reflect constant sample of peer companies year-over-year.
Director Compensation Trends

- The table below shows median total remuneration increases for NERC peers:

<table>
<thead>
<tr>
<th></th>
<th>RE¹</th>
<th>RTO / ISO¹</th>
<th>IOU¹</th>
<th>GI¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual % Increase</td>
<td>1%</td>
<td>2%</td>
<td>5%</td>
<td>9%</td>
</tr>
</tbody>
</table>

- Consistent with prior years, companies continue to deliver cash compensation via retainers instead of per-meeting fees.

<table>
<thead>
<tr>
<th>Market Perspective</th>
<th>Board Retainer</th>
<th>Meeting Fee</th>
<th>Committee Retainer</th>
<th>Meeting Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>IOU</td>
<td>100%</td>
<td>33%</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>GI</td>
<td>85%</td>
<td>15%</td>
<td>69%</td>
<td>8%</td>
</tr>
</tbody>
</table>

- Majority of companies continue to provide additional retainers for leadership positions within the board, such as Non-Executive Chairman of the Board and Committee Chairs, especially Audit, Compensation and Governance Committees.

Notes:
(1) Annual increase in total remuneration is based on companies included in both the 2015 and 2018 analyses.
Design Considerations

Pay Levels

- Maintain the practice of targeting pay between the market 50th percentile of RTO/ISO peers and market 25th percentile of IOU peers (lower market positioning reflects NERC’s not-for-profit status)
- Given the greater workload carried by NERC Trustees versus peers, current positioning of NERC pay in the bottom half of the competitive pay range and the increase in market pay levels since the last study conducted by Willis Towers Watson, the following adjustments should be considered to maintain competitive market position of NERC Trustee compensation:
  1. Increase Trustee annual cash retainer by $5,000 a year, effective in 2019 - 2021
  2. Increase Non-Executive Chairman annual cash retainer by $5,000 a year, effective in 2019 - 2021

<table>
<thead>
<tr>
<th>Annual Cash Retainer</th>
<th>2015 Analysis</th>
<th>2018 Analysis</th>
<th>Proposed $ and Annual % Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NERC</td>
<td>Competitive Pay Range</td>
<td>NERC</td>
</tr>
<tr>
<td>Trustee</td>
<td>$97,500</td>
<td>$80,000 – $145,000</td>
<td>$112,500</td>
</tr>
<tr>
<td>Committee Chair¹</td>
<td>$10,000</td>
<td>$7,500 – $10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Non-Executive Chairman</td>
<td>$132,500</td>
<td>$95,000 – $225,000</td>
<td>$160,000</td>
</tr>
</tbody>
</table>

Pay Structure

- Maintain alignment with market best practices by continuing with current all retainer approach – Trustee, Committee Chair and Non-Executive Chairman retainers

(1) Reflects IOU market data reference points only, as RTO/ISO data are not available.
2018 ERO Enterprise and Corporate Performance Metrics

**Action**
Review

**Background**
Each quarter, NERC management provides a summary of the status towards achievement of each of the 2018 ERO Enterprise Metrics. The status of each metric is reviewed and validated by NERC management as well as internal audit staff.

**Attachments**

1. 2018 ERO Enterprise Metrics: Second Quarter Status Presentation
2018 ERO Enterprise Metrics
Second Quarter Status

Mark Lauby, Senior Vice President and Chief Reliability Officer
Corporate Governance and Human Resources Committee Committee Meeting
August 15, 2018
Metric Status Definitions

- **Green**: On schedule and expected to meet by year-end (YE)
- **Yellow**: Behind schedule but expected to meet by YE
- **Red**: Not expected to meet by YE
- **No Color**: Status not available or too early to tell
Metric 1: Fewer, Less Severe Events

• Why is it important?
  ▪ Measures risk to the bulk power system (BPS) from Bulk Electric System (BES) events

• How is it measured?
  ▪ Number of Category 3–5 events
  ▪ Cumulative trend line in the composite daily event Severity Risk Index (eSRI) for Category 1–3 events

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>No Category 3 or above events</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threshold 2</td>
<td>Slope of trend line is negative</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• Why is it important?
  ▪ Reduces risk to BPS reliability from potential gaps in standards and compliance by employing corrective action

• How is it measured?
  ▪ Using a consistent process, analysis of categorized events for any gaps in standards and compliance and mitigation implementation
  ▪ Any gaps result in action plans to address reliability risks

