

Agenda

Corporate Governance and Human Resources Committee (CGHRC) Meeting

December 9, 2024 | 1:00–1:30 p.m. Eastern
Virtual

WebEx Link: [Join Meeting](#)

Attendee Password: iS5Fq3xTPa5

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Introduction and Chair's Remarks

[NERC Antitrust Compliance Guidelines](#)

Agenda Items

1. **Minutes* – Approve**
 - a. August 14, 2024 Open Meeting
2. **Board of Trustees Compensation* - Accept and Recommend to the Board of Trustees for Approval**
3. **Reliability Issues Steering Committee Charter Amendments* - Approve and Recommend to the Board of Trustees for Approval**
4. **Other Matters and Adjournment**

*Background materials included.

Draft Minutes Corporate Governance and Human Resources Committee Meeting

August 14, 2024 | 1:45 p.m.-2:30 p.m. Pacific

Hyatt Regency Vancouver
644 Burrard St.
Vancouver, BC V6C 2R7, Canada

Chair George S. Hawkins 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 August 14, 2024, at 1:45 p.m. Pacific, and a quorum was declared present.

Present at the meeting were:

Committee Members

George S. Hawkins, Chair
Jane Allen
Robert G. Clarke
Larry Irving
Suzanne Keenan
Colleen Sidford
Kenneth W. DeFontes. Jr., *ex officio*

Board Members

Susan Kelly
Robin E. Manning
Jim Piro
James B. Robb, NERC President and Chief Executive Officer
Kristine Schmidt

NERC Staff

Tina Buzzard, Assistant Corporate Secretary
Manny Cancel, Senior Vice President and CEO of the E-ISAC
Mathew Duncan, Vice President, E-ISAC Security Operations and Intelligence
Howard Gugel, Vice President, Regulatory Oversight
Kelly Hanson, Senior Vice President and Chief Operating Officer
Fritz Hirst, Vice President, Government Affairs
Soo Jin Kim, Vice President, Engineering and Standards
Mark Lauby, Senior Vice President and Chief Engineer
Lauren Perotti, Assistant General Counsel
Sonia Rocha, Senior Vice President, General Counsel, and Corporate Secretary
Liz Saunders, Vice President, People and Culture
Camilo Serna, Senior Vice President, Strategy and External Engagement
Andy Sharp, Vice President and Chief Financial Officer
Bluma Sussman, Vice President, E-ISAC Stakeholder Engagement

NERC Antitrust Compliance Guidelines

Ms. Buzzard directed the participants' attention to the NERC Antitrust Compliance Guidelines included in the advance agenda package.

Chair's Remarks

Mr. Hawkins welcomed participants to the meeting. He reported that the Committee met in closed session on August 13, 2024 to discuss governance and personnel matters.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the May 8, 2024 meeting as presented at the meeting.

Corporate Governance and Human Resources and Other Board Committee Mandate Revisions

Mr. Hawkins reported that the Committee, together with the chairs of the other Board committees and NERC Legal, performed the annual review of the mandates of each committee. He reported that no revisions are being recommended at this time.

Standing Committee Annual Evaluations

Mr. Hawkins reviewed the proposal for implementing standing committee annual evaluations, in furtherance of NERC's efforts to identify and execute opportunities for enhanced governance and continuous improvement of the NERC standing committees, consistent with guiding principles identified in FERC rules, NERC Bylaws, and the NERC Rules of Procedure. He noted that issuing self-assessments is a routine good governance practice, and it should not be construed to mean that NERC or the Board determined that the standing committees are not meeting the guiding principles. Mr. Hawkins also noted activities to focus the bi-annual standing committee reports to the Board to include targeted discussions on matters of strategic interest.

Mr. Hawkins requested NERC staff work with the leadership of the standing committees to launch the annual self-assessment process and report back to the Committee in February 2025. There was no opposition to this request.

