

# Agenda

## Corporate Governance and Human Resources Committee

May 8, 2019 | 8:30-9:30 a.m. Central

**(Please note the Schedule may be adjusted real-time should meetings conclude early and/or extend past their scheduled end time.)**

The Ritz-Carlton, St. Louis  
100 Carondelet Plaza  
St. Louis, MO 63105

Conference Room: Ritz-Carlton Ballroom (Lobby Level)

### Introduction and Chair's Remarks

### NERC Antitrust Compliance Guidelines and Public Announcement\*

### Agenda Items

1. **Minutes\* — Approve**
  - a. February 6, 2019 Meeting
2. **Board Committees' Self-Assessment Surveys Results\* — Review**
3. **2019 ERO Enterprise Metrics Update\* — Review**
4. **Annual Review of Trustee Compensation — Update**
5. **Staffing and Recruiting Update\* — Review**
6. **Adjournment**

\*Background materials included.

# Antitrust Compliance Guidelines

## I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

## II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

### **III. Activities That Are Permitted**

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.
- Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

## **DRAFT** Minutes

# Corporate Governance and Human Resources Committee Meeting

February 6, 2019 | 8:00-9:15 a.m. Pacific

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

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 February 6, 2019, at 8:00 a.m. Pacific, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

### **Committee Members**

Robert G. Clarke, Chair  
Frederick W. Gorbet  
George S. Hawkins  
Robin E. Manning  
Roy Thilly

### **Board Members**

Janice B. Case  
Kenneth W. DeFontes, Jr.  
David Goulding  
Suzanne Keenan  
James B. Robb, President and Chief Executive Officer  
Jan Schori

### **NERC Staff**

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary  
Tina Buzzard, Associate Director  
Scott Jones, Senior Vice President, Chief Financial and Administrative Officer, and Corporate Treasurer  
Mark Lauby, Senior Vice President and Chief Reliability Officer  
Janet Sena, Senior Vice President and Director of Policy and External Affairs

### **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 November 1, 2018 meeting as presented at the meeting.

### **Report on Matters Discussed in January 27-28 and February 5, 2019 Closed Sessions**

Mr. Clarke reported that during these meetings, the Committee addressed a number of compensation related items, including: (i) acceptance of the 2018 metrics results; (ii) review of performance management results for all officers; (iii) approval of NERC officer compensation; (iv) recommendation of the compensation for the CEO; and (v) approval of compensation metrics for 2019. The Board also conducted its annual review of the Board Chair, and reviewed the overall Board schedule and trustee stakeholder outreach.

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

Mr. Berardesco presented the proposed Board Committees' Self-Assessment surveys, referencing the material included in the advance agenda package. After discussion, and upon motion duly made and seconded, the Committee approved the proposed surveys and recommended approval by the Board.

### **2019 Board of Trustees Committee, Chair and Vice Chair Appointments**

Mr. Clarke reviewed the Committee, Chair and Vice Chair appointments, and related assignments recommended by Mr. Thilly. He noted that Ms. Sidford's proposed committee appointment is conditional upon her election by the Member Representatives Committee at its February 6, 2019 meeting. After discussion, and upon motion duly made and seconded, the Committee recommended approval of the proposed appointments and assignments by the Board.

### **2019 ERO Enterprise Dashboard Metrics and ERO Work Plan Priorities**

Mr. Lauby reviewed the proposed 2019 ERO Enterprise Dashboard and Work Plan Priorities, noting the adjustments made in response to the policy input from the Member Representatives Committee. Mr. Thilly commented on the robustness of the policy input and suggested working with the Reliability Issues Steering Committee to refine the materials over time. After discussion, and upon motion duly made and seconded, the Committee approved the 2019 ERO Enterprise Dashboard Metrics and 2019 ERO Work Plan Priorities and recommended approval by the Board.

