

Agenda Corporate Governance and Human Resources Committee

August 9, 2017 | 10:00–11:00 a.m. Eastern

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

Westin Ottawa
11 Colonel By Drive
Ottawa, ON K1N 9H4, Canada

Conference Room: Confederation II/III – 4th Floor

Call to Order

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines

Agenda Items

1. **Minutes* – Approve**
 - a. May 4, 2017
2. **2017 ERO Enterprise and Corporate Performance Metrics* – Review**
3. **Nominating, Finance and Audit, Enterprise-wide Risk Committees Mandate Revisions – Approve and Recommend to Board of Trustees for Approval**
4. **Change in NERC Retirement Plans Committee Membership* – Approve**
5. **Annual Board Effectiveness Assessments* – Update**
6. **Employee Reporting and Document Retention Policies* – Review**
7. **Human Resources and Staffing Update* – Review**
8. **Board and Executive Compensation Studies* – Review**
9. **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

May 4, 2017 | 2:00–3:00 p.m. Eastern

Conference Call

Chair Robert Clarke called to order a duly noticed open 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 4, 2017, 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
Deborah S. Parker
Kenneth G. Peterson
Roy Thilly

Board Members

Gerald W. Cauley, President and Chief Executive Officer
Kenneth W. DeFontes, Jr.
David Goulding

NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
Tina Buzzard, Associate Director
Scott Jones, Vice President, Corporate Treasurer, and Director of Finance
Mark G. Lauby, Senior Vice President and Chief Reliability Officer
Michael Walker, Senior Vice President, Chief Financial and Strategic Development Officer

NERC Antitrust Compliance Guidelines

Mr. Clarke directed the participants’ attention to the NERC Antitrust Compliance Guidelines included with the advance agenda materials. He also reported on the Committee’s recent closed meeting.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the February 8, 2017 open meeting as presented at the meeting.

NERC Governance Guidelines Amendment

Mr. Berardesco reviewed the proposed amendment to the Governance Guidelines, referenced the detailed material included in the advance agenda package, which is intended to provide further guidance regarding potential conflicts of interest. The Committee discussion emphasized this was intended to permit de minimus investments in companies that had a minor business line in the industry, given the evolving nature of industry participants. After discussion, and upon motion duly made and seconded, the Committee approved recommending the amendment for Board approval.

Employee Savings Plan Amendment

Mr. Jones presented the proposed amendments to the Employee Savings Plan, referencing the detailed material included in the advance agenda package, which allow for mandatory enrollment of employees in the Plan, and also set forth some additional administrative updates. The Committee had at a prior meeting authorized management moving ahead with the mandatory enrollment provisions. Upon motion duly made and seconded, the Committee approved recommending the amendment for Board approval.

ERO Enterprise and Corporate Metrics Update

Mr. Lauby reviewed the status the ERO Enterprise and Corporate Metrics, referencing the materials included in the advance agenda package, noting that results were only for the first quarter and thus very preliminary. During the Committee discussion, Mr. Lauby noted key activities during the first quarter and planned second quarter activities. The Committee requested more information in future presentations on the actual metrics, targets, and goals.

Annual Review of Trustee Compensation

Mr. Clarke noted that the Board was required to review trustee compensation on an annual basis, but that the Board had approved a three-year phase in of new compensation levels in 2015. The Committee agreed during its closed meeting that no further action was necessary for this year.

Staffing and Recruiting Update

Mr. Jones referenced the quarterly update in the advance agenda package, noting the continued improvement in the attrition rate.

Adjournment

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

Submitted by,



Charles A. Berardesco
Corporate Secretary

2017 ERO Enterprise and Corporate Metrics Update

Action Review

Background

Each quarter, NERC staff provides a summary of its activities towards achievement of each metric. These activities are validated by management as well as internal audit staff. Below is an overview of the metrics, measures, thresholds, and targets, along with a colored status for each metric for the recently completed quarter. Notes providing additional explanation on the status are also included. The colors indicate the following:

- Green** – Quarterly deliverables met for all thresholds and targets and expect to meet all thresholds and targets by year-end
- Yellow** – Quarterly deliverables not met for one or more thresholds or targets but expect to meet all thresholds and targets by year-end
- Red** – Quarterly deliverables not met for one or more thresholds or targets and do not expect to meet one or more thresholds or targets by year-end

