

Agenda

Corporate Governance and Human Resources Committee

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

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

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

Conference Room: Loftlight – Lobby

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Agenda Items

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.

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 Closed Meeting

November 1, 2018 | 2:00 – 3:00 p.m. Eastern

Conference Call

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 November 1, 2018, 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
George S. Hawkins
Roy Thilly

Board Members

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

Committee Members Not Present

Frederick W. Gorbet
Robin E. Manning

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 G. Lauby, Senior Vice President and Chief Reliability Officer
Janet Sena, Senior Vice President and Director of Policy and External Affairs
Michael Walker, Senior Vice President and E-ISAC Chief of Staff

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.

Chair's Remarks

Mr. Clarke referenced the October 11, 2018 closed meeting of the Committee to review the 2019 dashboard and corporate metrics that have since been distributed publicly.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the August 15, 2018 meeting as presented at this meeting.

Update on Actions from 2017 Board of Trustees/Committees Effectiveness Surveys

Mr. Berardesco provided an update on actions from the 2017 Board and Committee Effectiveness Surveys, referring to the materials included in the advance agenda package. He highlighted actions being taken to address: (1) the cost and benefit of new Reliability Standards; (2) effectiveness and efficiency of the ERO Enterprise; (3) efficiency and cost effectiveness of the Compliance Monitoring and Enforcement Program; and (4) ensuring that the decision making process is not being inappropriately influenced by management or stakeholders.

Mr. Berardesco also described NERC's efforts regarding succession planning. Mr. Clarke noted the success of these efforts as demonstrated by the recent transition. It was noted that the succession plan will be discussed at the January 2019 Committee meeting.

2019 Board of Trustees Effectiveness Survey

Mr. Clarke referred to the new Board of Trustees Effectiveness Survey included in the advance agenda package. Mr. Berardesco highlighted the evolution of the survey and improvements designed to improve information and tracking, and he noted that the timeline for the survey and resulting report is consistent with prior years. Following discussion, the Committee approved the survey with requested modifications.

2018 ERO Enterprise Metrics Update

Mr. Lauby reviewed the status of the ERO Enterprise and Corporate Metrics for the third quarter of 2018, referencing the materials included in the advance agenda package. Mr. Hawkins asked whether the materials should explain what happens regarding the metrics for which the target is not achieved. A brief discussion followed of the changes to the metrics being proposed in 2019.

Human Resources and Staffing Update

Mr. Jones reviewed the human resources and staffing update, referencing the information included in the advance agenda package. He highlighted the success of the E-ISAC in hiring. He also noted that NERC's attrition rate stabilized in the second half of 2018. Mr. Robb noted NERC's continued efforts to increase staff awareness of phishing risks.

Adjournment

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

Submitted by,



Charles A. Berardesco
Corporate Secretary

Board Committees' Self-Assessment Surveys

Action

Approve

Summary

In connection with the November 2017 approved revised approach for the Board Committee self-assessments, NERC management presents a draft of the proposed surveys, a copy of which is included in the materials, for Committee approval.

Management recommends the following timeline for the 2018 governance year-end Committee surveys:

- Surveys distributed to Board members February 11, 2019.
- Responses due by March 15, 2019.
- Draft summary of results provided to Board and Committee Chairs by April 15, 2019.
- Results presented at May 2019 Committee meetings.

Revised Committee Self-Evaluations

February 7, 2018

Timeline and Structure

The Committee Self-Evaluations will be administered in February, at the end of the governance year. The Self-Evaluations for the Board of Trustees and the Member Representatives Committee will continue to take place around November.

The Self-Evaluations will occur online, accessible through a link provided by the vendor, consistent with prior practice.

Survey Questions

The Self-Evaluation for each Committee will consist of the same three questions, except the “purpose” included in question 2 will vary. Each question will be answered with either “Yes” or “No.” Questions answered with “No” will require the trustee respondent to include a comment, although the trustee respondent will also have the option to include a comment with a response of “Yes.”

Sample Instructions:

In considering each question, the trustee respondent should provide a response of “Yes” or “No.” The survey will include a prompt requiring comment for any item answered “No.” Optional comments may be provided for questions answered “Yes.”

Sample survey questions (information in brackets will vary per committee):

1. Is the organization and structure of the committee appropriate for effective operation? For example, the number of members, number of meetings, quality and timeliness of materials provided in support of the agenda, and the management of the Committee Chair.
2. The purpose of [COMMITTEE NAME] is [PURPOSE]. Is the committee effectively carrying out its purpose as stated above, [include the following if not part of Committee’s purpose “as well as performing such other responsibilities as directed by the Board or the committee mandate”]¹? Include any specific suggestions regarding where the committee should focus further effort to address its purpose.
3. Is the committee's mandate appropriate? Include any specific provision the committee should add to or remove from the mandate.

¹ Include for CC and NC. All other committees’ purposes include this sentence.

Committee	Purpose from Mandate
CC	The purpose of the BOTCC is to assist the Board with governance, oversight, guidance, and policies to help assure the NERC Compliance Monitoring and Enforcement Program (CMEP) and the NERC Organization Registration and Certification Program (ORCP), as administered by NERC and the Regional Entities to which NERC has delegated authority pursuant to Regional Delegation Agreements, support the reliability of the North American bulk power system, and are administered fairly and efficiently.
CGHRC	The purpose of the CGHRC is to assist the Board in (i) insuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation’s employee compensation and benefit approaches, including the compensation of the corporation’s Board members and officers, and (iii) overseeing the corporation’s programs and practices for personnel development and human resources, as well as performing such other responsibilities as directed by the Board or this Mandate.
EWRC	The purpose of the EWRC is to assist the Board in the oversight of (i) the corporation’s risk management program, internal controls processes and ethics related policies and procedures, (ii) compliance by NERC and each of the Regional Entities with the NERC Rules of Procedure (ROP) and governmental authorizations, regulations and orders, and (iii) coordinating with the CCC with respect to the CCC’s execution of its responsibilities under applicable orders, the ROP and the CCC’s Charter, as well as performing such other responsibilities as directed by the Board or this Mandate.
FAC	The purpose of the FAC is to assist the Board in fulfilling its oversight responsibilities for NERC’s financial results and reporting process, system of internal financial and accounting controls and financial audit process and its oversight of the NERC, Regional Entities and WIRAB business plans and budgets, as well as performing such other responsibilities as directed by the Board or this Mandate.
NC	The purpose of the BOTNC is to act as the nominating committee required by Article III, Section 5 of the corporation’s Bylaws.
TSC	The purpose of the TSC is to assist the Board by providing oversight to the corporation’s (i) information technology program, (ii) information security program, and (iii) Electricity Sector Information Sharing and Analysis Center (E-ISAC), as well as performing such other responsibilities as directed by the Board or this Mandate.

2019 Board of Trustees Committee, Chair and Vice Chair Appointments, and Related Assignments

Action

Review and recommend for Board of Trustees approval.

Background

Upon recommendation of NERC Board of Trustees (Board) Chair Roy Thilly, the Corporate Governance and Human Resources Committee will consider the attached Committee, Chair and Vice Chair appointments, as well as related assignments set forth in Attachment A. The proposed committee appointment of Ms. Sidford is conditional upon her election by the Member Representatives Committee at its February 6, 2019 meeting.

Attachment A

Committee Assignments for 2019

Corporate Governance and Human Resources

Ken DeFontes, Chair
Rob Manning
Jan Schori
Bob Clark
Roy Thilly, *ex officio*

Compliance Committee

Jan Schori, Chair
George Hawkins
Fred Gorbet
Rob Manning
Roy Thilly, *ex officio*

Enterprise-wide Risk

Dave Goulding, Chair
Suzanne Keenan
Bob Clarke
Fred Gorbet
Colleen Sidford
Roy Thilly, *ex officio*

Chair

Roy Thilly

- Board Chair will serve as liaison to the MEC
- If feasible, Board Chair will serve as ESCC observer

Vice Chair

Janice Case

Board Standards Liaison

Rob Manning

International Liaison and New Member Mentor

Fred Gorbet

Finance and Audit

Bob Clarke, Chair
Dave Goulding
Janice Case
Colleen Sidford
Roy Thilly, *ex officio*

Technology and Security

George Hawkins, Chair
Suzanne Keenan
Ken DeFontes
Janice Case
Roy Thilly, *ex officio*

Nominating

Suzanne Keenan, Chair
Bob Clarke
Ken DeFontes
Dave Goulding
George Hawkins
Rob Manning
Jan Schori
Colleen Sidford

Note: the Board Chair is an ex officio, voting member of each committee.

2019 ERO Enterprise Dashboard and ERO Performance Objectives

Action

Approve and recommend for Board of Trustees approval.

Summary

The ERO Enterprise continues to refine its metrics to accurately measure industry and organizational performance, and has developed a proposal that further enhances the metrics for 2019. The proposal contemplates an ERO Enterprise Dashboard and ERO Performance Objectives.

The proposed 2019 ERO Enterprise Dashboard is intended to track reliability indicators across the bulk power system (BPS) as an awareness tool for the NERC Board of Trustees (Board), MRC, and stakeholders. These metrics will also enable stakeholders and NERC to monitor changes in system performance that might guide work prioritization to address increasing or decreasing risks to reliability and security. Many of these metrics are similar to those seen over the past several years.

The proposed 2019 ERO Performance Objectives identifies key accomplishments that align closely with the performance goals in the [ERO Enterprise Operating Plan](#). Once approved, NERC will track and report on these sets of metrics throughout the year.

The Board is currently seeking additional policy input on the 2019 ERO Enterprise Dashboard and ERO Performance Objectives, enhancements, as applicable will be incorporated and final proposed documents will be posted on January 31, 2019.

2018 ERO Enterprise Metrics Update

Action

Review

Background

NERC management will provide a summary of the quarterly performance for the [2018 ERO Enterprise Metrics](#). 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.

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

Action
Review

Summary

Results of the 2018 NERC Board of Trustees (Board) Self-Assessment and MRC Assessment of the Board Effectiveness Survey, which assesses and monitors annually the performance and effectiveness of the Board, will be reviewed.

Attachment

- 2018 NERC Board of Trustees Self-Assessment and MRC Assessment of the Board Effectiveness Survey Results
- 2019 Work Plan

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

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

Prepared by Survey Design & Analysis

RELIABILITY | ACCOUNTABILITY



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Objectives & Methods

- To assess the performance and effectiveness of the NERC Board of Trustees (Board).
- NERC engaged SDA to design a new assessment questionnaire for 2018. The topics were the same but questions were modified and rating scales changed.
- The assessment has 28 questions (see appendix) to be answered by Board members, 22 of which are also answered by MRC members.
- 10 out of 10 Board members participated in the assessment. 26 out of 29 MRC members participated, for response rates of 100% and 90%, respectively.