<table>
<thead>
<tr>
<th>Metric</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No Category 3 or above events to study</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Ongoing assessments for Category 2 and below events; no gaps identified for Q1</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>No gaps identified/no action plans needed</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
Metric 3: Resource Deficiencies are Foreseen

• Why is it important?
  ▪ Ensures ERO Enterprise is performing comprehensive and timely reliability assessments that identify and spotlight resource adequacy deficiencies

• How is it measured?
  ▪ Number of resource or essential reliability services deficiencies or common mode failures that caused load outages over 300 MW, or Energy Emergency Alert Level 3s (EEA-3s) that did not lead to load shedding or were not identified in reliability assessments in the past three years

<table>
<thead>
<tr>
<th>Threshold 1</th>
<th>Data Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No firm load outages over 300 MW due to resource or essential reliability services deficiency or common mode failures</td>
</tr>
<tr>
<td>Target 1</td>
<td>One EEA-3 issued but did not lead to load shedding</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>〇</td>
<td>〇</td>
</tr>
<tr>
<td></td>
<td>〇</td>
<td>〇</td>
</tr>
</tbody>
</table>
Metric 4: Reduced Reliability Risk from Unauthorized Physical or Electronic Access

• **Why is it important?**
  ▪ Measures risk to the BPS from cyber or physical security attacks

• **How is it measured?**
  ▪ Number of load losses or disruptions to BES operations due to cyber attack
  ▪ Number of load losses over 100 MW due to physical attack and the trend line for events over the most recent two year period
  ▪ Reduction in rate of cases resulting in malware inside a network or device
  ▪ Favorable trending of cyber and physical readiness
## Metric 4a: Number of Disruptions to BES Facilities Caused by Unauthorized Physical or Electronic Access

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1 Target 1</td>
<td>No load loss or disruption of BES operations due to cyber attack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threshold 2</td>
<td>No load loss over 100 MW due to physical attack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 2</td>
<td>Actual weighted average calculation will be provided in Q3</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Metric 4b: Rate of Cases Resulting in Malware Inside a Network or Device that Require Remediation

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data analysis still in progress</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• This metric was retired by the Board of Trustees May 3, 2018
## Metric 4d: Cyber and Physical Readiness

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No data available for Q2</td>
<td>![Green Circle]</td>
<td>![White Circle]</td>
</tr>
</tbody>
</table>

No data available for Q2.
• **Why is it important?**
  ▪ Incent discovery and mitigation of violations by registered entities and measures violation severity as well as completion of mitigations

• **How is it measured?**
  ▪ Percentage of self-identified noncompliance
  ▪ Mitigation completions rate
  ▪ Number of serious risk violations resolved as compared to the total noncompliance result
  ▪ Trend of repeat moderate and serious violations
<table>
<thead>
<tr>
<th>Target</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>78% of all noncompliance was self-identified</td>
<td>green</td>
<td>green</td>
</tr>
<tr>
<td>Target 1</td>
<td>Mitigation completion rates are 57% (2017), 88.8% (2016), and 99.9% (2015 &amp; older)</td>
<td>yellow</td>
<td>yellow</td>
</tr>
<tr>
<td>Threshold 2</td>
<td>Serious risk violations resolved (excluding CIP V5 and beyond): 2014-2016 at 4.9%; 2015-2017 at 4.4%; and 2016-2018 at 3.5%</td>
<td>green</td>
<td>green</td>
</tr>
<tr>
<td>Target 3</td>
<td>Serious risk violations resolved for CIP standards (all versions): 2014-2016 at 5.9%; 2015-2017 at 5.7%; and 2016-2018 at 4.1%</td>
<td>yellow</td>
<td>yellow</td>
</tr>
<tr>
<td>Target 4</td>
<td>Downward trend of repeat moderate and serious risk violations: 111 in 2016; 48 in 2017; 6 so far in 2018</td>
<td>green</td>
<td>yellow</td>
</tr>
</tbody>
</table>
• **Why is it important?**
  
  - Measures risks to BPS reliability from five priority causes:
    
    a. Generating unit forced outages due to cold weather
    b. Misoperations rate of performance
    c. Automatic AC transmission outages caused by human error
    d. Transmission outages due to AC substation or circuit equipment failures
    e. Transmission line outages due to vegetation
Metric 6a: Reduced Events Caused by Generating Unit Forced Outages Due to Cold Weather

• How is it measured?
  - Number of load losses from generating units forced outages due to cold weather
  - Comparison of annual Weighted Effective Forced Outage Rate (WEFOR) of generating units to previous years during the most extreme cold winter months