<i>Metric 1: Fewer, less severe events</i>				
Measure of success	Threshold	Target	Q2	Status
Number and severity of BES events	1. No Category 4 or 5 events 2. The slope of the cumulative trend line in the composite daily “event Severity Risk Index” (eSRI) ¹ for Category 1–3 events remains flat	1. No Category 3 events 2. The slope of the cumulative trend line in the composite daily eSRI for Category 1–3 events trends negative		<i>Meeting all Thresholds and Targets</i> <u>Threshold 1 and Target 1</u> No Category 3–5 events in Q1 or Q2 <u>Threshold 2 and Target 2</u> eSRI for Category 1–3 events currently calculated to be negative (but not statistically significant)
<i>Metric 2: No gaps in Reliability Standards and compliance monitoring</i>				
Measure of success	Threshold	Target	Q2	Status
Number of gaps in Reliability Standards and compliance monitoring	1. Conduct gap analyses for five events, which include any unstudied Category 3 or above events, with the remainder	1. Based on the gap analyses conducted, zero gaps in Reliability		<i>Meeting Threshold and Target</i>

¹ Measured on a rolling 5 year basis, including days with zero events and excluding Category 4 and 5 events, events caused by weather, flooding, earthquake, and AESO islanding. Other events that are high impact and infrequent, such as acts of war, are also excluded from the eSRI.

	being select events that occurred prior to the third quarter of the current calendar year. ² Develop action plans to address any identified gaps in Reliability Standards and compliance monitoring.	Standards and compliance monitoring identified		<u>Threshold 1</u> No Category 3 or above events in Q1 or Q2; additional events being selected and studied <u>Target 1</u> Gap analysis results will be reported at year-end
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Metric 3: Resource deficiencies are foreseen

Measure of success	Threshold	Target	Q2	Status
Number of unanticipated resource deficiencies ³	1. No firm load outages over 300 MW due to resource or essential reliability services ⁴ deficiency, or common mode failure. ⁵ This excludes deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved.	1. No EEA-3 declarations for resource deficiencies. This excludes (1) any deficiencies or common mode failures identified as a risk in an assessment during the past 3 years and not reported as resolved and (2) any deficiencies that do not lead to a load shedding event.		Meeting Threshold and Target <u>Threshold 1</u> No firm load outages over 300 MW due to resource deficiencies or common mode failures in Q1 or Q2 <u>Target 1</u> No EEA-3s due to resource deficiencies in Q1 or Q2

Metric 4: No unauthorized physical or cyber security access resulting in disruption to BES facilities

Measure of success	Threshold	Target	Q2	Status
Number of unauthorized physical or cyber security access resulting in disruption to BES facilities	1. No firm load loss due to BES cyber attack 2. No firm load shed more than 100 MW due to physical attack	1. No disruption of the operations of the BES from cyber attack 2. Flat or declining trend in physical security events affecting BES facilities over the most recent two year period reported under the U.S. DOE Emergency Incident and Disturbance Report Form OE-417 and NERC Reliability Standard EOP-004		Meeting Thresholds and Target 1; watching Target 2 <u>Threshold 1 and Target 1</u> No firm load loss or disruption of BES operations due to BES cyber attack occurred in Q1 or Q2 <u>Threshold 2</u> No firm load shed more than 100 MW due to a physical attack occurred in Q1 or Q2 <u>Target 2</u> The trend in physical security events affecting BES facilities is close to the benchmark required for a declining trend;

² Those events of interest that occur in the fourth quarter of the current calendar year can be included in a future year gap analysis.

³ Resource deficiency is defined as an operating condition that requires operators to manually shed firm load to maintain system stability due to a lack of available resources.

⁴ Essential reliability service deficiency is defined as an operating condition that results in either of the following: (1) manual load shed to ensure stability of the BPS (pre-contingency) in respect to maintaining adequate voltage and voltage support or ramping capability, or (2) automatic load shed due to a lack of voltage or frequency support.