- Breakouts (MRC vs. Board) are shown only when differences are significant at a 95% confidence level. Significant differences exist between Board and MRC members for most questions, those questions with no significant differences are indicated as such.
- For this report “Effectiveness Level” is defined as the percent of respondents selecting “Very effective” or “Effective;” the top two boxes of the 5-point effectiveness scale.
- For this report “Satisfaction Level” is defined as the percent of respondents selecting “Very satisfied” or “Satisfied;” the top two boxes of the 5-point satisfaction scale.
- For this report “Agreement Level” is defined as the percent of respondents selecting “Strongly agree” or “Agree;” the top two boxes of the 5-point agreement scale.
- Section summary measures include only those questions using a 5-point scale. This includes all questions except the questions that ask about the amount of Board involvement.



Executive Summary

Positive Highlights

- Excellent response rate as in past years: Board, 100% (10 of 10); MRC, 90% (26 of 28).
- Board and MRC members show commitment to the process by providing thoughtful comments, a total of 72 in all, many with suggestions for the Board.
- The Board was seen as clearly effective in their overall function. They received overall effectiveness levels of 100% by the Board and 96% by MRC.
- 100% of Board members are “Satisfied” (40%) or “Very satisfied” (60%) with the job they do on the Board.
- 91% of Board and MRC members rate the Board’s involvement in NERC’s CEO’s day-to-day management as “About the right amount”.
- 97% of Board and MRC agree the Board “Listens to input from NERC management” and 96% agree the Board “Works effectively with management”.
- Although the survey questions changed in 2018, the topics were the same and the results are similar to those from previous years.

Potential Focus Areas (based on scores and analysis of verbatim comments):

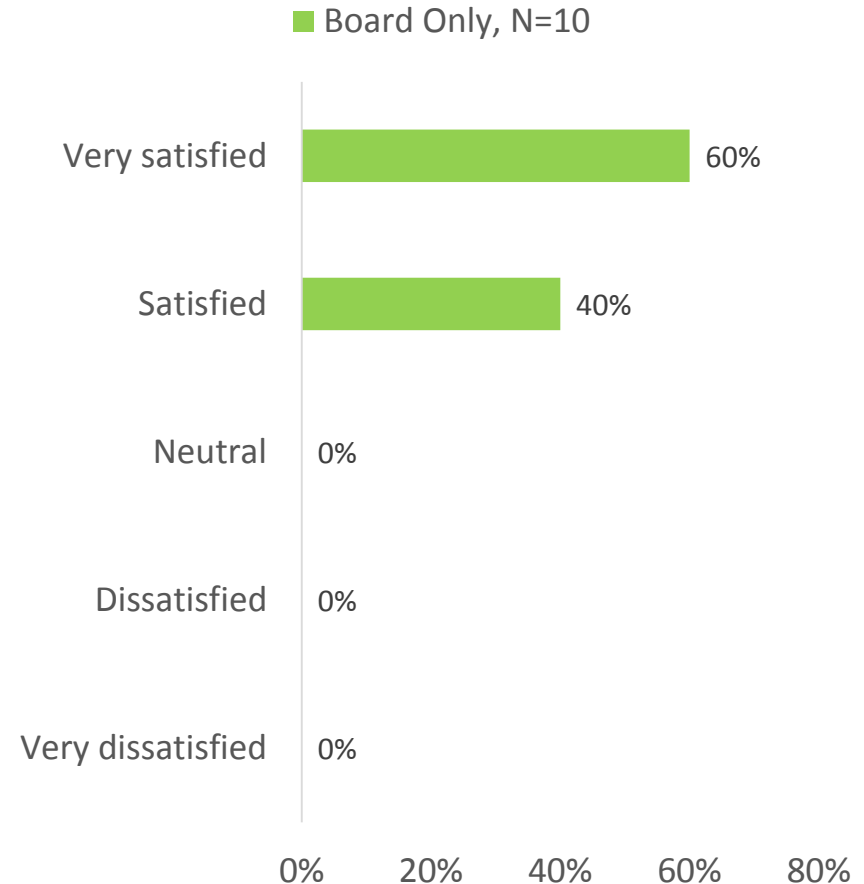
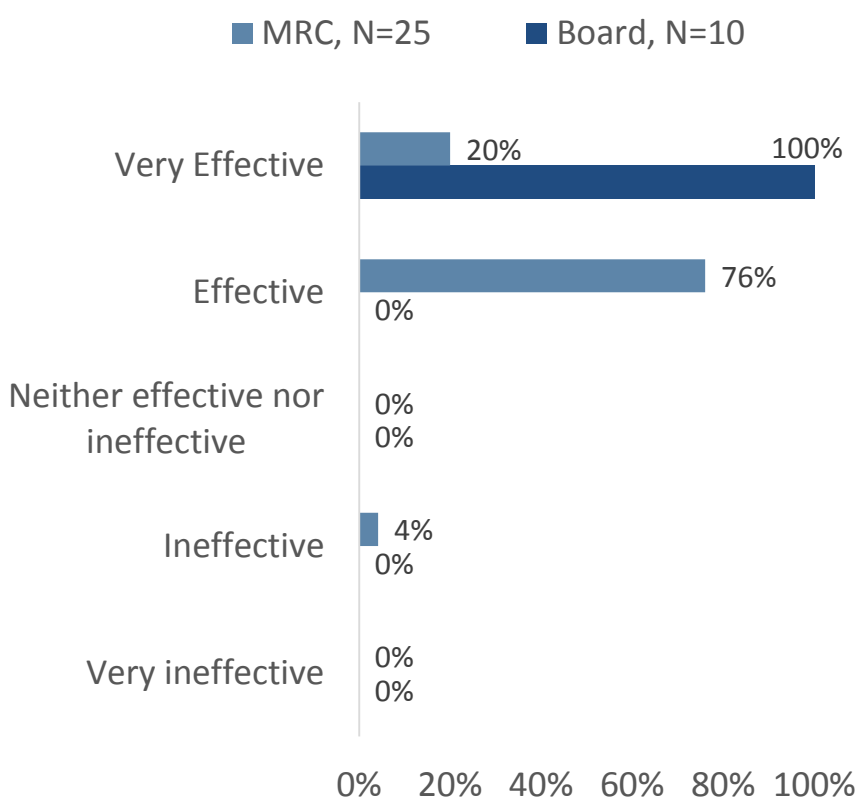
- Request that management produce a first draft budget for comment that is as close as possible to the budget that will be ultimately requested for approval.
- Board focus on effectiveness and efficiency should be across the ERO Enterprise, not just on NERC meetings and travel expenses.
- Overall cost effectiveness, including with reliability standards, should remain a key focus.
- Board should continually assess with management the prioritization of programs and expenses.



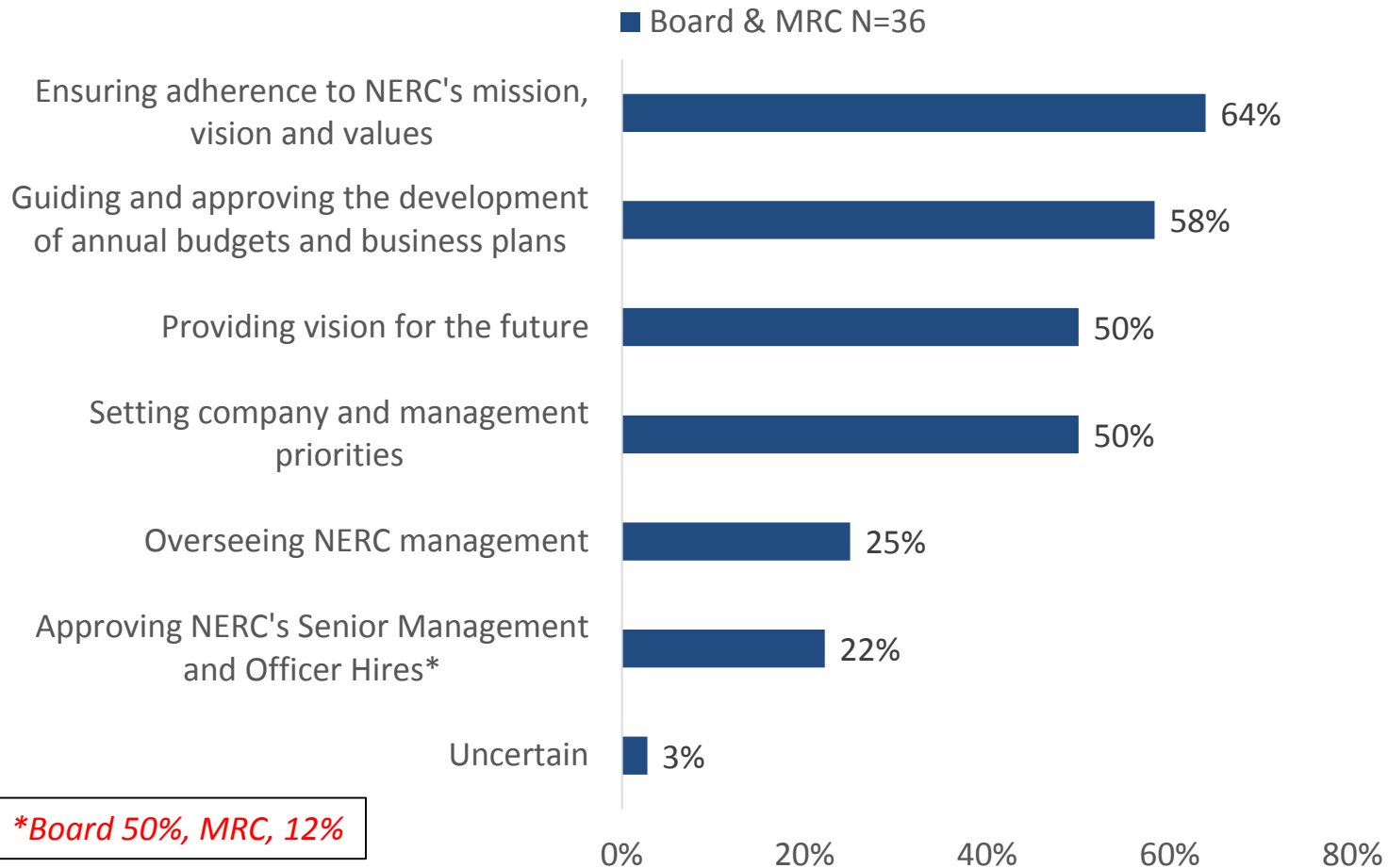
Overall Effectiveness

Overall, how effective is the Board of Trustees at performing their responsibilities?

Overall how satisfied are you personally with the job you do working on the Board of Trustees?