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with firm load loss caused by cold weather</td>
<td><img src="green.png" alt="Green" /></td>
<td><img src="green.png" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>After Q1 data trending a little higher than benchmark</td>
<td><img src="white.png" alt="White" /></td>
<td><img src="yellow.png" alt="Yellow" /></td>
</tr>
</tbody>
</table>
Metric 6b: Annual Misoperations Rate of Performance

- **How is it measured?**
  - Annual Misoperations rate (cumulative rate through Q2 2018), with a threshold of less than 7.5% and target of less than 7%

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>Q2 data not available; 2018 Q1 and 2017 Q3 and Q4 Misoperations rate was 7.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Metric 6c: Number of Automatic AC Transmission Outages Caused by Human Error

• How is it measured?
  ▪ Number of load losses greater than 300 MW caused by human error
  ▪ Trend of outages per circuit caused by human error
  ▪ Trend of outages caused by human error resulting in firm load loss compared to previous five-year average

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Threshold 1</td>
<td>One event with load loss greater than 300 MW from human error</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 1</td>
<td>Data not available until Q3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target 2</td>
<td>Average number of events was fewer than the five-year average (average is 4 events; there was 1 event so far in 2018)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• How is it measured?
  ▪ Number of load losses greater than 300 MW due to AC substation or circuit equipment failures
  ▪ Trend of outages per circuit caused by AC substation or circuit equipment failures
  ▪ Trend of outages caused by AC substation or circuit equipment failures resulting in firm load loss compared to five-year average
Metric 6d: Number of Transmission Outages Due to AC Substation Equipment Failures

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>No events with load loss greater than 300 MW from substation equipment failures</td>
<td><img src="Green" alt="Green" /></td>
<td><img src="Green" alt="Green" /></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>Data not available until Q3</td>
<td><img src="Blank" alt="Blank" /></td>
<td><img src="Blank" alt="Blank" /></td>
</tr>
<tr>
<td><strong>Target 2</strong></td>
<td>Average number of events was fewer than the five-year average (average is 7.2 events; there were no events so far in 2018)</td>
<td><img src="Green" alt="Green" /></td>
<td><img src="Green" alt="Green" /></td>
</tr>
</tbody>
</table>
• How is it measured?
  ▪ Number of transmission line outages due to FAC-003 violations that are identified, processed, and filed

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>There has been a steady flow in sustained outages resulting from vegetation contacts however, no determination has been made that any of those are FAC-003 violations</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Metric 7: Efficiency and Effectiveness

• **Why is it important?**
  - Measures performance in meeting important financial and operational objectives:
    a. Financial performance
    b. Implementation of ERO Enterprise technology solutions
    c. ERO Enterprise Effectiveness Survey
    d. Program efficiencies
Metric 7a: Execution of Business Plan and Budget

- **How is it measured?**
  - NERC and each Regional Entity performance against annual financial performance parameters established by their respective governing bodies.

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>NERC and all Regions are expected to operate within their respective financial performance parameters however, there is some uncertainty due to the transition of SPP</td>
<td>○</td>
<td>○</td>
<td>✈</td>
</tr>
</tbody>
</table>
Metric 7b: Implementation of ERO Enterprise Technology Solutions

- **How is it measured?**
  - Quantitative and qualitative value of ERO Enterprise applications
  - Completion of ERO Enterprise CMEP Technology Project 2018 milestones within budget guidelines

<table>
<thead>
<tr>
<th>Target 1</th>
<th>User Management and Records implemented an additional feature and was rescored; score now meets metric. Scoring for the Misoperations. Information Data Analysis System Portal has been completed with a score that meets this metric.</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target 2</td>
<td>Contracts for 2018 completed and executed; licensing, managed services and hosting contracts completed and executed</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Metric 7c: ERO Enterprise Effectiveness Survey**

- **How is it measured?**
  - Improvement in favorability percentages for the top three unfavorable questions from the last survey

<table>
<thead>
<tr>
<th>Target 1</th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Survey results not available until Q4</td>
<td>□</td>
<td>□</td>
<td>□</td>
</tr>
</tbody>
</table>
Metric 7d: Program Efficiencies

- **How is it measured?**
  - Identification of opportunities to reduce combined ERO Enterprise budgeted operating and fixed asset costs

<table>
<thead>
<tr>
<th></th>
<th>Data Trend</th>
<th>Q1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Threshold 1</strong></td>
<td>Draft framework circulated</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Target 1</strong></td>
<td>No deliverable for Q2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Questions and Answers
**Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments**

**Action**
Review

**Summary**
NERC management has prepared the attached drafts of the assessments for the annual Board and Board Committee self-assessments and the MRC assessment for Committee review. Management has worked with a new vendor, Survey Design and Analysis, to evaluate and refine the current Annual Effectiveness Survey of the Board. The new proposed survey is divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

The questions and answers within each section have been amended to aide in more meaningful year over year analytics, direction, and areas of improvement for the Board.

