

Agenda

Corporate Governance and Human Resources Committee

February 3, 2021 | 4:15-5:30 p.m. Eastern
Virtual Meeting

Attendee WebEx: [Join Meeting](#)

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines*

Agenda Items

1. **Minutes* — Approve**
 - a. November 4, 2020 Meeting
2. **Report on Matters Discussed in January 20 and February 1, 2021 Closed Sessions — Discussion**
3. **Board Committees' Self-Assessment Surveys* — Approve**
4. **2021 Board of Trustees Committee, Chair and Vice Chair Appointments and Related Assignments* — Review and Recommend to Board of Trustees for Approval**
5. **2020 Work Plan Priorities Year-End Report* — Review**
6. **Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results* — Review**
7. **NERC Governance Guidelines Annual Review* — Review**
8. **Annual Conflict of Interest and Independence Report* — Review**
9. **Committee Governance**
 - a. **Proposed Amendments to Corporate Governance and Human Resources, Technology and Security, Finance and Audit, and Enterprise-wide Risk Committees Mandates* — Approve and Recommend to Board of Trustees for Approval**
 - b. **Policy on Internal Audit and Corporate Risk Management* — Review and Recommend to Board of Trustees for Approval**
10. **Human Resources and Staffing Update* — Review**
11. **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 4, 2020 | 12:15-1:00 p.m. Eastern

Conference Call

Mr. George S. Hawkins, 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 November 4, 2020, at 12:15 p.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

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

Board Members

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

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and Chief Executive Officer of the E-ISAC
Damon Epperson, Director of Human Resources
Kelly Hanson, Senior Vice President and Chief Administrative Officer
Mark Lauby, Senior Vice President and Chief Engineer
Sonia Mendonça, Senior Vice President, General Counsel, and Corporate Secretary
Janet Sena, Senior Vice President, External Affairs

Chair’s Remarks

Mr. Hawkins welcomed attendees to the meeting and summarized the agenda items at the October 30, 2020 CGHRC Closed meeting.

NERC Antitrust Compliance Guidelines

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

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the August 19, 2020 meeting as presented at the meeting.

2020 ERO Work Plan Priorities

Mr. Lauby reviewed the status of the status of the 2020 ERO Work Plan Priorities, highlighting that the majority of the objectives are either already completed or on track for completion in 2020. He noted that the objectives that are either at risk or will not be reached in 2020 are all due to the impacts of COVID-19, with the exception of the Align release delay that was approved by the Board earlier this year.

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

Ms. Mendonça presented on the Annual Board and Board Committee Self-Assessment and the Member Representatives Committee Assessment questions provided in the advance agenda materials. She noted that the questions were highlighted to the Committee in August, with the subsequent addition of a sub-item to section III.2, and results will be discussed with the Committee in February 2021. Following discussion, the Committee approved the survey questions.

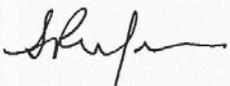
Human Resources and Staffing Update

Mr. Epperson reviewed the human resources and staffing update, referencing the information included in the advance agenda package. He highlighted the continued prioritization of employee wellbeing, improvements to staff evaluation and feedback, and leadership and performance management training.

Adjournment

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

Submitted by,



Sonia Mendonça
Corporate Secretary

Board Committees' Self-Assessment Surveys

Action

Approve

Summary

In connection with the November 2017 approved revised approach for the Board Committee self-assessments, 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 2019 governance year-end Committee surveys:

- Surveys distributed to Board members February 12, 2021.
- Responses due by March 12, 2021.
- Draft summary of results provided to Board and Committee Chairs by April 9, 2021.
- Results presented at May 2021 Committee meetings.

Committee Self-Evaluations

February 3, 2021

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 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.”

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”]¹? 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.

¹ 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) 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.
EWRC	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.
FAC	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.
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.

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

Action

Review and recommend for Board of Trustees approval.

Background

Upon recommendation of NERC Board of Trustees (Board) Chair Roy Thilly, the Corporate Governance and Human Resources Committee will consider the attached Committee, Chair and Chair-Elect/Vice Chair appointments, as well as related assignments set forth in Attachment A. The proposed committee appointments of Ms. Kelly and Mr. Irving are conditional upon their election by the Member Representatives Committee at its February 4, 2021 meeting.