What are the Board of Trustees' MOST important functions at NERC? [Select No More Than 3]

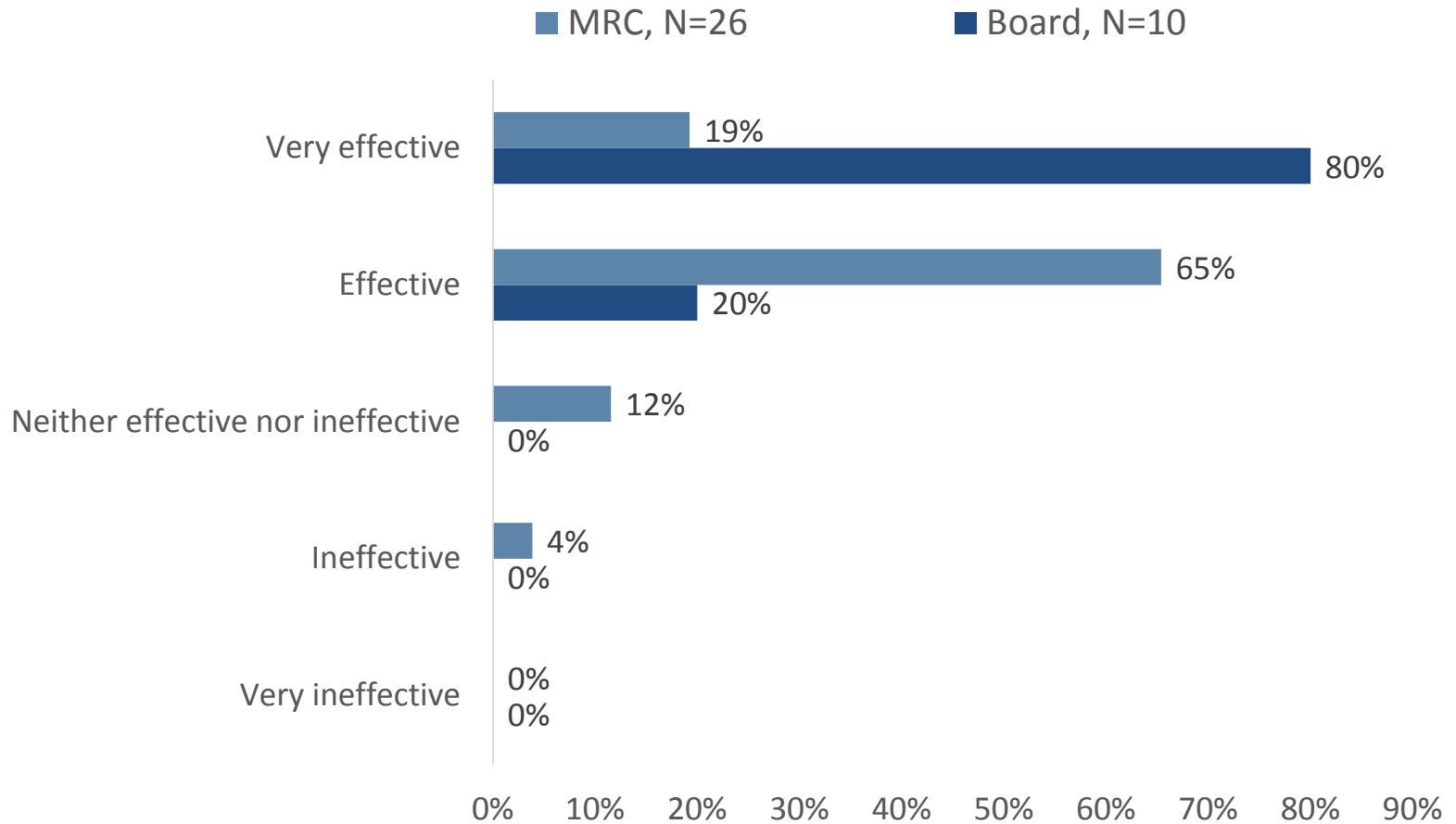




Strategy

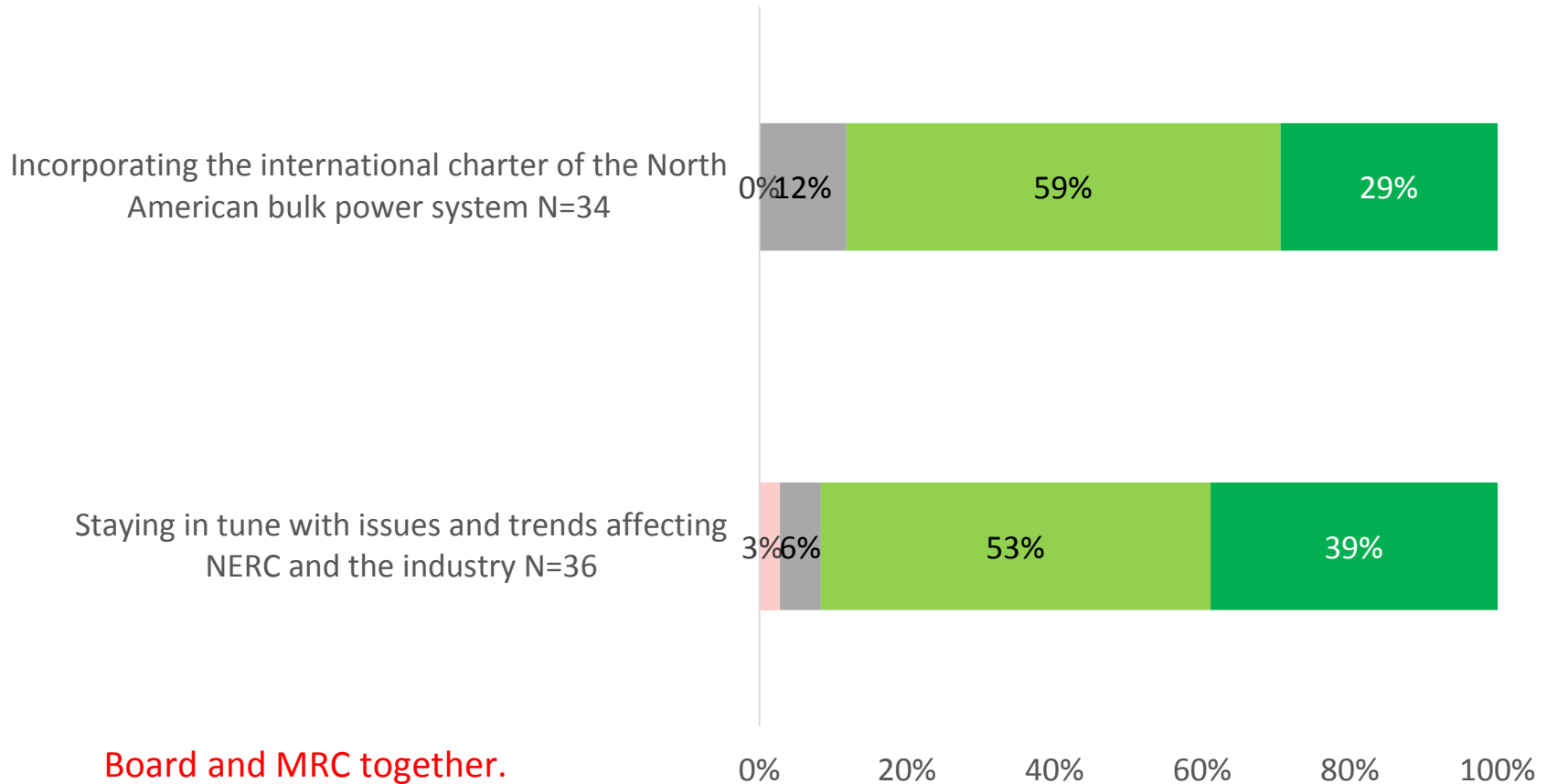
Board Oversight on Plans & Budget

Please rate the Board's effectiveness in overseeing NERC Management or staff to produce a final annual business plan and budget.

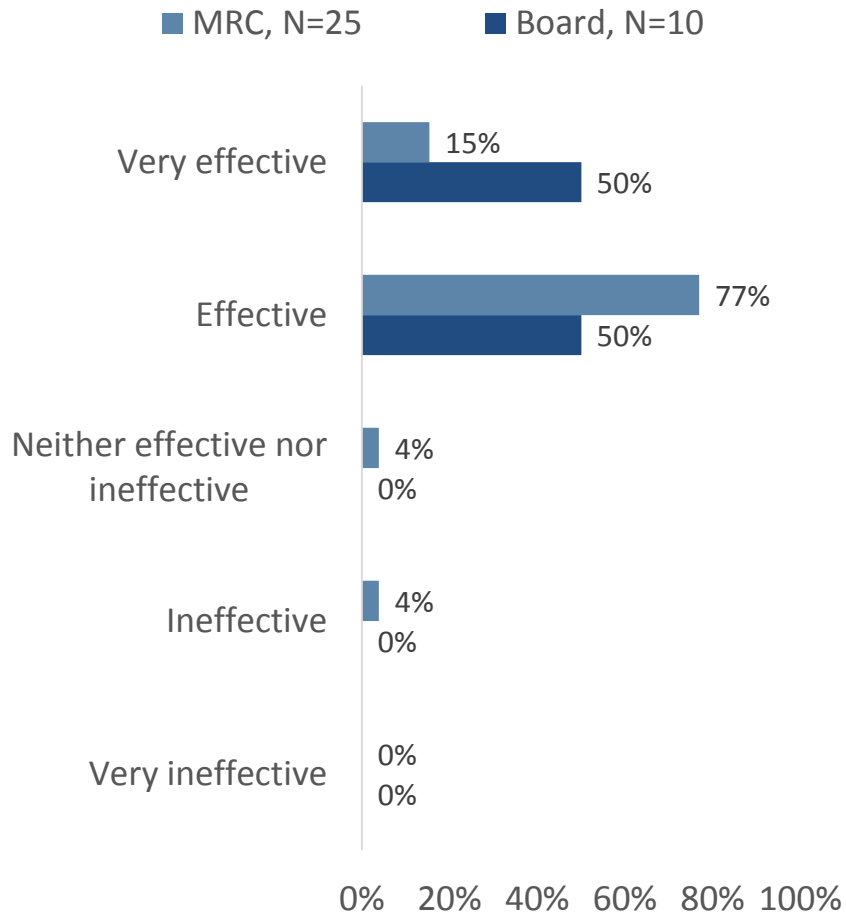


Please rate how effective the Board of Trustees is at each of their following functions:

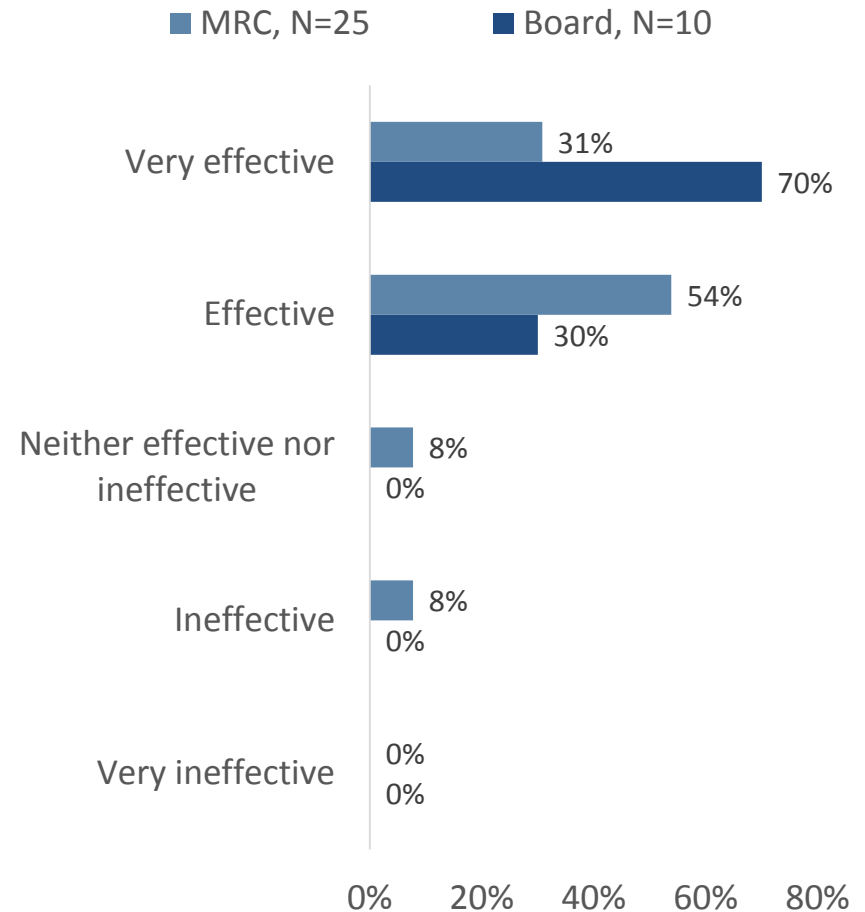
■ Very ineffective
 ■ Ineffective
 ■ Neither effective nor ineffective
 ■ Effective
 ■ Very effective



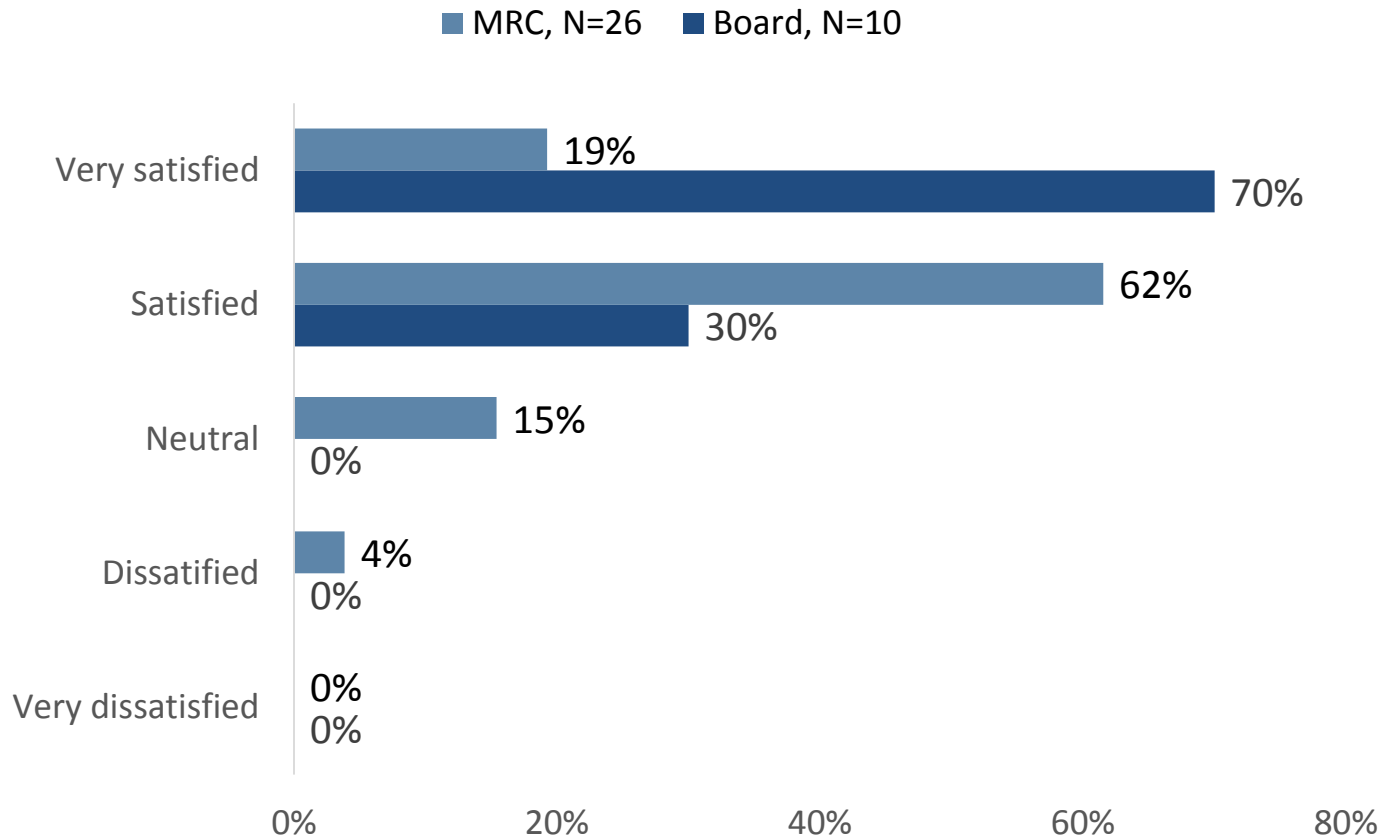
Setting company and management priorities.



Providing Leadership.



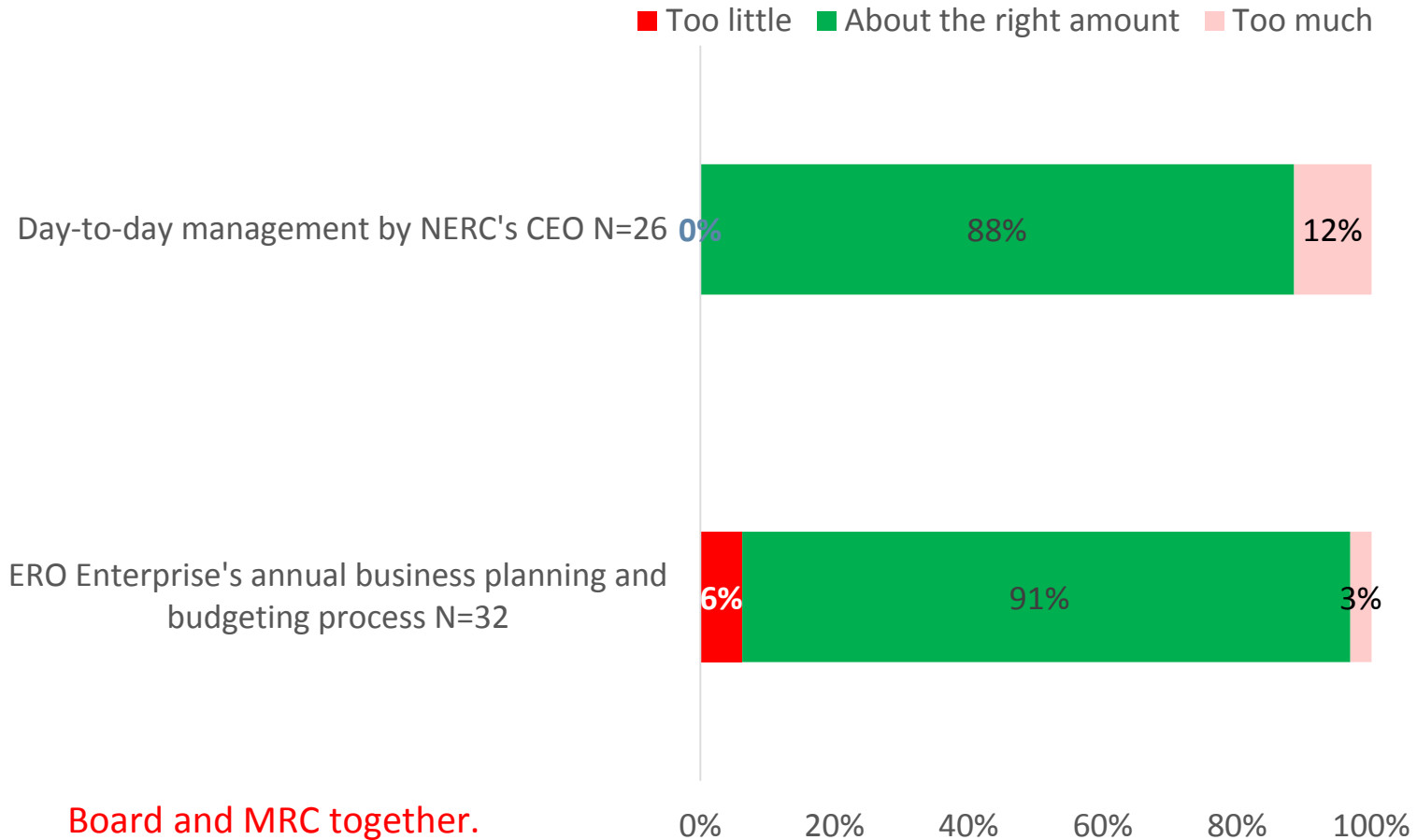
How satisfied are you with how the Board incorporates advice and/or recommendations from the MRC?