People and Culture

Ms. Saunders presented the people and culture update, focusing on NERC's efforts to establish a succession planning framework consistent with the 2024 Work Plan Priority. Ms. Saunders highlighted how NERC successfully managed the volatile workforce conditions of 2020-2023 through its connected workforce model, employee engagement, and compensation decisions, but that retention remains a pressing concern. She noted metrics around average tenure by age band at NERC, and the varying development efforts that are needed to retain top talent. Ms. Saunders noted that NERC has taken a multi-faceted approach to its engagement and retention efforts; establishing the succession planning framework will help ensure business continuity while also providing opportunities to drive engagement and retention through talent development and clear career paths.

Other Matters and Adjournment

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

Submitted by,



Sônia Rocha
Corporate Secretary

Board of Trustees Proposed Compensation Changes

Action

Accept and recommend Board of Trustees approval of any changes to Trustee compensation.

Summary

In accordance with the requirements of the NERC Governance Guidelines, its Mandate, and the Settlement Agreement with FERC relating to the 2012 audit, the Corporate Governance and Human Resources Committee (Committee) conducts an annual review of Trustee compensation and conducts periodic studies regarding the structure and amount of Trustee compensation.

In February 2024 at the direction of the Committee, NERC management engaged Meridian Compensation Partners, LLC (Meridian) to conduct a market study of Board compensation on behalf of NERC to aid the Committee in its review of the NERC Trustee compensation program (a responsibility of the Committee under its Mandate) and to assist the Committee in determining whether to recommend any changes to the program.

Meridian compared current Trustee compensation and the structure of the Board's current compensation program to the market perspectives updating its view of overall compensation trends. The summary of findings includes: (i) comparing the "typical Trustee's" compensation to the "typical Director's" compensation; (ii) comparing the NERC Board Chair's compensation to the market perspectives for non-executive chairs (i.e., independent chairs of boards where the CEO of the organization is not also the board chair); (iii) comparing the Board's committee chair compensation to the market perspectives; (iv) comparing the workload of NERC Trustees to the market perspectives, and (v) reviewing trends in director compensation.

Key findings by Meridian include:

1. NERC average total Trustee pay of \$141k is ~21% below the Midpoint (\$177K) of RTO/ISO 50th percentile (\$127k) and IOU 25th percentile (\$227k).
2. NERC average total pay per director is materially below the midpoint, primarily driven by equity provided to IOU directors (an important competitive consideration).
1. Chair compensation is below the 25th percentile for the three most prevalent committees relative to the for-profit peer group.
2. The additional compensation for Board Committee chairs is below the median provided to Committee chairs at the three most common types of committees at both IOUs and general industry companies.
 - a. NERC Board Committee Chairs current additional compensation is \$10,000.
 - b. Peer Company Audit/Finance, Governance, and Nominating Committees' median additional compensation is \$15,000, \$13,000, \$12,500 respectively.
3. The workload of NERC Trustees continues to increase and continues to be among the highest at each of the market perspectives.

4. Director pay continues to increase as role responsibility becomes greater, generally, director pay increases 3-5% annually.
5. Recruiting directors may become more challenging as the role becomes more requiring and the pool of candidates becomes smaller.

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

1. Trustee annual retainer
2. A retainer for each committee chair
3. A retainer for the non-executive chair and vice chair
4. A retainer for the Standing Committees liaison

Meridian further noted that given the increased workload of Trustees, the current position of Trustee compensation in the bottom half of the competitive pay range, and the increase in market pay levels since the last study, an increase in Trustee compensation is warranted. Under NERC's Governance Guidelines, the Committee is required to determine the dollar range between the 50th percentile of RTOs/ISO independent director compensation and the 25th percentile for IOU independent director compensation.