⁵ Common mode failure is defined as a disruption of infrastructure that impacts electricity supply, excluding force majeure events, e.g. weather, flooding, earthquakes, acts of god, war, etc.

				watching results of the next two quarters for more conclusive results
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Metric 5: Reduced reliability risk from noncompliance

Measure of success	Threshold	Target	Q2	Status																
Number of severe violations and mitigation completion rates	1. The downward trend from 2011 for the compliance severity index ⁶ (excluding CIP version 5) is statistically significant 2. CIP compliance severity index (for all CIP standards including version 5) stays at or below 65% of the 2011 index 3. 75% of all noncompliance is self-identified 4. Mitigation completion rates are as follows: <table border="1" data-bbox="499 646 865 863"> <thead> <tr> <th>Noncompliance discovery year</th> <th>Threshold</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>70%</td> </tr> <tr> <td>2015</td> <td>85%</td> </tr> <tr> <td>2014 and older</td> <td>99%</td> </tr> </tbody> </table>	Noncompliance discovery year	Threshold	2016	70%	2015	85%	2014 and older	99%	1. Compliance severity index trend is 50% or less of the 2011 index (excluding CIP version 5) 2. CIP compliance severity index (for all CIP standards including version 5) stays at or below 55% of the 2011 index 3. 80% of all noncompliance is self-identified 4. Reduced repeat moderate and severe risk violations 5. Mitigation completion rates are as follows: <table border="1" data-bbox="1008 743 1373 935"> <thead> <tr> <th>Noncompliance discovery year</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>75%</td> </tr> <tr> <td>2015</td> <td>90%</td> </tr> <tr> <td>2014 and older</td> <td>100%</td> </tr> </tbody> </table>	Noncompliance discovery year	Target	2016	75%	2015	90%	2014 and older	100%		<p>Meeting all Thresholds and Targets 1–4; watching Target 5</p> <p>Calculations and baselines to be reported to the BOTCC in November for:</p> <ul style="list-style-type: none"> Compliance severity index (Thresholds 1 and 2 and Targets 1 and 2) Repeat moderate and severe risk trends (Target 4) <p><u>Threshold 3 and Target 3</u> As of Q2, 94% of noncompliance self-identified</p> <p><u>Threshold 4 and Target 5</u> Mitigation completion rates as of Q2 are on track to meet target except for 2014 and older rate: 2016: 55.6% 2015: 96.4% 2014 and older: 99.7%</p>
Noncompliance discovery year	Threshold																			
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Metric 6: Reduced risks in targeted areas

Measure of success	Threshold	Target	Q2	Status
a. Events caused by generating unit forced outages due to cold weather	1. No firm load shed occurs from generating unit forced outages caused by cold weather	1. Using most extreme cold winter months, the Effective Forced Outage Rate (EFOR) decreases compared to a rolling previous 5 year benchmark average for each Regional Entity ⁷		<p>Meeting Threshold and Target</p> <p><u>Threshold 1</u> No firm load shed from forced unit outages caused by cold weather in Q1 or Q2</p> <p><u>Target 1</u> Each Region’s 10 coldest days being gathered for 5-year EFOR benchmark; results will be prepared starting in Q3</p>

⁶ The *Compliance Severity Risk Index* is calculated by multiplying an assigned weight for the risk determination of a noncompliance to an assigned weight of the discovery method of the noncompliance.
⁷ The sample will be based on the ten most extreme cold weather months between the months of December and March over the measurement period.

b. Annual Misoperations rate of performance ⁸	1. Annual Misoperations rate of performance is less than 9%	1. Annual Misoperations rate of performance is less than 8%	 <p>Meeting Threshold; not expected to meet Target</p> <p><u>Threshold 1 and Target 1</u> 2017 State of Reliability illustrated an annual Misoperations rate of 8.3%</p>
c. Number of automatic AC transmission outages caused by human error	1. No events with load loss greater than 300 MW caused by human error	<p>1. Number of transmission line outages per circuit caused by human error is declining by 5% and outage impacts⁹ are declining</p> <p>2. Declining number of events from transmission line outage caused by human error resulting in firm load loss based on a rolling 5-year average</p>	 <p>Meeting Threshold and Target 2; watching Target 1</p> <p><u>Threshold 1</u> Two events greater than 300 MW were noted on 2/2/17 and 5/10/17; however, initial input from entity does not indicate human error</p> <p><u>Target 1</u> Calculations to demonstrate a 5% human error decline and outage impacts declining has not yet been determined and there is no initial indication as to whether there will be declines or increases; a calculation and the corresponding data will be available during Q3</p> <p><u>Target 2</u> Since 2012, the average number of events from transmission line outages caused by human error resulting in firm load loss exceeded 3 per year; there have been no such events in Q1 or Q2 of 2017</p>
d. Number of transmission outages due to AC substation equipment failures	1. No events with load loss greater than 300 MW caused by AC substation equipment failures	<p>1. Number of transmission line outages per circuit caused by AC substation equipment failures declines by 5% and outages are declining</p> <p>2. Reduce the number of events from AC substation equipment failures resulting in firm load loss based on a rolling 5-year average</p>	 <p>Meeting Threshold and Target 2; watching Target 1</p> <p><u>Threshold 1</u> Two events greater than 300 MW were noted on 2/2/17 and 5/10/17; however, initial input from entity does not indicate AC substation equipment failures</p> <p><u>Target 1</u> Calculations to demonstrate a 5% AC substation equipment failures decline and</p>

⁸ Lines operated at 100 kV and above. The annual Misoperations rate of performance will be calculated based on data from June 2016 to June 2017.