Draft 2021 Board of Trustees Committee Assignments and Chair, Vice Chair Appointments

Chair: Kenneth W. DeFontes

Vice Chair: Robert G. Clarke

Immediate Past Chair: Roy Thilly

Corporate Governance and Human Resources

Chair: George S. Hawkins

Jane Allen

Robert G. Clarke

Colleen Sidford

Roy Thilly

Compliance Committee

Chair: Robin E. Manning

Jane Allen

George S. Hawkins

Roy Thilly

Sue Kelly

Finance and Audit

Chair: Robert G. Clarke

Suzanne Keenan

Colleen Sidford

Larry Irving

Jim Piro

Sue Kelly

Enterprise-wide Risk

Chair: Colleen Sidford

Robert G. Clarke

Suzanne Keenan

Robin E. Manning

Larry Irving

Jim Piro

Technology and Security

Chair: Suzanne Keenan

Robin E. Manning

Jane Allen

Sue Kelly

Larry Irving

Nominating Chair: Roy Thilly

Robin E. Manning

Larry Irving

Suzanne Keenan

Sue Kelly

Jim Piro

George Hawkins

MRC Members

Paul Choudhury, Chair

Roy Jones, Vice Chair

Related Assignments

- **ESCC Observer:** Kenneth W. DeFontes
- **MEC Liaison:** Suzanne Keenan
- **Standards/RSTC Liaison:** Jim Piro
- **International Liaison:** Colleen Sidford
- **New Member Mentors:** George/Larry Rob/Sue
- **Ex Officio all committees:** Kenneth W. DeFontes

2020 Corporate Performance Results

Action

Review

Background

The annual ERO Work Plan Priorities are guided by the [ERO Enterprise Long-Term Strategy](#), with key objectives established for each of the five long-term focus areas. The 2020 work plan priorities were approved by Board of Trustees (Board) in February 2020. In April, the priorities were evaluated by management to determine which objectives may be impacted by circumstances of the COVID-19 pandemic, affecting both the ERO and industry. During this time, management also identified additional objectives to add in response to COVID-19 and current events. NERC provided the first [update](#) on both the original and added objectives to the Corporate Governance and Human Resources Committee (CGHRC) during its meeting on August 19, 2020. This update reviewed the progress and projected end-of-year status for each objective as of the end of Q2.

Summary

NERC will provide an update on the end-of year status for each of the 2020 work plan priority objectives, highlighting any status changes since Q3.

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

Action
Review

Summary

Results of the 2020 NERC Board of Trustees (Board) Self-Assessment and MRC Assessment of the Board Effectiveness Survey, which assesses and monitors annually the performance and effectiveness of the Board, will be reviewed.

NERC Governance Guidelines Annual Review

Action

Review

Background

In May 2017 the Board of Trustees (Board) approved a set of [Governance Guidelines](#) (Guidelines), which consolidated the provisions of various policies and documents related to the conduct of the Board and of individual Trustees. In March 2020 the Board Chair directed NERC's General Counsel to conduct a review of the Conflicts of Interest section of the Governance Guidelines to ensure clarity of conflicts when seeking candidates for the Board. Proposed amendments to the Conflicts of Interest section, as well as minor language updates, were reviewed and approved by the Board via Action Without a Meeting on March 31, 2020.

The Guidelines remain consistent with general corporate governance practices and NERC legal is not recommending revisions at this time.

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 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 Department has 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 of Trustees meets all qualifications under applicable laws.

Committee Governance

Action

The Committee will be asked to:

- a. Approve and recommend to Board of Trustees for approval proposed amendments to Corporate Governance and Human Resources (CGHRC), Technology and Security (TSC), Finance and Audit (FAC), and Enterprise-wide Risk (EWRC) Committees mandates; and
- b. Review and recommend to Board of Trustees for approval the Policy on Internal Audit and Corporate Risk Management.

Summary

Committee Mandates

As part of the annual review of all Board committee mandates, the CGHRC is asked to approve and recommend to Board of Trustees for approval at its February 4, 2021 meeting proposed amendments to the CGHRC, TSC, FAC, and EWRC mandates. The proposed amendments for the TSC, FAC, and EWRC mandates are described in their respective agenda packages.

As to the CGHRC mandate, in the ongoing effort to improve efficiency and effectiveness and to better align the ownership of governance accountabilities, management is recommending two revisions:

- The Committee will consult with the Board chair, instead of approve and recommend Board of Trustees approval, on Board committee membership and chairs, and other Board-related assignments. That revision eliminates the existing two-step process in which appointments need to be approved by the CGHRC and then by the Board.
- The Committee will review and receive periodic updates on the Corporation's annual performance goals, instead of approve, for use in determining incentive compensation. Since those goals reflect the strategic priorities of the Corporation, it is more appropriate that the Board, rather than the CGHRC, be charged with approving them.