Key Considerations for the Committee's Review and Discussion

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

1. The findings and recommendations contained in the Meridian report.
2. The need to consider any compensation adjustment in light of NERC's overall budget.
3. That the workload for all Trustees has continued to be at a level higher than any of the peer groups.
4. That the Board Chair, Vice Chair and Committee chairs have substantial additional responsibilities and time commitments. Additionally, members of the Board serve as liaisons to the Standards Committee and the Reliability and Security Technical Committee.
5. That the current compensation structure (i.e., utilizing fixed retainers) is consistent with best practice trends in director compensation.
6. That it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with Regional Entities, ISOs and RTOs, IOUs, and even private sector companies in attempting to attract such individuals to NERC.
7. That the conflict of interest requirements at NERC for Trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and that NERC is non-profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to Trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

Potential Approach

In its review of the study and with consideration of the factors listed above, the Committee has discussed a possible approach to adjusting Board compensation. The Committee is currently considering the following option and will discuss it at its open meeting on December 9, 2024 when public input is invited.

Program Component	NERC Current 2024	NERC Proposed		
		2025	2026	2027
Annual Board Retainer	\$135,000	\$150,000	\$160,000	\$170,000
Committee Chair Fee	\$10,000	\$15,000	\$15,000	\$15,000
Board Chair Retainer	\$47,500	\$55,000	\$55,000	\$55,000
Vice Chair Retainer	\$10,000	\$15,000	\$15,000	\$15,000
Board Advisory, Liaison Support	\$5,000	\$5,000	\$5,000	\$5,000

1. Establish a target annual retainer for each Trustee of \$170,000 (currently \$135,000), which is below the median of the range contemplated by the NERC Governance Guidelines. The new retainer would be implemented annually over the next three years with a \$15,000 increase in 2025, and a \$10,000 increase in 2026, and a \$10,000 increase in 2027. This will assist in the potential recruitment of Board candidate(s) for the next several years.
2. Increase the annual retainer for the Board Chair to \$55,000, as well as increase the Vice Chair annual retainer to \$15,000 for the three-year period, which is below the median of the range contemplated by the Governance Guidelines.
3. Increase the annual retainer for the Board Committee Chairs to \$15,000 for the three-year period.
4. Continue the annual retainer of \$5,000 for the Trustee(s) who is designated as the liaison to the Standards Committee and the Reliability and Security Technical Committee.

While it is the expectation of the Committee that this compensation adjustment (assuming some action on this proposal or any alternate) should permit NERC to solicit and retain qualified individuals as independent trustees through 2027, in accordance with its Mandate the Committee will review compensation each year to confirm that circumstances remain as anticipated in this effort (including the opportunity for MRC/stakeholder/public comment). It is also expected that the Committee will conduct another formal review of compensation in 2027 for subsequent years to assure that NERC remains competitive in the market for independent Trustees.

Proposed Amendments to the RISC Charter

Action

Approve and recommend Board of Trustees approval.

Summary

As part of its bi-annual activities, the RISC reviews their Charter to determine whether any revisions are necessary. During the latest review, certain administrative and clarifying improvements were identified that could further support the efficient operation of the Committee. In September 2024, NERC staff requested comments from Committee members on the draft revised Charter. Comments proposing further administrative refinements were provided through October 31, 2024, and were incorporated into the final Charter document.

The proposed amendments are identified in the attached redline document, and the RISC leadership is requesting the Corporate Governance and Human Resources Committee's review and approval and recommendation to the Board of Trustees for their approval.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Reliability Issues Steering Committee Charter

Approved by the RISC: November 14, 2024

Approved by the NERC Board of Trustees
December XX, 2024
~~Approved by the NERC
Board of Trustees
August 20, 2020~~