⁹ Lines operated at 200 kV and above

			<p>outage impacts declining have not been determined and there is no initial indication as to whether there will be declines or increases; a calculation and the corresponding data will be available during Q3</p> <p><u>Target 2</u> Since 2012, the average number of events from AC substation equipment failures resulting in firm load loss exceeded 6 per year; there has been one such event as of Q2 2017</p>
e. Number of transmission line ¹⁰ outages due to vegetation	1. No transmission line outages due to FAC-003 violations	1. No more than 15 Sustained Outages caused by vegetation (e.g., blow-ins, fall-ins) that are not violations of FAC-003	<p><i>Meeting Threshold; not expected to meet Target</i></p> <p><u>Threshold 1</u> There have been no outages due to FAC-003 violations in Q1; Q2 numbers will not be official until the end of August</p> <p><u>Target 1</u> 15 divided over 4 quarters would allow not more than 3.75 outages per quarter; the Q1 vegetation report shows there have been 7 outages so far this year in the first quarter; Q2 numbers will not be official until the end of August</p>

¹⁰ Lines operated at 200 kV and above

Metric 7: NERC's efficiency and effectiveness				
Measure of success	Threshold	Target	Q2	Status
a. Execution of Business Plan and Budget	1. NERC will be at or under budget for expenses and fixed assets exclusive of the authorized use of operating reserves	1. NERC will be at or under budget for expenses and fixed assets inclusive of the authorized use of operating reserves with the exception of authorized reserve expenditures resulting from a FERC directive which was not in existence at the time the final 2017 BP&B was provided to the Board for approval		Not expected to meet Threshold or Target <u>Threshold 1 and Target 1</u> NERC is currently slightly over budget by less than 1% and current projections show that NERC is unlikely be at or under budget by year-end; current projections show adequate year-end reserves, consistent with 2018 budget assumptions
b. Implementation of ERO Enterprise technology solutions		1. Complete ERO Enterprise IT projects for Entity Registration, Enterprise Reporting Phase 4 (data for event analysis, misoperations, or TADS), and NERC's public-facing website on time, on budget, and with expected functionality 2. Develop a method to measure and track the cost benefit of ERO Enterprise IT projects		Meeting Target 2; watching Target 1 <u>Target 1</u> All noted IT projects are on track to be completed by year-end; a scope change has delayed the Q2 deliverables for the public-facing website; however the project is still expected to be completed by year-end <u>Target 2</u> Process and procedure under development
c. Implementation of the Regional Entity oversight plans and NERC adherence to the Rules of Procedure		1. Implement the recommendations and schedule from audit findings in 2016 by the CCC and NERC's internal audit department 2. No significant new noncompliance findings in NERC's implementation of the Regional Entity oversight plans or adherence to the Rules of Procedure		Meeting all Targets <u>Target 1</u> Implementation and recommendations for 2016 audit findings on track <u>Target 2</u> Evidence demonstrates that NERC is performing oversight in accordance with oversight plans
d. Implementation of action plans in response to ERO Enterprise Effectiveness Survey results		1. Implement the 2017 milestones identified in the action plans as accepted by the Board of Trustees in 2016		Watching Target <u>Target 1</u> Majority of action plans are on track; action items related to standards grading and cost effectiveness delayed as of Q2 but expected to be completed by year-end

Change in NERC Retirement Plans Committee Membership

Action

Approve

Background

Pursuant to its mandate, the CGHRC has the responsibility to oversee NERC's retirement plans and to create and appoint oversight committees as are appropriate to handle the administration of those plans. NERC currently has two oversight committees (the "Plan Committees") for its Savings and Investment Plan and 457 Plan, currently consisting of the Chief Financial Officer, Vice President and Director of Finance, Controller, Director of Human Resources and Manager of Human Resources.