Policy on Internal Audit and Corporate Risk Management

The FAC and EWRC have considered a proposal by management to introduce a policy on Internal Audit and Corporate Risk Management. The policy more closely aligns NERC's approach to Enterprise Risk Management (ERM) with the Three Lines of Defense Model which consists of the following:

- A first line of defense addressing activities undertaken by each program area relating to risk identification, assessment, mitigation, monitoring, and implementation of internal controls;

- A second line of defense addressing the development and implementation of a comprehensive corporate-wide risk assessment, updated at least annually, and the development and implementation of a corporate-wide compliance program; and,
- A third line of defense requiring an independent assessment of the adequacy of corporate-wide risk assessment results, as well as testing, via audits, reviews, and assessments of the most significant controls, and other risk mitigation activities undertaken pursuant to the first and second lines of defense.

Historically at NERC, the second and third lines of defense have been the responsibility of the Internal Audit (IA) function. Under the revised framework described in the policy, NERC the second line of defense is transferred to a new role – a director level Corporate Risk Management, Compliance, and Ethics (CRM) lead, to be filled in 2021, reporting to the Chief Compliance Officer. The Director of IA, reporting administratively to the General Counsel and functionally to the Chair of the Board of Trustees' (Board) Finance and Audit Committee (FAC), will be responsible for the third line of defense.

The draft policy is attached and outlines the respective roles of the IA and CRM functions, the impacts of this restructuring on Board committees, and, the impact on reporting relationships.

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.~~ Receive the recommendation of the Board chair for Board committee membership and chairs, and recommend to the Board the chairs and members of each board committee. Consult with the Board chair on Board committee membership and chairs, and other Board-related assignments.
- ~~8.~~7. Ensure the meaningfulness and timeliness of support, information, and documentation from NERC management to the Board.
- ~~9.~~8. 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.
- ~~10.~~9. Develop recommendations for the Board regarding Board member succession policy.
- ~~11.~~10. 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.

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. ~~Approve the metrics related to~~ 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 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.

Board of Trustees Corporate Governance and Human Resources Committee Mandate

Approved by the Board of Trustees: _____, 2021

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. Consult with the Board chair on Board committee membership and chairs, and other Board-related assignments. Ensure the meaningfulness and timeliness of support, information, and documentation from NERC management to the Board.
8. 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. Develop recommendations for the Board regarding Board member succession policy.
10. 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.

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 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.

POLICY ON INTERNAL AUDIT AND CORPORATE RISK MANAGEMENT

NERC's approach to enterprise risk management (ERM) follows the typical Three Lines of Defense Model in which the first line of defense consists of activities undertaken by each program area relating to risk identification, assessment, mitigation, monitoring, and implementation of internal controls. The second line of defense consists of the development and implementation of a comprehensive corporate-wide risk assessment, updated at least annually, as well as the development and implementation of a corporate-wide compliance program. Finally, the third line of defense consists of the independent assessment of the adequacy of the results of the corporate-wide risk assessment, as well as testing, via audit, of the most significant controls and other risk mitigation activities undertaken pursuant to the first and second lines. This internal framework is supplemented by the activities of NERC's independent external auditors as well as oversight by Applicable Governmental Authorities.

The key NERC staff implementing this framework are:

- NERC's Director of Internal Audit (IA), a position reporting functionally to the chair of the Board's Finance and Audit Committee (FAC) and administratively to NERC's General Counsel
- NERC's Director-level Corporate Risk Management, Compliance, and Ethics (CRM) role (to be filled in 2021), the primary staff liaison to the Board's Enterprise Wide Risk Committee (EWRC) and a position reporting to NERC's Chief Compliance Officer (who also reports to the General Counsel)

Both positions have access to the full Board through periodic executive sessions, held at least annually (see respective EWRC and FAC mandates for additional information). Given the importance of close coordination across the continuum of risk management activities, the NERC FAC chair will sit on the EWRC and the EWRC chair will sit on the FAC. The NERC Board's oversight of these activities, which occurs primarily through the FAC and EWRC, is described in more detail below.

Corporate Risk Management, Compliance, and Ethics

The Director¹ of CRM is responsible for leading the ERM process, which will focus on corporate risk rather than Bulk Power System risk. As discussed below, for efficiency, it is expected that the Director of IA will participate in the process and share in the risk information developed through the process, while maintaining the ability to independently assess NERC's financial, operational, legal, regulatory and compliance risks (i.e., non-Bulk Power System risks).