### **2018 Year-End Performance Report**

Mr. Lauby reviewed the 2018 NERC Performance Report, which had been included in the advance Committee materials. Mr. Gorbet provided context on separating the dashboard versus performance metrics for compensation purposes. The Committee discussed how industry would use the dashboard and the need to refine dashboard metrics.

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

Mr. Berardesco presented the results of the Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness, referencing the presentation included in the advance agenda package. He reminded participants of the new format and referred to the 2019 work plan included in the advance agenda package. The Committee discussed the Board's involvement in the effectiveness and efficiency effort and highlighted the CMEP tool as an example of efforts to improve efficiency across the ERO Enterprise. It was also noted that a significant number of lower ratings came from one respondent, and Mr. Clarke invited that person to come speak with him or Mr. Thilly about their concerns.

### **NERC Governance Guidelines Annual Review**

Mr. Berardesco reviewed the NERC Governance Guidelines and did not recommend any revisions.

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

Ms. Berardesco reviewed the Company's processes for considering conflicts of interest for employees, officers, and Trustees, and for assuring the independence of the Trustees as required by the Bylaws and NERC Governance Guidelines. He reported that no independence issues were identified and all appropriate recusals are in place.

### **Annual Review of Committee Mandate**

Mr. Berardesco noted that the Committee is required to review its mandate on an annual basis. He stated that the NERC Legal Department recommends revising the mandate to clarify that the CGHRC, as required in the NERC Governance Guidelines, will receive the annual recommendation from the Board Chair for committee assignments and recommend such assignments to the Board for its approval. After discussion, and upon duly made and seconded, the Committee recommended the revised mandate for Board approval.

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

Mr. Jones provided an update on staff retention and attrition, referencing the information provided in the advance agenda package. He noted a slight increase in attrition for 2018, but observed that the rate was lower than in previous years. He also noted continued success in E-ISAC hiring.

### **Adjournment**

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

Submitted by,



Charles A. Berardesco  
Corporate Secretary

# Agenda

## Corporate Governance and Human Resources Committee

February 6, 2019 | 8:00-9:15 a.m. Pacific

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

Conference Room: Loftlight – Lobby

### Introduction and Chair's Remarks

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1. **Minutes\* — Approve**
  - a. November 1, 2018 Meeting
2. **Report on Matters Discussed in January 27-28 and February 5, 2019 Closed Sessions — Discussion**
3. **Board Committees' Self-Assessment Surveys\* — Approve**
4. **2019 Board of Trustees Committee, Chair and Vice Chair Appointments\* — Review and Recommend to Board of Trustees for Approval**
5. **2019 ERO Enterprise Dashboard and ERO Performance Objectives\* — Approve and Recommend for Board of Trustees Approval**
6. **2018 Year-End Performance Report\* — Review**
7. **Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Results and Work Plan\* — Review**
8. **NERC Governance Guidelines Annual Review\* — Review**
9. **Annual Conflict of Interest and Independence Report\* — Review**
10. **Annual Review of Committee Mandate\* — Review**
11. **Human Resources and Staffing Update\* — Review**
12. **Adjournment**

\*Background materials included.

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

Agenda Item 2  
Corporate Governance and  
Human Resources Committee Meeting  
May 8, 2019

# 2018 NERC Board of Trustees' Committee Effectiveness Surveys Results

Corporate Governance and Human Resources Committee Meeting  
May 8, 2019

**RELIABILITY | ACCOUNTABILITY**



- Overview Page 3
- Assessments Results Summary Page 4
- Assessment Results by Committee Page 5
  - Compliance Committee Page 6-8
  - Nominating Committee Page 9-11
  - Finance and Audit Committee Page 12-14
  - Enterprise-wide Risk Committee Page 15-17
  - Corporate Governance & Human Resources Committee Page 18-20
  - Technology & Security Committee Page 21-23
- Questions/Answers Page 24

- NERC engaged TalentQuest to conduct its annual Board of Trustees' Committee Surveys. This report provides the results for the assessments from the following six committees:
  - Compliance Committee (5 members)
  - Nominating Committee (13 members)
  - Finance and Audit Committee (5 members)
  - Enterprise-wide Risk Committee (8 members)
  - Corporate Governance and Human Resources Committee (5 members)
  - Technology and Security Committee (5 members)