In light of recent changes in personnel and roles, NERC management recommends that the CGHRC update the membership of the Plan Committees, with the following individuals being designated as the members of the Plan Committee:

Scott Jones (Chair)	Vice President, Corporate Treasurer and Director of Finance
Andy Sharp	Controller
Damon Epperson	Director of Human Resources
Sandra Pinneke	Manager of Employee Benefits

Annual Board Effectiveness 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 is not recommending any significant changes from the 2016 assessments.

Management recommends that the Committee provide any comments, with the goal of approving the final assessments at the November 2017 Committee meeting, which will allow for a prompt release of the assessments after the November meeting.

In addition, management is in the final stages of considering whether to change vendors for the annual assessment. In that event, the vendor may have some additional suggestions regarding questions and formatting that management will highlight for the Committee.

Board of Trustees Committee Proposed 2017 Survey Questions

Levels of Effectiveness

- 1 = Needs Prompt Attention (“unacceptable performance”)
- 2 = Below Expectations (“performance area with opportunity for improvement”)
- 3 = Meets Expectations (“meets the required standard of performance”)
- 4 = Exceeds Expectations (“exceeds the required standard of performance”)
- 5 = Outstanding (“far exceeds the required standard of performance”)

In considering each of the Committee tasks, the trustee respondent should provide a response based on their perspective as to how “effectively” the Committee addresses the task. The survey will include a prompt requiring comment for any item rated “No” in response to a “Yes/No” item or a “Needs Prompt Attention” or “Below Expectations” in response to the 5-point levels of effectiveness scale. Optional comments may be provided for items rated “Yes” in response to a “Yes/No” item or “Meets Expectations”, “Exceeds Expectations” or “Outstanding” on the 5-point levels of effectiveness scale.

Finance and Audit Committee 2017 Self-Assessment Questions

Business Plan and Budgets
The Committee reviews the annual ERO Enterprise (NERC and the Regional Entities) Business Plan and Budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation or a Regional Entity, and such other matters as are deemed necessary.
The Committee reviews and makes recommendations to the Board regarding the authorization for NERC management to enter into loan agreements.
The Committee provides oversight of NERC management’s compliance with the corporation’s working capital and operating reserve policy and makes recommendations to the Board regarding expenditures or transfers which require Board authorization.
Financial Reports and Reporting
The Committee oversees NERC management’s maintenance of the quality, credibility, and objectivity of the corporation's financial reports.
The Committee reviews the adequacy and integrity of the corporation’s internal accounting and financial controls, including the corporation’s system for monitoring and managing business risk.
The Committee appoints, receives reports from, and monitors the independent external auditor, and conducts reviews of the performance of the independent external auditor.
The Committee reviews and recommends for Board approval the corporation’s audited annual financial statements.
The Committee reviews and discusses the audited financial statements with management and the independent auditor.
The Committee reviews with NERC management, the independent external auditor and legal counsel the corporation’s procedures to comply with laws, regulations, and any significant litigation, claim or other contingency, as well as any related disclosure of such matters.

The Committee meets with the independent external auditor, with and without management, and discusses the annual audit.
The Committee reviews and approves the independent external auditor's estimated audit fees and expenses.
The Committee reviews with NERC management all interim and unaudited financial statements prepared for external distribution, including reports summarizing variances from the business plans and budget, and recommends acceptance by the Board.
The Committee reviews the results of the company's annual savings and investment plan audit and, if necessary, makes recommendations to the Corporate Governance and Human Resources Committee and management in connection with any audit findings or recommendations.
Other Matters
The Committee reviews the policies for approval of senior management expenses, including those of the chief executive officer.
The Committee reviews the financial aspects of the corporation's Form 990 prior to it being filed with the Internal Revenue Service.
The Committee reviews and recommends approval by the Board of an investment policy governing the investment of funds held by the corporation.
Committee Functioning*
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
Open-ended Question
Observation and Opportunities for Improvement