Management recommends that the Committee provide any comments, with the goal of approving the final assessments at the November 2018 Committee meeting, which will allow for a prompt release of the assessments after the November meeting.
Thank you for taking this assessment of the NERC Board of Trustees. The questions should take about 10 minutes to complete.

Note: The questions are divided into four sections:
- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

I. Overall Effectiveness

1. Overall how effective is the Board of Trustees at performing their responsibilities?
   a. Very effective
   b. Effective
   c. Neither Effective nor ineffective
   d. Ineffective
   e. Very ineffective
   f. Uncertain

2. [Board only] Overall how satisfied are you personally with the job you do working on the Board of Trustees?
   a. Very satisfied
   b. Satisfied
   c. Neither Satisfied nor Dissatisfied
   d. Dissatisfied
   e. Very dissatisfied
   f. Uncertain

3. What are the Board of Trustees’ MOST important functions at NERC? (Select No More Than 2)
   a. Setting company and management priorities
   b. Guiding the development of annual budgets and business plans
   c. Approving annual budgets and business plans
   d. Providing vision for the future
   e. Ensuring adherence to NERC’s mission, vision and values
   f. Overseeing NERC management
   g. Approving NERC’s Senior Management and Officer Hires
II. Strategy

1. Please rate the Board’s effectiveness in overseeing NERC Management or staff to produce a final annual budget and business plan.
   a. Very effective
   b. Effective
   c. Neither effective nor ineffective
   d. Ineffective
   e. Very ineffective
   f. Uncertain/Not applicable

2. Please rate how effective the Board of Trustees is at each of their following functions? [Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]
   a. Staying in tune with issues and trends affecting NERC and the industry
   b. Setting company priorities
   c. Providing leadership
   d. Incorporating the international charter of the North American bulk power system

3. How satisfied are you with how the board incorporates advice and/or recommendations from the MRC?
   a. Very satisfied
   b. Satisfied
   c. Neutral
   d. Dissatisfied
   e. Very dissatisfied
   f. Uncertain/Not applicable

4. Comments on Strategy
   ___________________________________________________________
   ___________________________________________________________
   ___________________________________________________________

III. Oversight

1. Please rate the amount of involvement the Board has in each of the following: [Too much, About the right amount, Too little, Uncertain]
a. ERO Enterprise’s (NERC and the Regional Entities) annual business planning and budgeting process
b. Day-to-day management by NERC’s CEO

2. **Rate the Board’s effectiveness at monitoring each of the following:** [Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]

   a. Efficiency (cost effectiveness) of ERO Enterprise processes
   b. Standards Development
   c. Compliance Monitoring and Enforcement
   d. Assessments

3. **Comments on Board Oversight**

   __________________________________________________________________________
   __________________________________________________________________________
   __________________________________________________________________________

IV. Stakeholder Relations and Board Functioning

1. **Please indicate your agreement or disagreement with each of the following statements about stakeholder relations.** [Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]

   a. The Board listens to input from the MRC.
   b. The Board listens to input from NERC management.
   c. The Board listens to input from Regional Entities
   d. The Board works effectively with management.
   e. The Board maintains a positive working relationship with Federal regulators.
   f. The Board maintains a positive working relationship with State regulators.
   g. The Board maintains a positive working relationship with Canadian federal and provincial regulators.

2. **[Board only] Please indicate your agreement or disagreement with each of the following statements board functioning.** [Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]

   a. Board meetings are efficient.
   b. Board meetings are an effective use of my time.
   c. The frequency of Board meetings is appropriate.
   d. Board members communicate effectively with each other.
   e. The Board has established procedures to ensure meetings are able to be run effectively, including delivery of agendas and appropriate background material in time to prepare in advance of meetings.