- The assessments consisted of the same three Yes-No questions with comment fields for explaining responses.
  - *Is the organization and structure of the committee appropriate for effective operation?*
  - *Is the committee effectively carrying out its purpose, as well as performing such other responsibilities as directed by the Board or the committee mandate?*
  - *Is the committee's mandate appropriate?*

- All six committees had 100% of their members complete the assessment.
- 100% of committee members were able to answer “Yes” to all three questions.
- Explanations provided for “Yes” answers appear on the following slides.

# Assessment Results By Committee

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
  - *“The operation of the committee is appropriate and professional. Janice spent significant effort throughout the year ensuring that all input and ideas were welcome.”*
  - *“BOTCC has been working well under the leadership of Janice Case. I specifically appreciate the focus on consistency across the regions and the application of penalties.”*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
  - *“The committee carries out all functions in a timely and professional manner.”*
  - *“Yes, great strides have been made on aligning penalties for serious violations and identifying key risk areas. Bringing the regions into the meetings to see committee member questions and other regions’ presentations has been most helpful.”*

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

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=13**
  - *“The process has been honed over the years and works well.”*
  - *“The size can become unwieldy when doing interviews. Fred did the right thing by pairing down the group to do the interviews. However you can feel out of the loop if not on the interview team. Might need to consider some kind of report out from the interview.”*
  - *“Well conceived and executed - broad representation, frank and open discussion, remarkable agreement on conclusions.”*
  - *“The group is representative of parties that must be at the table yet it is manageable and effective.”*
  - *“While it is the MRC's responsibility to approve the new BOT, I feel the current BOT have the responsibility to ensure that the new candidate will fit in to the current Board mix. Having (in general) 6 Board members and 5 MRC members is the appropriate mix in my opinion.”*
  - *“I think this committee works very well. Fred has done a great job leading and the committee members have been fully engaged.”*
  - *“Appreciate the engagement of industry & Trustees.”*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=13**
  - *“It does carry its purpose. However, it could also review more broadly the scope and the process.”*
  - *“No further comment.”*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% "Yes", N=13**
  - *"No comments."*
  - *"No further comment."*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
  - *“Jan was a great Chair and the committee had a very productive year.”*
  - *“Members are engaged and the agendas are appropriate.”*
  - *“This committee has the unique & inherent challenge of developing a budget that will meet the requirements of NERC's mandate while being supported by industry. There may be an opportunity to better manage communications this next year recognizing that the Canadian support of the E-ISAC will be a challenge.”*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
  - *“The committee spent significant time and effort on the budget which resulted in a clean FERC approval.”*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=5**
  - *“The mandate is appropriate and is reviewed annually by the committee.”*
  - *“Mandate was reviewed recently and no changes were identified.”*
  - *“Increased focus that has begun on controls and policies is appropriate to fiduciary duty.”*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=8**
  - *“The committee is mature ,well managed and all members contribute. Staff in particular are engaged and competent.”*
  - *“Good relationship between committee and staff, structure and engagement works well, good opportunity to provide input.”*
  - *"The Committee is maturing well and becoming more focused under the leadership of Dave Goulding. Michelle and Matt provide tremendous staff support and the CCC role is very constructive. The more recent audits of RE areas are very valuable."*
  - *“Have seen significant improvement in the working relationships between Board Members, ERO and CCC participants over the last few years. Discussion is helpful in developing audit/oversight opportunities to support ERO programs and initiatives.”*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=8**
  - *“The committee and staff review the mandate and work programs are set to identify and examine items that could present a risk to the ERO.”*
  - *“Presentations to understand how a risk has moved from inherent to residual are quite important.”*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=8**
  - *“The mandate is reviewed at least annually, including recently. A minor change was made a few meetings ago.”*
  - *“No changes are needed at this time.”*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
  - *“The committee was organized and the materials were always timely and professional. It was a very busy year for CGHR and everything was accomplished in the annual work plan.”*
  - *“A tremendous result in 2018. Bob did a great job as leader and the committee was highly engaged.”*
  - *“Bob has provided great leadership in a very difficult year -- through the CEO transition, but also on compensation and metrics. The Committee has worked extremely well.”*
  - *“Board Chair did a remarkable job in 2018 when confronted with a wide range of exceptional circumstances. Plus the analysis and thoughtful changes to the compensation process was very well done.”*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
  - *“Everything was done very effectively to include CEO search, CSO search, modification of compensation plans and annual reviews of all Officers. Oversight of the Corporate Governance process included a bylaw revision that was approved by the MRC and FERC.”*
  - *“The very heavy workload this past year was handled excellently.”*
  - *“Good process and flow for deadlines, lots of opportunity to engage and discuss before final.”*
  - *“Excellent work done based on thoughtful ideas and assessments of various options and opportunities.”*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=5**
  - *“The mandate was reviewed and one modification was made. All aspects of the mandate were completed by the committee.”*