*Yes/No questions

Corporate Governance and Human Resources 2017 Self-Assessment Questions

Corporate Governance
The Committee develops criteria governing overall composition of the Board for recommendation to the Board.
The Committee periodically reviews the criteria for independence of the Board and recommends changes to the Board as appropriate.
The Committee monitors the membership of the Board to ensure (i) Board members are independent, (ii) qualifications under any applicable laws are maintained and (iii) specific situations of conflict of interest are avoided.
The Committee coordinates an annual effectiveness evaluation of the Board, its structure, and processes, and reviews the self-assessments of Board committees to assure that they are being done on a consistent basis.
The Committee reviews the structure of the other Board committees, and reviews together with chairs of other Board committees, the mandate of each committee and recommends changes to the Board, as appropriate.
The Committee ensures the meaningfulness and timeliness of support, information, and documentation from management to the Board.
The Committee develops a Board member and company code of conduct and conflict of interest policy for adoption by the Board, and periodically reviews both of them and recommends changes, as appropriate.
The Committee develops recommendations for the Board regarding the Board member succession policy.
The Committee develops NERC Governance Guidelines for adoption by the Board that address the overall governance processes of the Board, and periodically reviews them and recommends changes, as appropriate.
Compensation and Benefits
The Committee reviews annually the compensation plan for members of the Board, and makes recommendations to the Board, as appropriate.
The Committee periodically reviews 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.
The Committee approves the metrics related to the corporation's annual performance goals for use in calculating incentive compensation.
The Committee reviews and approves a general compensation and benefit structure for the officers and management of the corporation.
The Committee reviews the performance and approves 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 chief executive officer.
The Committee recommends to the Board the appropriate compensation, including salary and bonus, of the chief executive officer.
Personnel Development and Human Resources
The Committee reviews the chief executive officer's performance and provides feedback, as appropriate.
The Committee reviews with the chief executive officer the essential elements of key personnel succession planning.

The Committee reviews overall staffing levels and management's plans and activities for the development and improvement of key personnel.
Other Responsibilities
The Committee provides oversight of the corporation's retirement plans, creates 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, reviews, on an annual basis, the performance of the company's retirement plans, and undertakes such other actions as it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
The Committee reviews the corporate governance aspects of the corporation's Form 990 prior to it being filed with the Internal Revenue Service.
Committee Functioning*
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
Open-ended Question
Observation and Opportunities for Improvement

*Yes/No questions

Standards Oversight and Technology Committee 2017 Self-Assessment Questions

Committee Standards Oversight Responsibilities
In collaboration with the Reliability Issues Steering Committee, the Committee works with management to identify strategic priorities for reliability standards development and provides feedback to the Standards Committee, Board and management on the annual standards development work plan.
The Committee monitors overall results of the standards development process, and makes recommendations to the NERC Standards Committee, Board and management regarding potential improvements.
In collaboration with the Reliability Issues Steering Committee, the Committee assesses emerging reliability risks affecting standards, making recommendations as appropriate.
The Committee monitors progress in addressing regulatory mandates and directives related to standards.
The Committee serves as the Level 2 Appeals Panel as set forth in the NERC Standard Processes Manual, Appendix 3A to the NERC Rules of Procedure.
The Committee reviews periodically NERC's status with the American National Standards Institute.
The Committee provides advice and recommendations to the Board on any standards-related issues referred to it by the Board.
Committee Technology Oversight Responsibilities
As part of the annual business plan and budgeting process, the Committee reviews annually the resource requirements and funding for IT-related investments and costs.
The Committee provides the Board with recommendations for action on proposed NERC projects that employ new technology.
The Committee reviews with management company computer systems environment, security procedures, and contingency plans.
The Committee provides advice and recommendations to the Board on any technology-related issues referred to it by the Board.
Committee Functioning*
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
Open-ended Question
Observation and Opportunities for Improvement

*Yes/No Questions

Nominating Committee 2017 Self-Assessment Questions

Committee Responsibilities
The Committee communicates to all stakeholders clear processes and steps in Board candidate selection.
The Committee communicates NERC's and the MRC's expectations of service on the Board to candidates.
The Committee develops clear, relevant and complete candidate specifications.
The Committee utilizes a vetting process to select a qualified search consultant.
The Committee provides the opportunity for full and fair evaluation of incumbents and candidates.
The Committee applies the Board composition provisions of the bylaws in making its recommendations.
The Committee applies the Board's Conflict of Interest Policy in making its recommendations.
The Committee applies the Trustee Succession Policy in making its recommendations.
Committee Functioning*
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
Open-ended Question
Observation and Opportunities for Improvement