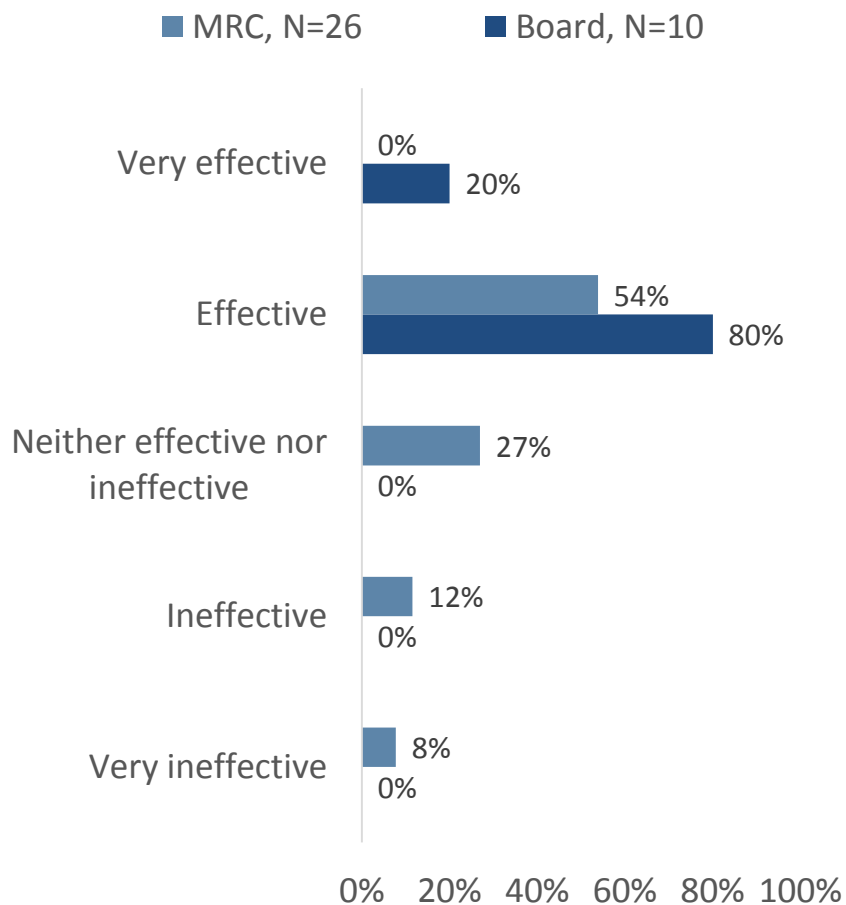


Oversight

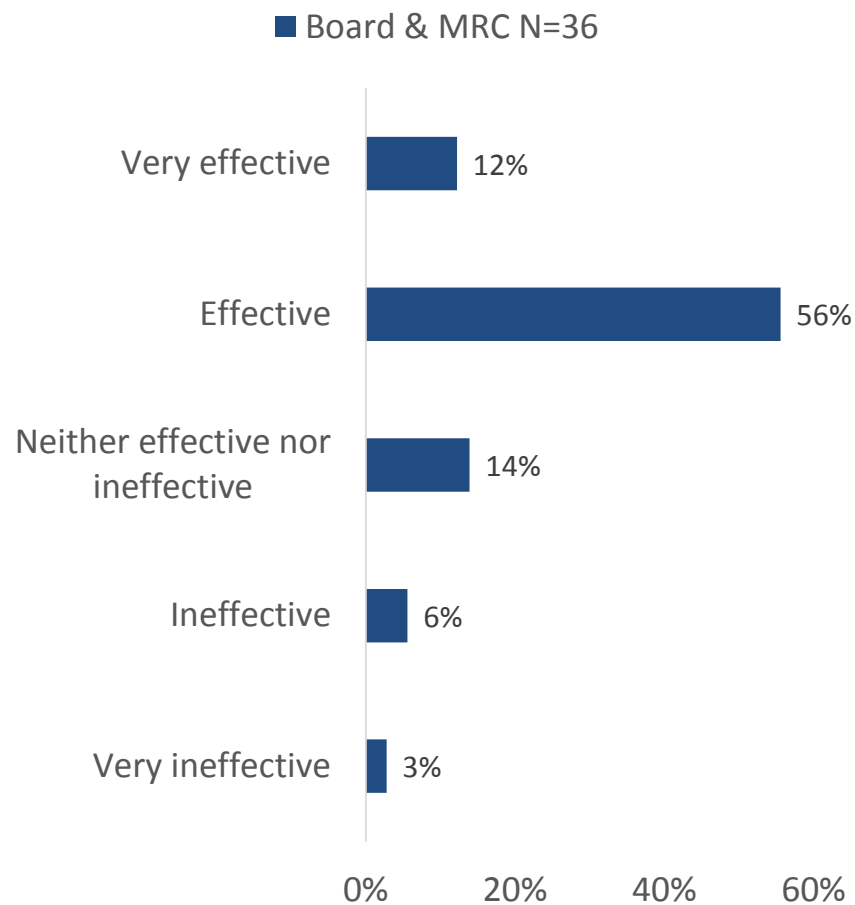
Please rate the amount of involvement the Board has in each of the following:



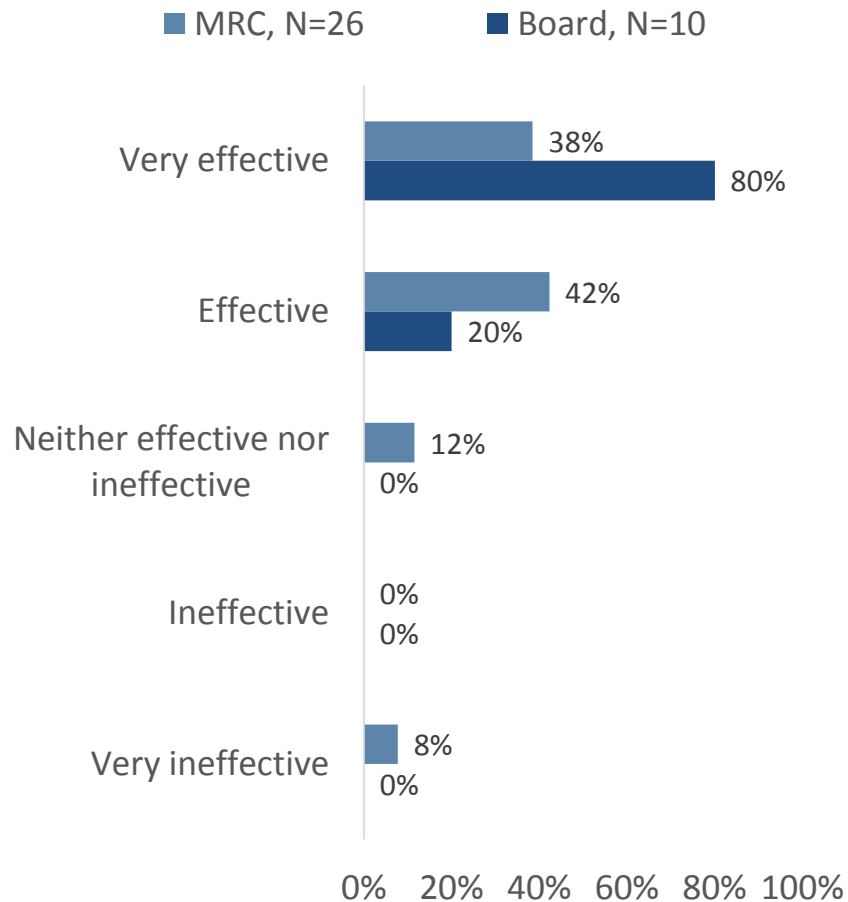
Efficiency of ERO Enterprise processes



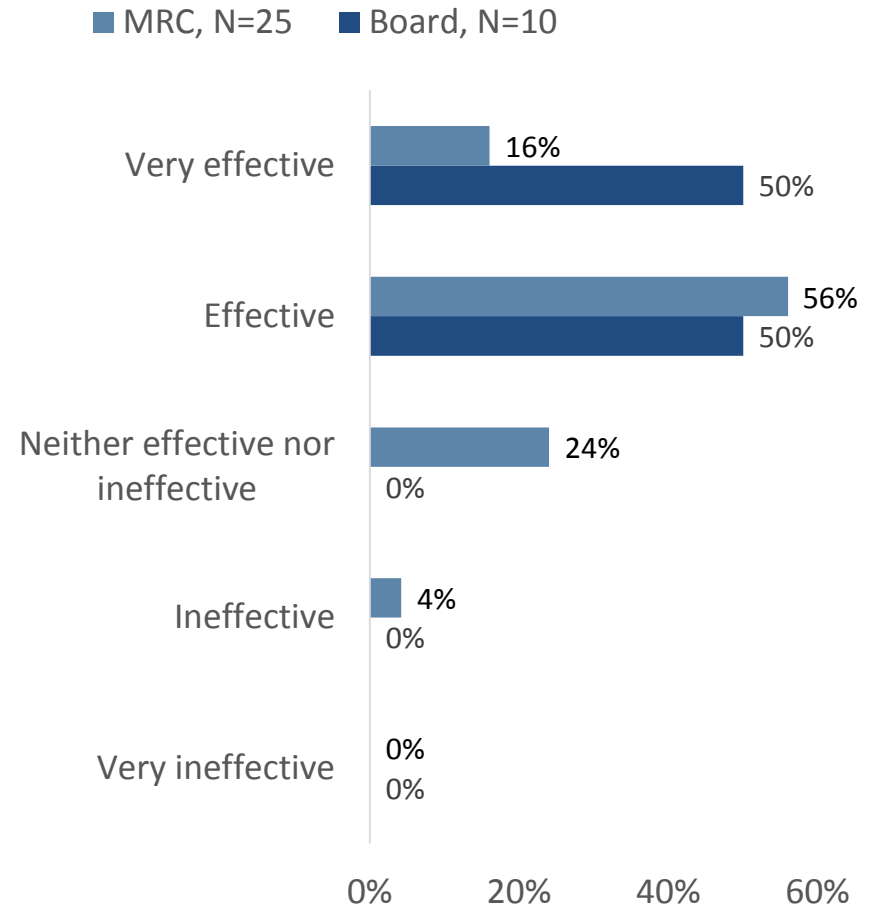
Standards Development

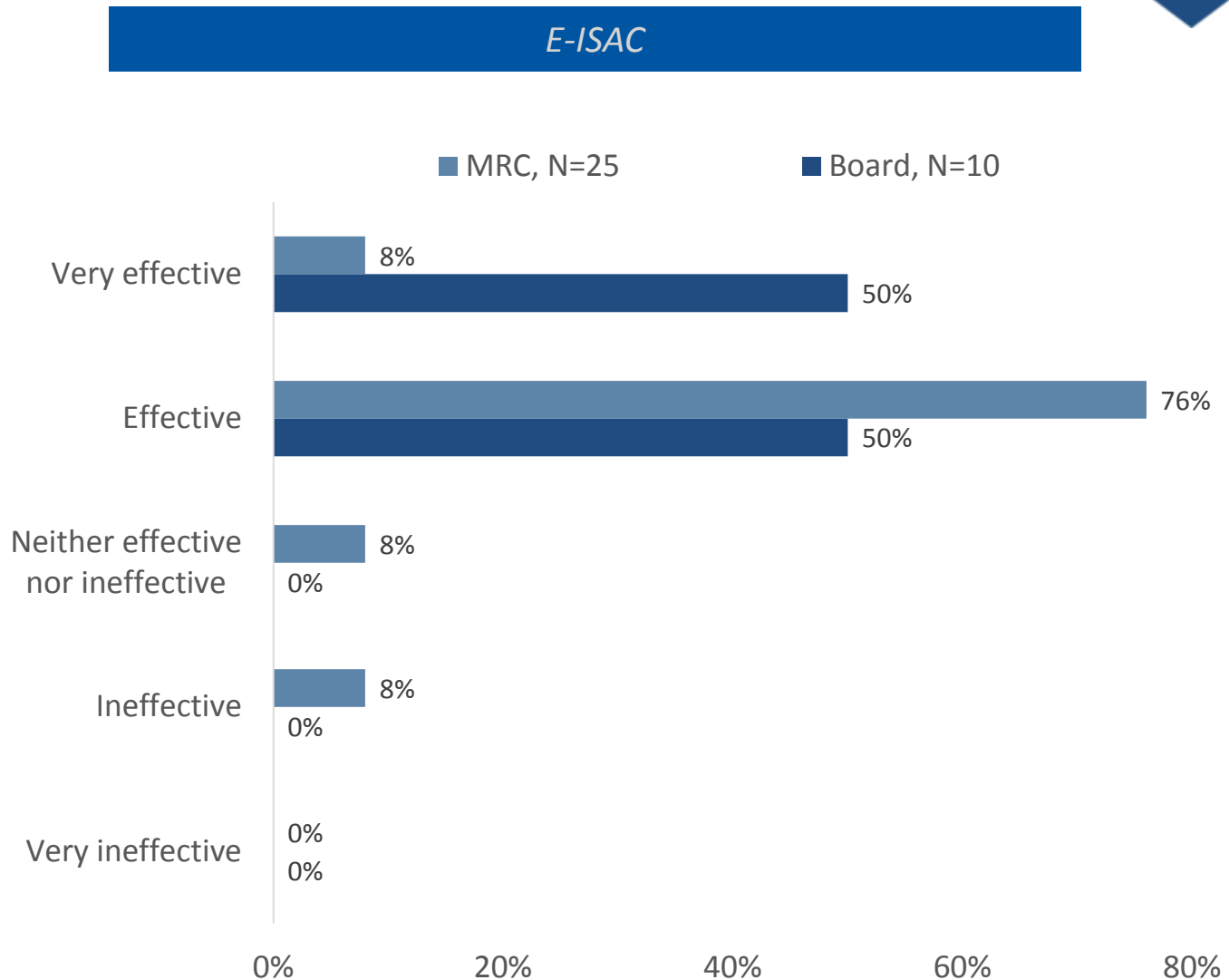


Compliance Monitoring and Enforcement



Reliability Assessments

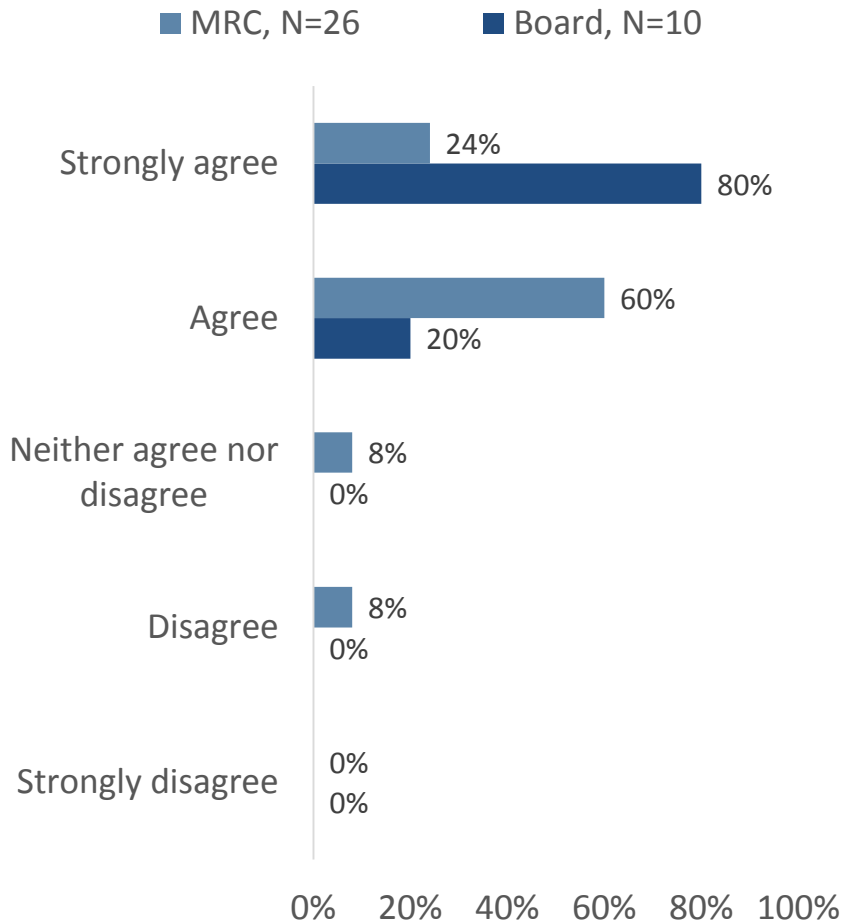




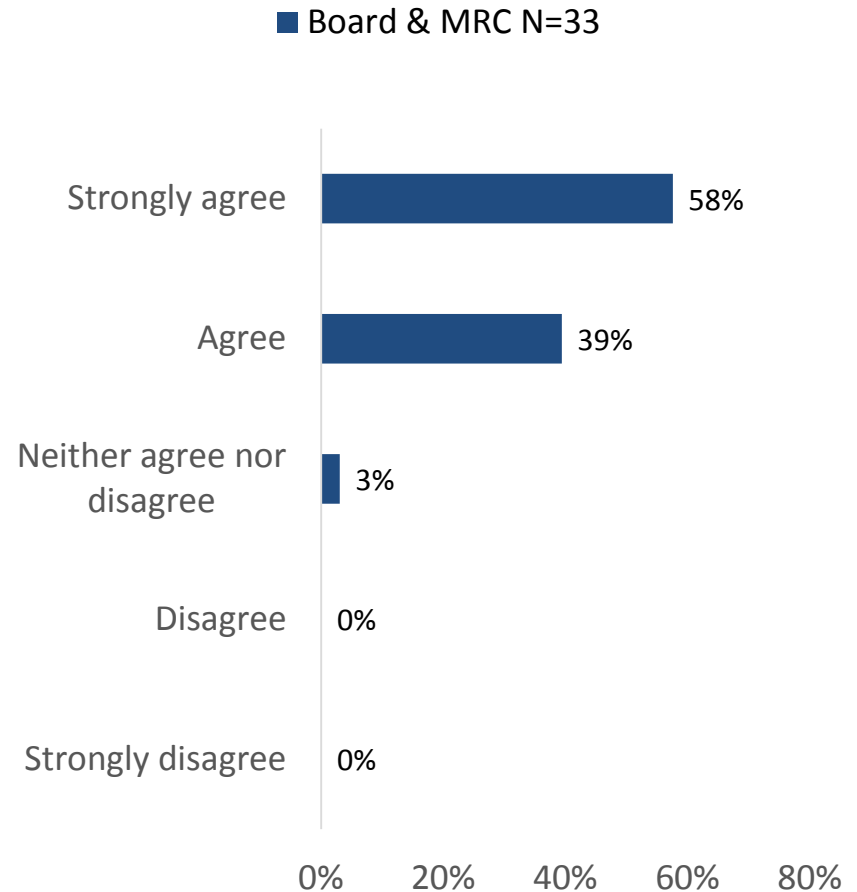


Stakeholder Relations

“The Board listens to input from the MRC”



“The Board listens to input from NERC management.”

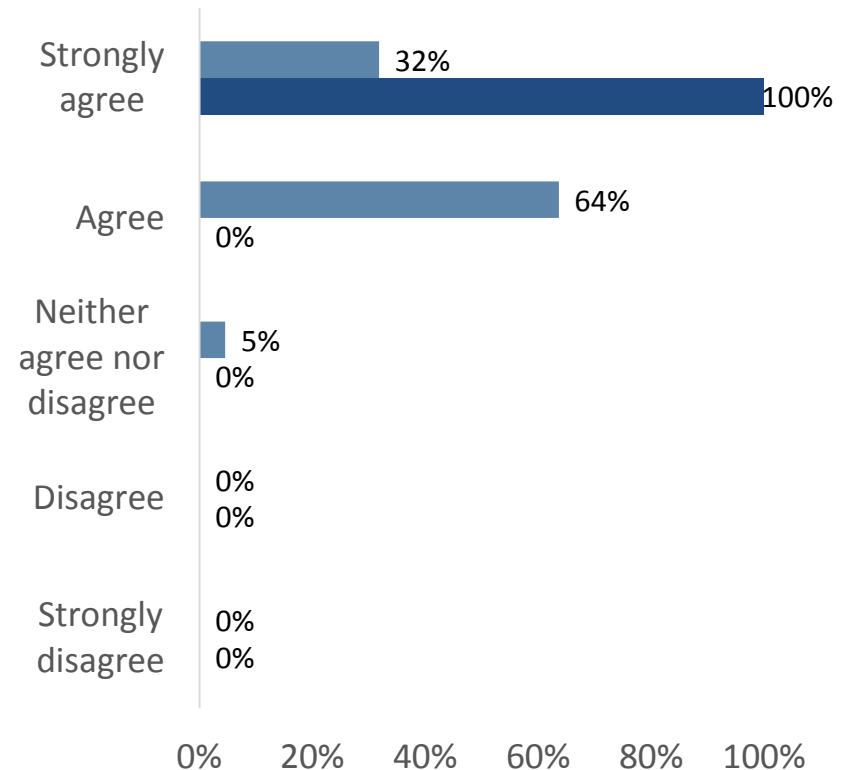
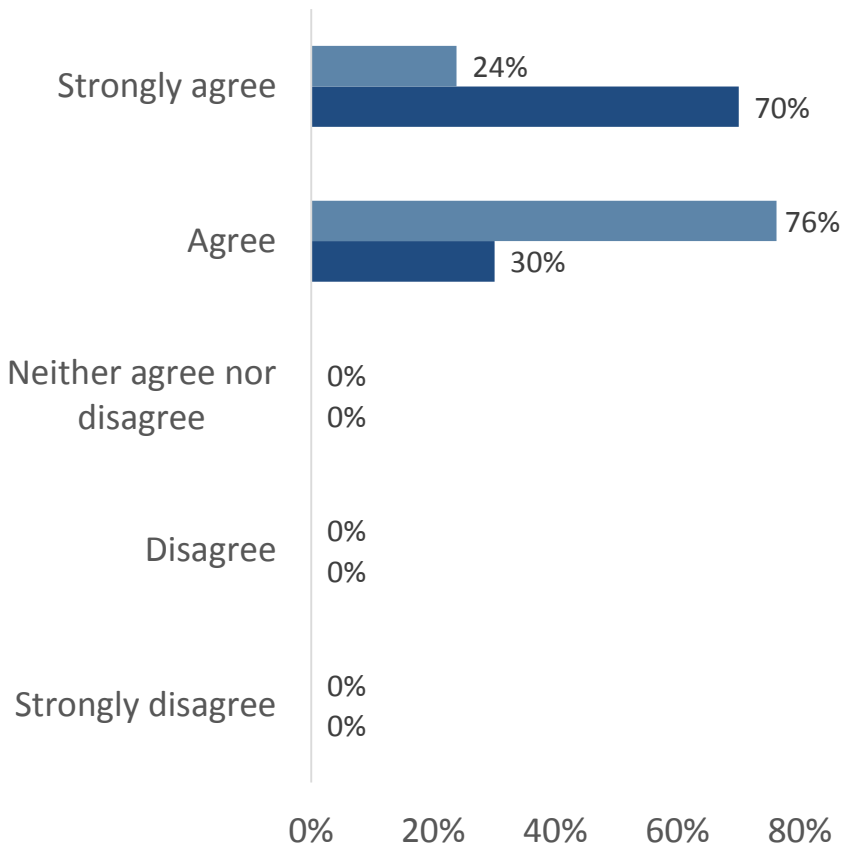


“The Board listens to input from Regional Entities.”