NERC's current ERM process is conducted annually, based on the Committee of Sponsoring Organization of the Treadway Commission (COSO) framework. The process considers the ERO Enterprise-wide strategic plans and goals and determines the applicability of other input such as the RISC report, Long Term Reliability Assessment, and the annual Compliance Monitoring and Enforcement Program (CMEP) report. Risk is also identified via interviews or surveys with the following parties:

- Program managers and directors
- Senior executives
- NERC trustees
- Compliance and Certification Committee (CCC) Chair and Co-Chair
- ERO Enterprise Executive Committee Co-Chair

Through these interviews, as well as results of prior risk management activities (including results of prior audits) the Director of CRM also identifies fraud and compliance risks.

¹ Although this will be a director-level position, the title is not yet determined. This policy uses "director" for simplicity.

Identified risks are assessed based on likelihood and impact and existing controls are considered. Residual risks are identified and form the basis for the Corporate Risk Management plan as well as the Audit Plan, discussed below.

The Director of CRM will work to continue to enhance the ERM process by considering the following:

- Identifying and assessing emerging risks
- Incorporating the concepts of risk tolerance, risk appetite and velocity
- Supporting ownership of risk assessment at the program area level
- Providing clarity as to how the company's risk management efforts drive company performance and business strategy
- Considering more frequent updates to risk register, as needed
- Automating processes
- Benchmarking NERC's process against industry best practices

The results of the ERM process are reviewed with NERC management and the EWRC annually, or as requested by the EWRC, and serve as a roadmap for the Director of CRM in developing the company's compliance and ethics framework.

Management will articulate the residual risks, the risk response strategy, and assess management's preparedness to mitigate risks based on established criteria. Management will report on its risk mitigation activities and preparedness to the EWRC meeting or relevant subject matter committee, as appropriate.

Internal Audit

As part of the approved audit plan, Internal Audit will perform procedures to assess the effectiveness of the design and operational effectiveness of management's internal controls and risk mitigation activities identified during the ERM process.

The Director of IA is responsible for establishing a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organization's goals. In addition, the Director of IA is responsible for ensuring the internal audit activities are based on a documented risk assessment, undertaken at least annually and for independently evaluating the results of the ERM process described above. As noted, it is expected that the Director of IA will participate in the process and share in the risk information developed through the process, while maintaining the ability to independently assess NERC's financial, operational, legal, regulatory and compliance risks (i.e., non-Bulk Power System risks). These responsibilities demonstrate independence and objectivity and are in compliance with Standards for Internal Auditing.

The Director of IA reports to the chair of the FAC functionally and to the General Counsel administratively. The chair of the FAC will provide input as to the performance of the Director of IA and be notified of any employment-related issues.

The Director of IA will proactively communicate matters regarding governance, risk and controls (GRC) and audit activity to the chair of the FAC, which may include, and is not limited to: access to information, internal audit scope, objectivity and independence, perception or potential of impairment, audit budget, resources and subject matter expertise

The Director of IA will present an annual audit plan to the FAC for approval consistent with the Standards for Internal Auditing and BOT processes and procedures. The Director of IA will involve external auditors, the CCC and FERC staff, as appropriate, in its audits.