*Yes/No Questions

Compliance Committee 2017 Self-Assessment Questions

Oversight
The Committee oversees CMEP and ORCP strategies and approaches developed and implemented by management to assure the reliability of the bulk electric system.
The Committee evaluates the effectiveness of CMEP strategies and program execution by reviewing measures of bulk electric system reliability performance and other CMEP program metrics.
The Committee oversees and reviews implementation of CMEP and ORCP programs by management and the Regional Entities to ensure the programs are operated in a consistent manner and conform to all regulatory requirements, Rules of Procedure and other practices needed to provide objective, fair and effective compliance and enforcement.
The Committee oversees and reviews penalties/sanctions and mitigation of non-compliance to ensure such actions are effective in maintaining and improving bulk electric system reliability.
Approvals and Appeals
The Committee approves or delegates approval of Notices of Penalty or Sanction and other enforcement actions.
The Committee serves as an appeal body of compliance violations, penalties or sanctions.
The Committee serves as an appeal body for any findings from audits of the regional implementation of the CMEP heard by the NERC Compliance and Certification Committee.
The Committee hears and addresses challenges by candidates for inclusion on the compliance registry.
When appropriate, the Committee provides supplementary explanation for its decisions due to issues raised or to provide future guidance.
Communication and Coordination
The Committee ensures CMEP and ORCP programs and results are transparent, when appropriate, to reliability stakeholders.
The Committee recommends to the Board such actions as may further the purposes of the CMEP and ORCP.
The Committee performs such other functions as are delegated to it by the Board.
Committee Functioning*
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
Open-ended Question
Observation and Opportunities for Improvement

*Yes/No questions

Enterprise-Wide Risk Committee 2017 Self-Assessment Questions

Oversight of Risk Management and Internal Control
The Committee reviews and makes recommendations to the Board regarding the development and implementation of internal risk management and internal control strategies, policies, procedures, and mitigation programs.
The Committee oversees the development and implementation of internal risk management and internal control strategies, policies, procedures, and mitigation programs.
Other Responsibilities
The Committee provides oversight and direction to the development and implementation of risk management best practices designed to identify risks and ensure mitigation strategies are in place.
The Committee monitors and assesses the adequacy of NERC's compliance with internal operating procedures and controls as well as corporate ethics policies, codes of conduct, and conflicts of interest.
The Committee monitors and assesses the adequacy of NERC's and the Regional Entities' compliance with the Rules of Procedure (ROP), as well as with applicable FERC and other governmental authorizations, regulations, and orders.
The Committee monitors and assesses the adequacy of NERC's compliance with NERC's risk mitigation practices.
The Committee monitors and assesses the adequacy of the Regional Entities' performance of obligations under the delegation agreements between NERC and the Regional Entities.
The Committee coordinates with the Compliance and Certification Committee (CCC) with respect to the CCC's execution of its responsibilities as contemplated in applicable FERC orders, the ROP, and CCC Charter.
The Committee prepares reports to the Board annually and at such other times as deemed necessary regarding NERC's risk exposure, the processes, procedures, and controls in place to manage material risk, and the overall effectiveness of the risk management and internal controls process.
The Committee holds an executive session annually with NERC's external auditors, general counsel, and head of internal audit.
Committee Functioning*
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of the meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
Open-ended Question
Observations and Opportunities for Improvement.

*Yes/No Questions

Board of Trustees/Member Representatives Committee Proposed 2017 Survey Questions

Levels of Effectiveness

- 1 = Needs Prompt Attention (“unacceptable performance”)
- 2 = Below Expectations (“performance area with opportunity for improvement”)
- 3 = Meets Expectations (“meets the required standard of performance”)
- 4 = Exceeds Expectations (“exceeds the required standard of performance”)
- 5 = Outstanding (“far exceeds the required standard of performance”)

The survey will include a prompt requiring comment for any item rated “No” in response to a “Yes/No” item or a “Needs Prompt Attention” or “Below Expectations” in response to the 5-point levels of effectiveness scale. Optional comments may be provided for items rated “Yes” in response to a “Yes/No” item or “Meets Expectations”, “Exceeds Expectations” or “Outstanding” on the 5-point levels of effectiveness scale.