3. **Comments on Stakeholder Relations Board Functioning**

   __________________________________________________________________________
   __________________________________________________________________________
   __________________________________________________________________________
Thank you for taking part in this important assessment.
Email Communication
TalentQuest will use the following language in the email communications with participants. TalentQuest has the discretion to add additional language, and to make formatting decisions, as appropriate. Each email will contain the participant’s name, and a link directing the participant to the survey for their respective committee. For participants in multiple committees, they will receive an email and corresponding survey link for each committee they are to participate in. TalentQuest will send an initial email to each participant, and reminder emails on March 12 and March 19, 2018. Reminder emails will be sent only to participants who have not yet completed the survey.

Initial Email to Participants
Dear [Participant]
This email is to invite you to complete the 2017 NERC Board of Trustees [Full Committee Name] effectiveness survey. Responses are due by March 23, 2018. We appreciate your time and value your feedback. Please click the link below to begin.

[Insert Link to Respective Committee Survey]
Thank you for your time.

Reminder Email
Dear [Participant]
This is a reminder that you were invited to complete the 2017 NERC Board of Trustees [Full Committee Name] effectiveness survey. Responses are due by March 23, 2018. We appreciate your time and value your feedback. Please click the link below to begin.

[Insert Link to Respective Committee Survey]
Thank you for your time.
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 with “No” will require the trustee respondent to include a comment, although the trustee respondent will also have the option to include a comment with a response of “Yes.”

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.”

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 for the Compliance Committee and Nominating Committee “as well as performing such other responsibilities as directed by the Board or the committee mandate”]? 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.
<table>
<thead>
<tr>
<th>Committee Name</th>
<th>Purpose from Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compliance Committee (BOTCC)</td>
<td>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.</td>
</tr>
<tr>
<td>Corporation Governance &amp; Human Resources Committee (CGHRC)</td>
<td>The purpose of the CGHRC is to assist the Board in (i) insuring 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.</td>
</tr>
<tr>
<td>Enterprise-wide Risk Committee (EWRC)</td>
<td>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.</td>
</tr>
<tr>
<td>Finance &amp; Audit Committee (FAC)</td>
<td>The purpose of the FAC is to assist the Board in fulfilling its oversight responsibilities for NERC’s financial results and reporting process, system of internal financial and accounting controls and financial audit process and its oversight of the NERC, Regional Entities and WIRAB business plans and budgets, as well as performing such other responsibilities as directed by the Board or this Mandate.</td>
</tr>
<tr>
<td>Nominating Committee (NC)</td>
<td>The purpose of the BOTNC is to act as the nominating committee required by Article III, Section 5 of the corporation’s Bylaws.</td>
</tr>
</tbody>
</table>
Employee Reporting and Document Retention Policies and Procedures

Action
Review

Summary
NERC legal has reviewed the existing NERC employee reporting and investigation policies and procedures and document retention policies.

The document retention policy provides a schedule for document retention, and guidance regarding management of electronic records, media storage, as well as destruction of documents. The policy was developed with the understanding that it will serve as a baseline for compliance and that certain departments may have more stringent retention requirements with which they must comply. This policy continues to be integrated with NERC’s document management system, so as to better ensure compliance with the policy. In addition, NERC legal continues to provide training to all employees on record retention requirements.

The investigation policies and procedures provide various avenues for employees to report concerns, including the opportunity to do so anonymously. In addition, the investigation procedures provide for independent investigations and reporting of matters to the appropriate Board committees.

NERC legal has concluded that these policies and procedures meet all applicable legal requirements.
Human Resources and Staffing Update

Action
Review

Background
The company remains engaged in a multi-year human resources (HR) strategy focused on attracting, developing and retaining the staff necessary to achieve the company’s long-term strategy and operating plan. Building additional technical and cyber security strength remains the primary focus.

Our investments in training are targeting leadership development and communications. The officer team continues their engagement in coaching and leadership training, and this coaching access is now extended down to the next level of emerging leaders and succession candidates. Managers are working with staff members to establish long-term training and development plans that focus on competencies and developmental needs. A comprehensive 2018 organization training plan was developed that includes a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning. Planning is underway for 2019 to ensure NERC staff continue to have the required technical skills and competencies to meet the mission. The company is particularly focused on providing E-ISAC support on recruitment, staff development, and training and that department has experienced significant improvement in placements and retention during 2018.

Attrition rates in 2017 dropped to 9 percent, the lowest in several years. So far in 2018, we have seen attrition increase slightly, but we expect continued stabilization as the organization fills key leadership roles and focuses on organizational structure and operational efficiencies.