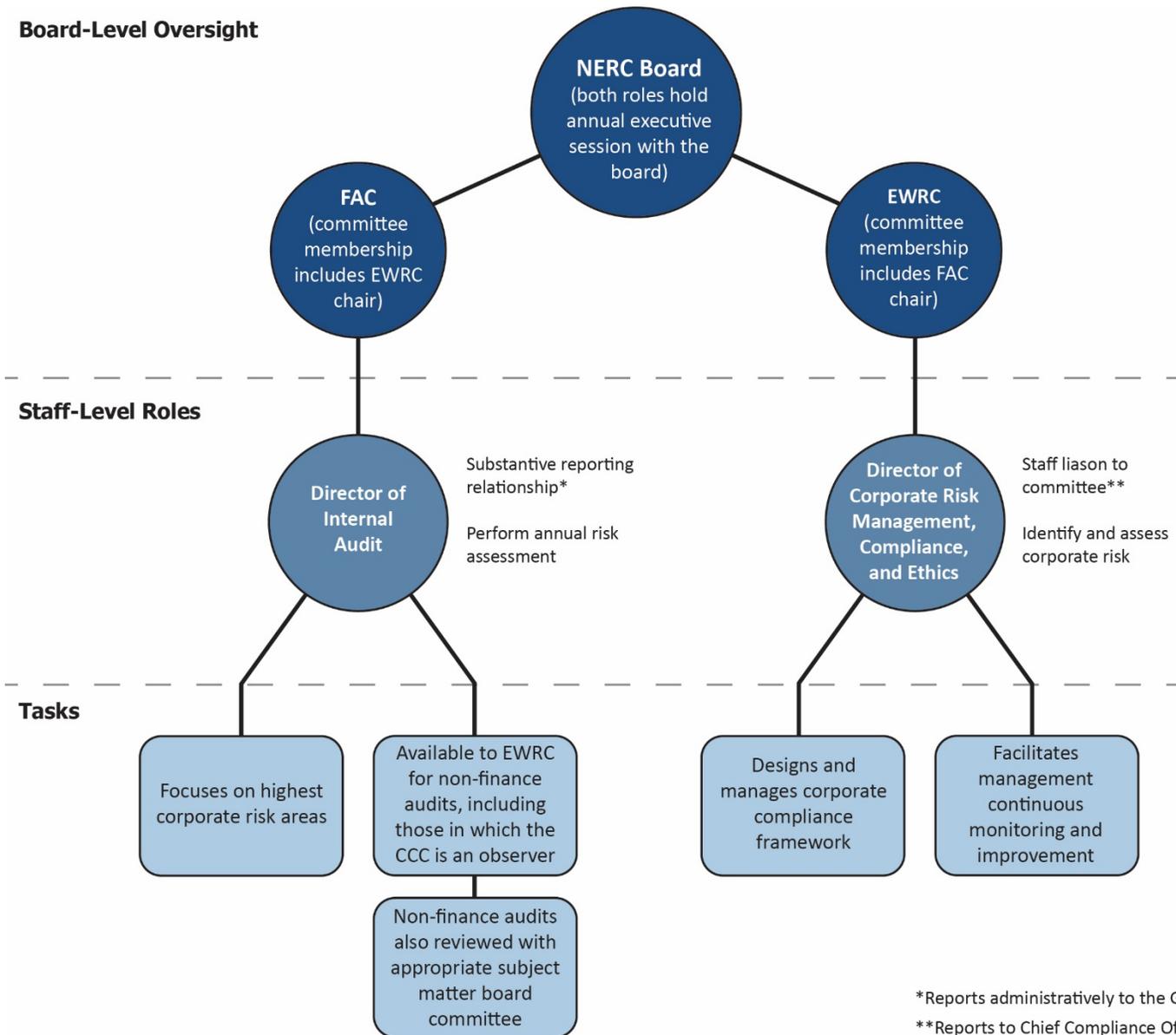
The FAC will be responsible for overseeing the implementation of the audit plan including as it relates to progress on audit execution and overall risk mitigation. To the extent that the audit relates to matters for which the Board has a subject matter specific committee (e.g., security, human resources) audit results will be shared with such committees and such committees may monitor the implementation of any corrective measures or program enhancements.

While the Director of IA will present the results of all audits to the FAC, the EWRC will have primary oversight responsibility for audit activities conducted by the Director of IA that address the CMEP, Organization Registration and Certification Program (ORCP) and Reliability Standards programs, including NERC's oversight of the Regional Entities in these areas, in coordination with the CCC. On occasion, as part of its oversight of corporate risk mitigation, the EWRC may request that the Director of IA conduct an audit relating to a particular area of risk, in which case the results of the audit will also be presented to the EWRC (any such audit will be noted in the audit plan overseen broadly by the FAC). The EWRC Chair will coordinate with the FAC Chair with respect to such requests.

Revision History

Version 1 - Approved by the NERC Board of Trustees on February [], 2021

Board-Level Oversight



*Reports administratively to the GC

**Reports to Chief Compliance Officer

Human Resources and Staffing Update

Action

Review

Background

In 2020, the global pandemic created an opportunity for NERC to strengthen the processes by which we attract, retain, and engage employees in the “new normal” work environment.

With the unanticipated shift to virtual work in 2020, the company kept focus on cultural transformation as the key to ensuring staff wellness and productivity. Some key initiatives in 2020 included more frequent and interactive town halls, all-staff training on implicit bias as part of the company’s diversity and inclusion goals, establishment of multiple employee resource groups, new development-focused annual performance management processes and technology, and investments in training for leading teams in virtual environments.

These investments in communications and productivity tools and focus on employee wellbeing have resulted in the company’s lowest annual attrition rate since its headquarters relocation to Atlanta in 2011.

In 2021, the company will continue to closely monitor employee wellbeing while providing additional training to managers. Other initiatives will include further development of career paths, optimizing performance management, and reimagining a flexible workforce and the tools, training and facilities it needs to be successful.