2017 BOT & MRC Proposed Questions	BOT	MRC
Strategy		
The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.	X	X
The Board effectively works with management to establish NERC’s strategic and business plans.	X	X
Board members stay abreast of issues and trends affecting NERC and the industry and uses this information to assess and guide NERC performance.	X	X
The Board effectively sets priorities through the strategic and annual business plans.	X	X
The Board takes appropriate account of the international charter of the North American bulk power system.	X	X
Observation and Opportunities for Improvement:	X	X
Oversight		
The Board is sufficiently involved in the ERO Enterprise (NERC and the Regional Entities) annual business planning and budgeting process.	X	X
The Board sufficiently ensures that the ERO Enterprise (NERC and the Regional Entities) business plan and budget provides for the efficient and cost-effective operation of the ERO Enterprise.	X	X
The Board is sufficiently involved in monitoring the corporation’s compliance with regulatory requirements and directives.	X	X
The Board sufficiently ensures that the standards development and approval process considers the costs and benefits of new reliability standards.	X	X
The Board sufficiently ensures that the ERO Enterprise’s compliance and enforcement processes are efficient and cost effective.	X	X
The Board's decision making process is sufficiently transparent and open.	X	X

The Board’s decision making process is not inappropriately influenced by either management or the stakeholders.	X	X
Observation and Opportunities for Improvement:	X	X
Stakeholder Relations		
The Board effectively works with the MRC and other stakeholders to seek and consider stakeholder input when establishing ERO priorities and considering key policy issues.	X	X
The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.	X	X
The Board establishes a positive and cooperative dialogue with Canadian federal and provincial regulators.	X	X
Observation and Opportunities for Improvement:	X	X
Composition/Structure		
The Board's size is appropriate and effective.	X	X
Board members reflect broad diversity of competency strengths and professional experience.	X	X
The Board's Committees have suitable mandates and membership.	X	
Observation and Opportunities for Improvement:	X	X
Board Functioning		
The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes.	X	
The number of Committee meetings is appropriate.	X	X
The Chair of the Board effectively oversees and facilitates Board activities and direction.	X	X
The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items.	X	X
Board goals, expectations, and concerns are effectively communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or otherwise.	X	
Board members participate as equals and communicate openly.	X	X
Observation and Opportunities for Improvement:	X	X
NERC Management		
The Board has appropriate access to management.	X	
The Board avoids excessive involvement in detail and day-to-day management.	X	
The Board is sufficiently involved in ensuring competent and well-motivated senior management and ensuring that proper development and succession plans are in place for CEO and other senior management.	X	
Observation and Opportunities for Improvement:	X	X

Other Factors*		
I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.	X	
I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.	X	
Observation and Opportunities for Improvement:	X	X

*Yes/No questions

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 is currently being integrated with NERC's new document management system, so as to better ensure compliance with the policy. In addition, NERC legal is providing 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 is engaged in a multi-year human resources strategy focused on attracting, developing and retaining the staff needed to support the company's long-term goals and operating plan. This strategy aligns ongoing resource needs and hiring practices with budget and staffing pressures. The company has seen continued success in attracting and retaining necessary resources, with a focus on building and maintaining the technical strength in core operating areas.

Our primary investments target the development of existing staff, including training on leadership fundamentals, communications, and team-building. Performance management training continues in 2017 to strengthen employee development, empowerment, accountability and teamwork, and all staff receive mid-year counseling sessions to provide feedback on progress towards performance goals. The officer team is engaged in ongoing coaching and leadership training, with coaching access extended to the next level of emerging leaders, succession candidates, and key teams. Managers are working with staff members to establish training and development plans that take into consideration required competencies and developmental needs. In addition to coaching and classroom training, staff members have access to onsite tours of generation facilities, control centers, and substations, an online learning portal with over 6,000 modules, and industry and technical training.

Management has conducted its third NERC Employee Climate survey, which suggests a strengthening culture and continued overall workforce satisfaction and loyalty to the NERC mission. In response to these findings, NERC launched action plans that target trust and transparency in communications with staff, regions, and stakeholders, and reinforcement of correction and improvement. All staff will receive additional communications and conflict management training to provide common tools to promote this culture, including personality indicators training to understand both their attributes and styles, and those working with them.

These significant investments in hiring, training, and leadership development are reaping benefits in NERC's workforce through stability, enhanced performance, and additional opportunities for succession. Staff attrition continues to trend downward, and, based on year to date activity, management expects 2017 to be the lowest level of annual turnover since the Headquarters relocation to Atlanta in 2010.

Board and Executive Compensation Studies

Action

Review

Background

The Committee, working with NERC management, will undertake a Request for Proposal process this fall to update the latest compensation information for both the Board of Trustees and NERC Officers. The Committee will oversee this process closely, including participating in the proposal process and working with the external consultant to review and approve final results. The Officer compensation study process will begin in early fall of 2017 and the Board study will begin in late 2017.