“The Board works effectively with management..”

■ MRC, N=21 ■ Board, N=10

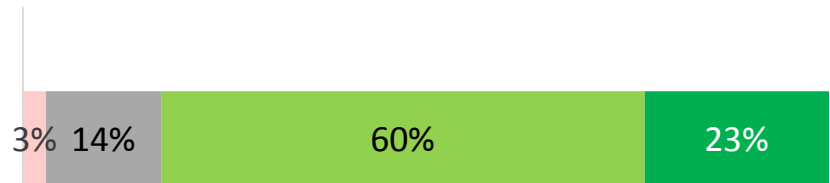
■ MRC, N=22 ■ Board, N=10



Please indicate your agreement or disagreement with each of the following statements about stakeholder relations.:

■ Strongly disagree
 ■ Disagree
 ■ Neither agree nor disagree
 ■ Agree
 ■ Strongly agree

The Board maintains a positive working relationship with Canadian federal and provincial regulators.
N=35



The Board maintains a positive working relationship with State regulators. N=31



The Board maintains a positive working relationship with Federal regulators. N=34



Board and MRC together.

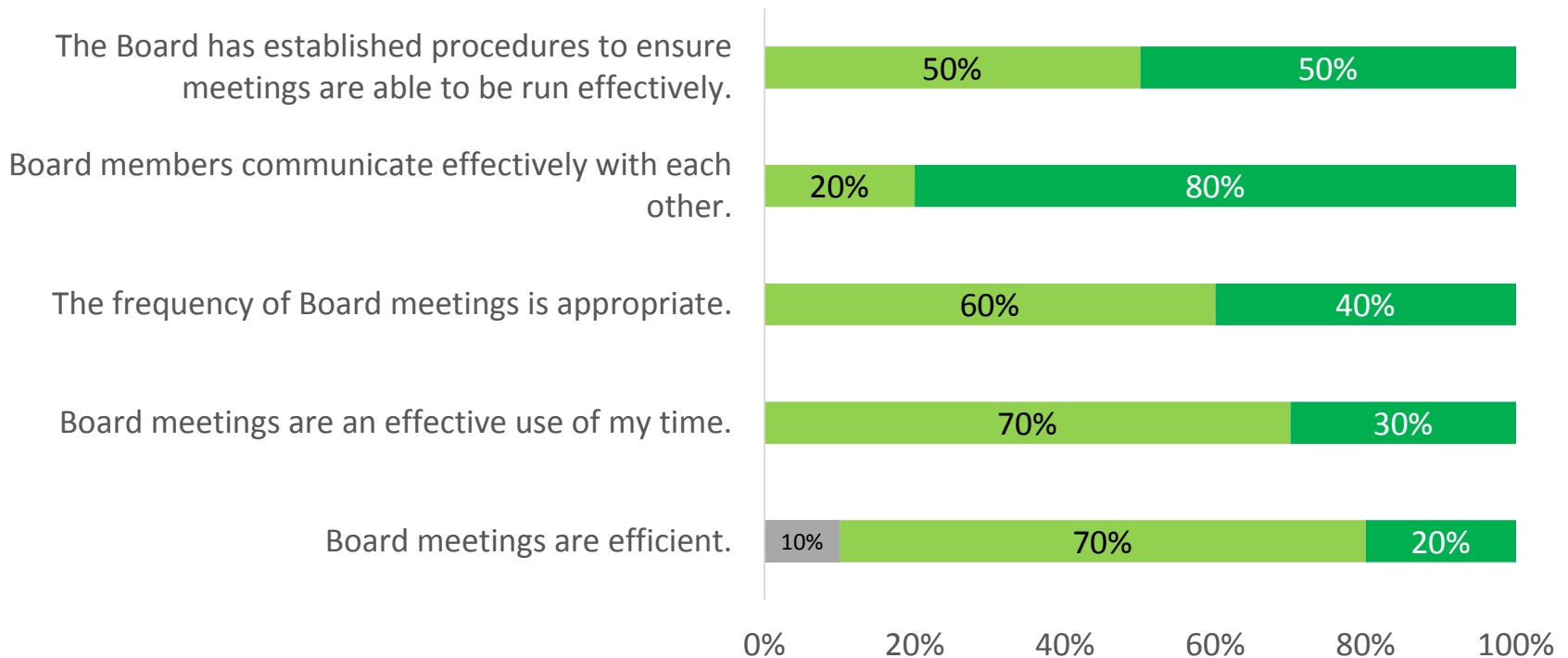
0% 20% 40% 60% 80% 100%



Board Functioning

Please indicate your agreement or disagreement with each of the following statements about Board functioning:

■ Strongly disagree
 ■ Disagree
 ■ Neither agree nor disagree
 ■ Agree
 ■ Strongly agree

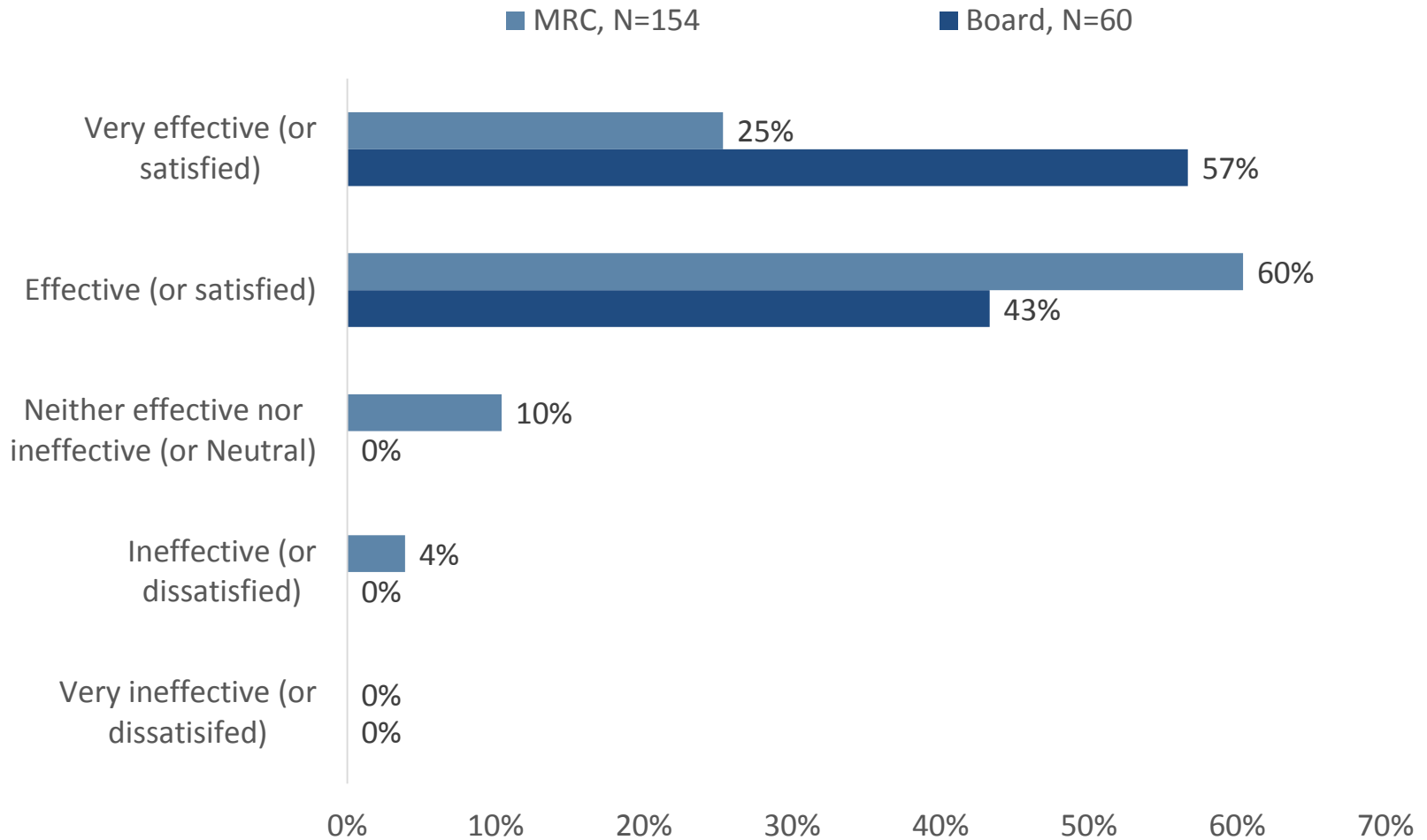


Board only.