RELIABILITY | RESILIENCE | SECURITY



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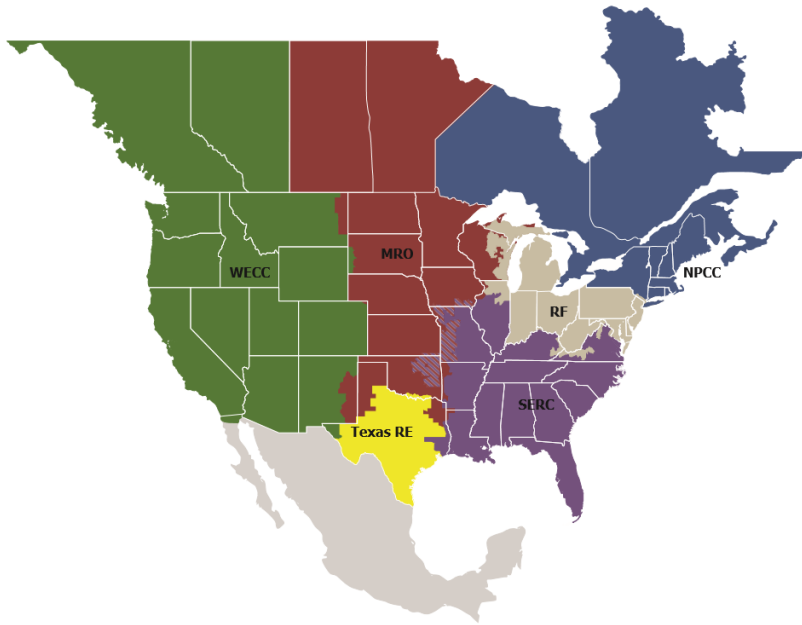
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities (REs), is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six RE boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one RE while associated Transmission Owners (TOs)/Operators (TOPs) participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	WECC

RISC Charter

Purpose

The Reliability Issues Steering Committee (RISC or Committee) is an advisory committee that triages and provides front-end, high-level leadership for issues of strategic importance to bulk power system (BPS) reliability and offers high-level stakeholder leadership engagement and input on issues that impact bulk-power system reliability. The RISC advises the North American Electric Reliability Corporation (NERC) Board of Trustees (Board), NERC standing committees (including the Standards Committee, Compliance and Certification Committee, and Reliability and Security Technical Committee), NERC staff, regulators, Regional Entities, and industry stakeholders to establish a common understanding of the scope, priority, and goals for the development of solutions to address these issues, including the use of solutions other than the development of new or revised reliability standards. In doing so, the RISC provides a framework for steering, developing, formalizing, and organizing recommendations to help NERC and the industry effectively focus their resources on the critical issues needed to best improve the reliability of the BPS.

Reporting

The RISC reports directly to the Board. The Board shall approve this Charter and any amendments to this Charter pursuant to Section 1300 of the NERC Rules of Procedure.

Overview and Functions

The RISC performs two primary functions for the Board.

The first function of the RISC is evaluating BPS reliability issues and risks. The RISC provides strategic leadership and advice to the NERC Board of Trustees and others to triage key reliability risks and propose solutions to manage those risks.

Second, the RISC provides an bi-annual analysis of risks to the BPS, and produces a relative prioritization of the risks. The prioritization is designed to advise:

- Annual ERO action planning, resource allocation, budgeting and strategic planning processes; and
- Standing committee planning, including the development of the Reliability Standards Development Plan and coordination with the Reliability and Security Technical Committee.

In addition, the RISC performs such other functions that may, from time to time, be delegated or assigned by the Board.

Membership

The RISC has a hybrid representation model consisting of the following types of memberships:

- At-large Members;
- Member Representatives Committee Members (MRC);
- Committee-based members; and
- Non-voting members.

At-large Members – Selection of at least ten (10) At-large members who provide a balanced representation on the RISC of the following:

- Geographic and International diversity, including international, such that Eastern, Western, and Texas

Interconnections, along with Canada are represented on the RISC;

- Sector, size, and asset (transmission, distribution, load, generation, etc.) diversity;
- High-level understanding and perspective on reliability risks;
- Experience in a leadership role or background in an executive-level position is strongly preferred; and
- Balanced consideration of these criteria, across the entire membership of the RISC.

