

Board of Trustees Finance and Audit Committee Mandate

Approved by the Board of Trustees: August 10, 2017

Committee Membership

The Board of Trustees Finance and Audit Committee (FAC or the Committee) of the North American Electric Reliability Corporation (NERC) shall be composed of not less than three and not more than six of the Independent members of the Board of Trustees (Board). The members of the FAC shall be appointed or reappointed by the Board at the regular meeting of the Board following each Annual Meeting of the Member Representatives Committee. Each member of the FAC shall continue to be a member thereof until a successor is appointed, unless a member resigns, is removed, or ceases to be a member of the Board of the corporation. When a vacancy occurs at any time in the membership of the FAC, it may be filled by the Board.

Purpose

The purpose of the FAC is to assist the Board in fulfilling its oversight responsibilities for NERC's financial results and reporting process, system of internal financial and accounting controls and financial audit process and its oversight of the NERC, Regional Entities and WIRAB business plans and budgets, as well as performing such other responsibilities as directed by the Board or this Mandate.

Committee Authority and Responsibilities

To carry out its purpose, the FAC shall have the following authority and responsibilities:

Business Plan and Budgets

1. Review and make recommendations to the Board with respect to (i) the annual NERC and Regional Entities' and WIRAB business plan and budget preparation and approval, including associated assessments, (ii) any other special budget and assessments of the corporation or a Regional Entity, and (iii) such other matters as are deemed necessary and advisable by the FAC in connection with the preparation and approval thereof, in each case consistent with applicable requirements of the NERC Rules of Procedure (ROP) or any applicable laws, rules, regulations, or directives of governmental and regulatory authorities with that jurisdiction.
2. Review and make recommendations to the Board regarding the authorization for NERC management to enter into loan agreements, including, but not limited to, lines of credit.
3. Provide oversight of NERC management's compliance with the corporation's working capital and operating reserve policy and make recommendations to the Board regarding expenditures or transfers of working capital and operating reserves which require Board authorization as set forth in such policy.

Financial Reports and Reporting

1. Oversee NERC management's maintenance of the quality, credibility, and objectivity of the corporation's financial reports.
2. Review the adequacy and integrity of the corporation's internal accounting and financial controls, which shall include (i) approving on an annual basis the design, implementation and timing of the internal and/or external reviews of such controls, (ii) the review of any internal audit or risk management reports relating to such controls and any mitigation plans or other responses by management relating to such reports, and (iii) the annual review of the organization, staffing and resource requirements of the internal audit function as it relates to internal accounting and financial controls.
3. Appoint, receive reports from, and monitor the independent external auditor (independent auditor), which shall report to the FAC on behalf of the Board for purposes of the annual independent audit and such other matters that may be assigned to the independent auditor from time to time, and conduct reviews of the performance of such independent auditor.
4. Review and recommend for Board approval the corporation's audited annual financial statements. This review shall include:
 - a. Discussing with NERC management and the auditor the adequacy and effectiveness of the internal accounting and financial controls, including the corporation's system for monitoring and managing business risk;
 - b. Reviewing and discussing the audited financial statements of the corporation with management and the independent auditor, including their judgment about the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements;
 - c. Reviewing with NERC management, the auditor, and legal counsel the corporation's procedures to comply with applicable laws, regulations, and any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, as well as the disclosure or impact on the results of any such matters in the annual financial statements;
 - d. Discussing the results of the annual audit, any matters required to be communicated to the FAC by the auditor under generally accepted auditing standards, and any other matters that the independent auditor feels should be communicated to the FAC;
 - e. Reviewing with the independent auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements; and
 - f. Meeting with the independent auditor, with and without management present, to discuss the annual audit.
 - g. Meeting with the corporation's head of risk management and internal audit, without management present, to discuss the corporation's internal accounting and financial controls. The corporation's general counsel shall hold an annual executive session with the Board.

5. Review and approve the independent auditor's estimated annual audit fees and expenses.
6. Review with NERC management all interim and unaudited financial statements prepared for external distribution, including reports summarizing any variances from the business plan and budget, and recommend acceptance of any such statements to the Board.
7. Review the results of the company's annual savings and investment plan audit and, if necessary, make recommendations to the Corporate Governance and Human Resources Committee and management in connection with any audit findings or recommendations.

Other Matters

1. Review the financial aspects of the corporation's Form 990 prior to it being filed with the Internal Revenue Service.
2. Review and recommend approval by the Board of an investment policy governing the investment of funds held by the corporation.
3. Review policies for the approval of NERC senior management expenses, including those of the CEO of the corporation.
4. Whenever it may be appropriate to do so, retain and receive advice from experts, including independent legal counsel and independent public accountants, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the FAC as the FAC may consider appropriate.
5. Perform such other functions as may be delegated from time to time by the Board.

Committee Meetings

The FAC shall meet at least quarterly by conference call or in person. Meetings may occur at the same place in conjunction with the regular Board meetings of the corporation, or as determined by the members of the FAC, using the same meeting procedures established for the Board. Meetings may be held in either open or closed session as set forth in the Bylaws of the corporation.

A majority of the Committee members shall constitute a quorum. Except where prescribed differently by law: (a) any action or decision of the FAC requires a vote of a majority of the Committee members then in attendance at any Committee meeting provided a quorum is present; and (b) participation may be telephonic or by Action without a Meeting. The Committee may hold special meetings as circumstances require. Minutes of each Committee meeting shall be maintained as part of the Committee's record.

Governance

The Board, or in the event of their failure to do so, the members of the FAC, shall appoint a chair from among their members. The FAC Chair shall be responsible for leadership of the Committee, including scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. A member(s) of the NERC staff shall assist the Chair and shall serve as the non-voting secretary.

Review

The FAC shall review this mandate annually and recommend to the Board Corporate Governance and Human Resources Committee any changes it considers advisable. Any changes must be approved by the full Board. The FAC shall complete a self-assessment annually to determine its effectiveness.