- **Q1. Is the organization and structure of the committee appropriate for effective operation? 100% “Yes”, N=5**
  - *“Restructured focus and role is appropriate given the issues and risks we face.”*
  - *“The committee is new and feeling its way in terms of appropriate oversight of a growing and very important part of NERC's work, both security and our ever-increasing dependency on IT. Great start!”*
  - *“Meetings are almost always a variant of two components: update on E-ISAC and update on IT Programs. The information is comprehensive and NERC staff engaged and responsive. I always wonder if there is anything we are missing.”*
  - *“Really impressed with how the new committee has quickly come together. Now that the committee is in its second full year, there is an opportunity to further grow the agenda to include additional items.”*

- **Q2. Is the committee effectively carrying out its purpose as well as performing such other responsibilities as directed by the Board or the committee mandate? 100% “Yes”, N=5**
  - *“I answered 'yes' but I think the responsibilities of this committee are still evolving.”*

- **Q3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate. 100% “Yes”, N=5**
  - *“I have only wondered whether the important relationship with the MEC should be spelled out.”*



# Questions and Answers

## 2019 ERO Enterprise Metrics Update

### **Action**

Review

### **Summary**

The [2019 ERO Enterprise Metrics Update](#) identify key accomplishments that align closely with the performance goals in the [ERO Enterprise Operating Plan](#). Each quarter, NERC staff provides a summary of the status towards achievement of each metric. The status of each metric is reviewed and validated by NERC management as well as internal audit staff.

## **Staffing and Recruiting 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, and 2018 was a pivotal year in the acquisition and development of employees, particularly in E-ISAC where a Chief Security Officer was named and staff was significantly augmented. Staff augmentation and development remains a key focus in 2019.

The company is also continuing its investments in 2019 in training and leadership development and communications. The officer team remains engaged in coaching and leadership training, and this coaching access has been extended down for a third year to the next level of emerging leaders and succession candidates. Broadened access to this coaching has had a meaningful impact on mid-level managers' ability to manage conflict and engage and develop teams, resulting in improved trust with staff and a strengthened culture. Managers continue to work with staff members to establish goals and long-term training and development plans that focus on competencies and developmental needs, particularly with respect to skills necessary for success on big initiatives such as the CMEP tool and growth of the E-ISAC. The 2019 organization training plan includes a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning. The training department realignment to report into the HR department continues to improve operational efficiencies and the ability to deliver more services internally and externally.

A variety of initiatives to improve culture and employee engagement have continued into 2019, including the operation of Employee Engagement and Advisory Councils with diverse representation across locations, levels, and departments. Feedback from initial activities from these groups suggest that staff are engaging well with leadership and will be instrumental in helping to drive NERC's "invented future." HR is in-process of conducting a full evaluation of HR products and services and will consider and implement a variety of enhancements as appropriate to improve staff engagement and retention.