MRC Members – Selection of four (4) members as presented by the MRC leadership and in consultation with the RISC Nominating Subcommittee.

Committee-based Members—Selection of three (3) committee-based members—one (1) from each of the standing committees: Standards (SC), Reliability and Security Technical Committee (RSTC) and Compliance and Certification (CCC). These members will be the chair or vice chair unless otherwise recommended by the standing committee leadership and agreed to by the RISC Nominating Committee.

Non-voting members. The Committee Chair, Nominating Subcommittee Chair or RISC secretary will coordinate with entities entitled to non-voting membership to identify representatives for the non-voting seats.

Non-Voting Membership	
Non-Voting Member	Number of Members
<u>Committee Secretary</u>	<u>1</u>
<u>United States Federal Government</u>	<u>1</u>
<u>Canadian Federal Government</u>	<u>1</u>
<u>Provincial Government</u>	<u>1</u>
<u>Former Chair</u>	<u>1</u>
Total	5

The Board is responsible for appointing the MRC, At-Large and committee-based members to the RISC. At the February Board meeting each year (or as needed), the RISC NS shall present to the Board a recommended slate of all RISC member candidates as appropriate for consideration and approval.

All MRC and At-Large members will be appointed by the Board to serve for two-year terms, Membership terms will be staggered to ensure continuity. Committee-based and non-voting member appointments will serve a one-year term.

Nominating Subcommittee

The Nominating Subcommittee (RISC NS) will consist of seven (7) members (the RISC vice-chair and six (6) members).

- The RISC NS members are nominated by the RISC chair and voted on by the full RISC membership. The term for members of the RISC NS is one (1) year. The RISC NS is responsible for (a) selecting and recommending a full membership slate to the Board for consideration and approval and (b) managing the process to select the chair and/or vice-chair of the RISC. The RISC vice-chair shall recuse him or herself from this process (a) unless he or she is not seeking re-election, or (b) until the RISC NS has concluded a vote to recommend the vice-chair for subsequent RISC election to the chair position. At-large members on the RISC NS shall recuse themselves from recommendations for at-large representative seats if they are

seeking reappointment.

Vacancies on the Nominating Subcommittee

The Committee Chair will nominate, and the full Committee will approve, a RISC member to fill a vacancy on the Nominating Subcommittee.

In advance of the annual February Board meeting, the RISC Nominating Committee (RISCNC) chaired by the Member Representatives Committee (MRC) vice chair and including the Board vice chair, the NERC President and CEO, and the Committee chair and vice chair will solicit a pool of candidates, with the goal of meeting the following general criteria:

- 1. Geographic and International diversity, including international, such that Eastern, Western, and Texas Interconnections, along with Canada are represented on the RISC;
- 2. Sector, size, and asset (transmission, distribution, load, generation, etc.) diversity;
- 3. High level understanding and perspective on reliability risks;
- 4. Experience in a leadership role or background in an executive level position is strongly preferred; and
- 5.1. Balanced consideration of these criteria, across the entire membership of the RISC.

Officers

- 1. **Selection of the Chair** - The Board shall appoint a chair of the RISC to serve a two-year term and direct the activities of the RISC, and work toward reaching consensus on all recommendations and actions.
- 2. **Selection and Duties of the Secretary** - NERC will appoint one senior staff person to serve as a secretary with the responsibility to of overseeing the effective management of:
 - a. The day-to-day operations and business of the RISC;
 - a.b. The preparation, distribution, and posting. ~~Prepare, distribute and post~~ notices of Committee meetings, recording meeting proceedings, and ~~prepare, distribute and post~~ preparation, distribution, and posting of meeting minutes.
 - c. The facilitation of the election/selection process for RISC members; and,
 - b.d. The maintenance of ~~Maintain~~ Committee membership records.

Meetings

- 1. **Open Meetings** - Meetings shall occur at least once every quarter and can be in person or by conference call as determined by the chair. All meetings of the RISC will be open to all interested parties (except as noted in the paragraph below for confidential sessions). Only members may act on items before the Committee. Meeting notices shall be publicly posted on the NERC website on the same day they are distributed to Committee members. Notices shall describe the purpose of meetings and shall identify a readily available source for further information about the meeting.
- 2. **General Requirements** - The Committee shall hold meetings as needed and may use conference calls or email to conduct its business.
- 3. **Notice** - The RISC secretary shall announce its regularly scheduled meetings with a written notice (letter or e-mail) to all Committee members not less than ten and no more than sixty calendar days prior to the date of the meeting.
- 4. **Agenda** - The RISC secretary shall provide an agenda with a written notice (letter, facsimile, or e-mail) for

Commented [TM1]: Moved the specificity around the at-large criteria for selection up in Membership - consistent with RSTC and CCC charters.

Commented [TM2]: Per our previous conversations moving from requiring 4 MRC members to having one MRC member appointed in similar fashion to the standing committees. This addresses the significant concern over the past several years of struggling to find MRC members to participate.

Commented [TM3]: For alignment with RSTC and CCC offering for consideration adding non-voting members to the rRISC membership

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Committee meetings no less than five business days before a proposed meeting.

- a. The agenda shall include, as necessary, background material for agenda items requiring a decision.
- b. The agenda shall be posted on the NERC website the same day it is distributed to Committee members.
- c. Items not in the agenda that require a decision cannot be added at a meeting without the consensus of the members present. If such a matter comes up, it may also be deferred to the next meeting so that Committee members have time to consult with others.

5. Quorum. The quorum necessary for the transaction of business (*i.e.*, formal actions) at meetings of the committee is a majority of the members currently on the committee roster (*i.e.*, not including vacancies). The committee may engage in discussions without a quorum present.

6. Voting Procedures for Motions In-Person

- a. The default procedure is a voice vote.
- b. If the chair believes the voice vote is not conclusive, the chair may call for a show of hands.
- c. The chair will not specifically ask those who are abstaining to identify themselves when voting by voice or a show of hands. If the chair desires a roll call, the secretary will call each member's name. Members answer "yes," "no," or "present" if they wish to abstain from voting. As provided above, an abstention does not count as a vote cast.
- d. Conference Call / Virtual
 - i. All voting shall default to being conducted through use of a poll.

~~5.ii.~~ Where a need to record each member's vote is requested or identified, the RISC may conduct voting via a roll call vote.

~~6-7. Proxies. Proxies are not permitted.~~

Regular participation at meetings is expected of the approved Committee membership and the need to send a proxy should occur only on rare occasions. A voting member may select a proxy who attends and votes during all or a portion of a Committee meeting in lieu of a voting member, provided that the absent voting representative notifies the RISC chair, vice chair, or secretary of the proxy. A proxy may not be given to another RISC member. A proxy must meet the RISC's membership eligibility requirements, including affiliate restrictions. To permit time to determine a proxy's eligibility, all proxies must be submitted to the secretary in writing at least one week prior to the meeting (electronic transmittal is acceptable) for approval by the chair. Any proxy submitted after that time will be accepted at the chair's discretion.

~~7-8. Observers.~~ Non-members may observe RISC meetings, either in person or via conference call.

8-9. Confidential Sessions. The chair of the RISC may limit attendance at a meeting or portion of a meeting, based on confidentiality of the information to be disclosed at the meeting. Such limitations will be applied sparingly and on a nondiscriminatory basis as needed to protect critical energy infrastructure information and other information that is sensitive to one or more parties. Confidential Information will only be disclosed as provided by Section 1500 of the NERC Rules of Procedure. Confidentiality agreements may also be applied, as necessary, to protect Confidential Information.

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Commented [TM4]: No Proxies has been a source of contention in the past with members - propose considering adding proxies for the Committee