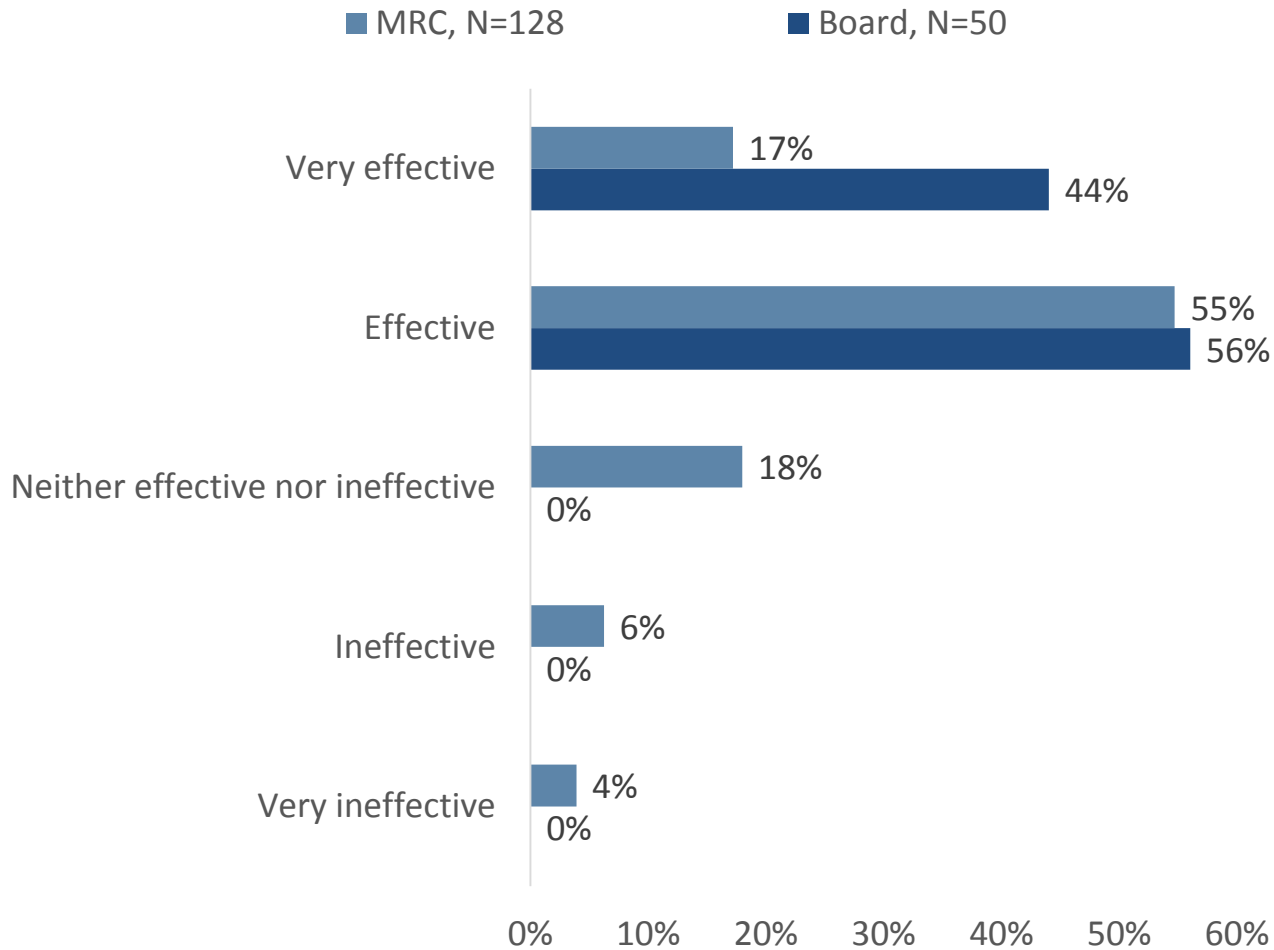


Area Overall Summaries

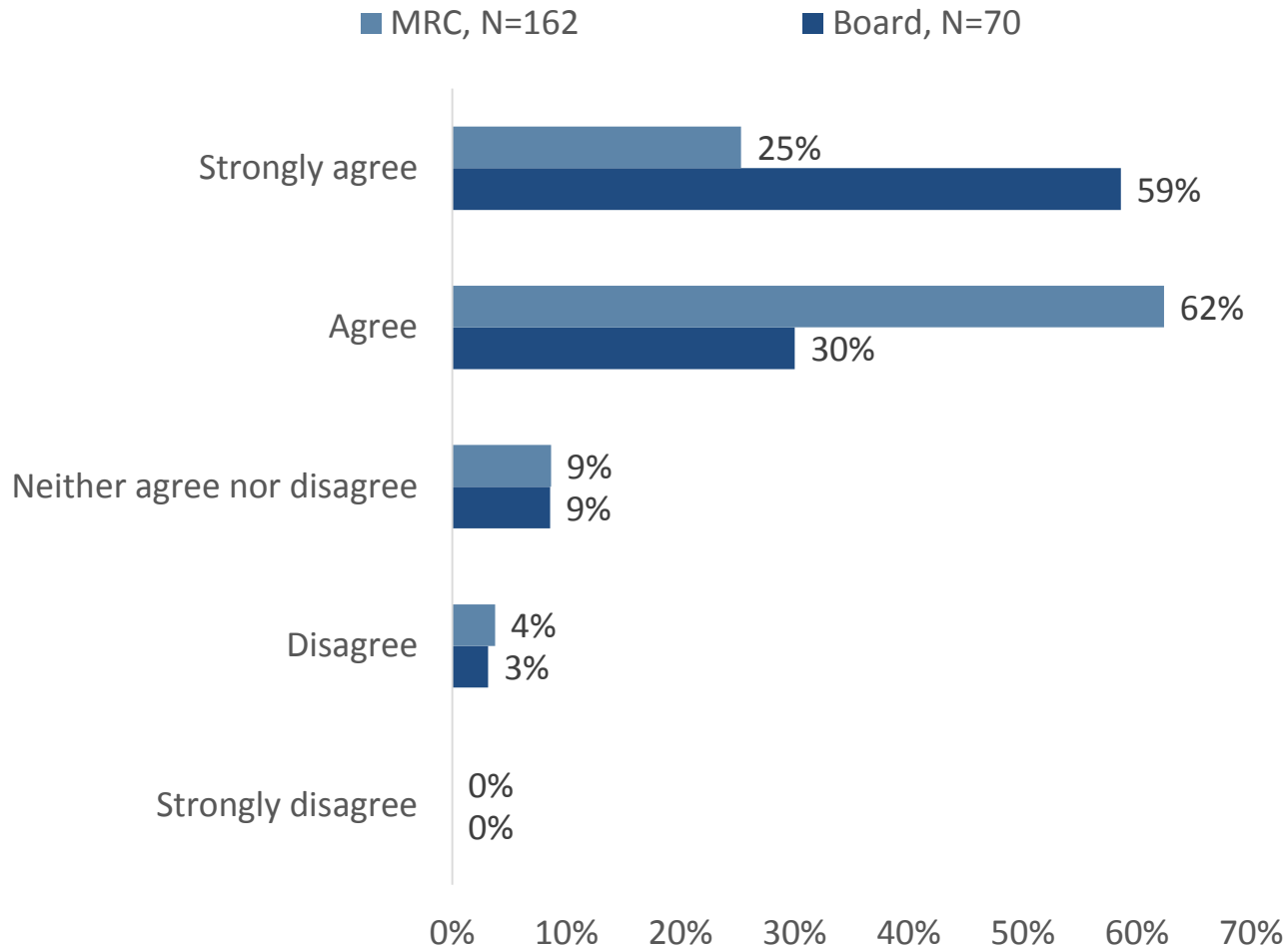
Strategy – Six Questions, five Effectiveness, one Satisfaction



Oversight – Five Questions



Stakeholder Relations – Seven Questions





Appendix

- Board of Trustees/Member Representatives Committee Proposed 2018 Survey Questions
- **Levels of Effectiveness (Rating Scale)**
 - 5 = Very effective, 4 = Effective, 3 = Neither Effective nor ineffective. 2 = Ineffective ,1 = Very ineffective
- **Levels of Satisfaction (Rating Scale)**
 - 5 = Very satisfied, 4 = Satisfied, 3 = Neutral, 2 = Dissatisfied, 1 = Very dissatisfied
- **Levels of Agreement (Rating Scale)**
 - 5 = Strongly agree, 4 = Agree, 3 = Neither agree nor disagree, 2 = Disagree, 1 = Strongly disagree

The survey included a prompt requiring comment for any item rated a “1” or a “2”.

Overall Effectiveness

- Overall, how effective is the Board of Trustees at performing their responsibilities?
- Overall how satisfied are you personally with the job you do working on the Board of Trustees?*
- What are the Board of Trustees' MOST important functions at NERC? [Select No More Than 3]

*Board Only Questions

Strategy

- Please rate the Board's effectiveness in overseeing NERC Management or staff to produce a final annual business plan and budget.
- Please rate how effective the Board of Trustees is at each of their following functions.
 - Staying in tune with issues and trends affecting NERC and the industry
 - Setting company priorities
 - Providing leadership
 - Incorporating the international charter of the North American bulk power system
- How satisfied are you with how the Board incorporates advice and/or recommendations from the MRC?

Oversight

- Please rate the amount of involvement the Board has in each of the following:
 - ERO Enterprise's (NERC and the Regional Entities) annual business planning and budgeting process
 - Day-to-day management by NERC's CEO
- Please rate the Board's effectiveness at monitoring each of the following:
 - Efficiency (cost effectiveness) of ERO Enterprise processes
 - Standards Development
 - Compliance Monitoring and Enforcement
 - Assessments
 - E-ISAC

Stakeholder Relations

- Please indicate your agreement or disagreement with each of the following statements about stakeholder relations.

The Board listens to input from the MRC.

The Board listens to input from NERC management.

The Board listens to input from Regional Entities

The Board works effectively with management.

The Board maintains a positive working relationship with Federal regulators.

The Board maintains a positive working relationship with State regulators.

The Board maintains a positive working relationship with Canadian federal and provincial regulators.

Board Functioning*

- Please indicate your agreement or disagreement with each of the following statements about Board functioning.

Board meetings are efficient.

Board meetings are an effective use of my time.

The frequency of Board meetings is appropriate.

Board members communicate effectively with each other.

The Board has established procedures to ensure meetings are able to be run effectively, including delivery of agendas and appropriate background material in time to prepare in advance of meetings

2019 Work Plan
Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness

Major Themes

- Request that management continue to focus on a first draft budget for comment that is as close as possible to the budget that will be ultimately requested for approval.
- Board focus on effectiveness and efficiency should be across the ERO Enterprise, not just on NERC meetings and travel expenses.
- Overall cost effectiveness, including with reliability standards, should remain a key focus.
- Board should continually assess with management the prioritization of programs and expenses.

Board Plans

Budget

1. FAC to ensure management develops a budget for first posting that is as close to the what is expected to be the final budget as reasonably possible, with only material changes to be made based on new facts/circumstances during the process
2. Request management to be as clear as possible on major assumptions and variables in the budget

Effectiveness and Efficiency:

1. Continue to monitor and highlight progress quarterly on the initiative
2. Ensure management completes the entire initiative as laid out in prior presentations
3. NERC trustees to encourage regional entity boards to review their own organizations to identify and capture E&E opportunities

Overall cost effectiveness:

1. Continue focus on standards cost effectiveness as part of the board approval process
2. Consider costs of Board requests for additional work on standards and from potential FERC directives, and work to articulate those costs in regulatory filings

Prioritization

1. Ensure management links annual budget to strategic and operating plan priorities
2. Ensure management regularly reviews existing programs in terms of need/priority

NERC Governance Guidelines Annual Review

Action

Review

Background

The Board of Trustees (Board) has approved [Governance Guidelines](#) (Guidelines), which consolidated the provisions of various policies and documents related to the conduct of the Board and of individual Trustees:

- Role of the Board
- Trustee succession
- Process for electing the Board Chair and Vice Chair
- Duties and responsibilities of the Board Chair
- Confidential information
- Representation of NERC
- Board meetings, including criteria for holding closed and executive sessions, notice and provision of materials, and preparation and distribution of minutes
- Conflicts of interest
- Trustee compensation
- Compensation of NERC officers and key employees
- Loans to Officers or Trustees
- Review of IRS Form 990

This consolidated approach is consistent with best corporate governance practices.

The Guidelines require that they be reviewed by the Committee from time to time. NERC Legal has conducted a review of the Guidelines and has determined that they are consistent with general corporate governance practices and the Board's practices, and is not recommending any revisions at this time.

Annual Conflict of Interest and Independence Report

Action

Review

Background

Pursuant to its Mandate, the Committee is required to:

1. Periodically review the criteria for independence of the Board of Trustees as set out in the NERC Bylaws and recommend any changes to the Board, as appropriate.
2. Monitor the membership of the Board to determine that: (i) Board members are independent; (ii) qualifications under any applicable laws are maintained; and (iii) specific situations of conflict of interest are avoided.

Consistent with past practice, the Legal and Human Resources Department has distributed and reviewed conflict of interest questionnaires for all NERC Trustees, officers, key employees and all other employees. In addition, the Legal Department has reviewed the independence criteria for Trustees as set forth in the NERC Bylaws and considered any applicable legal requirements related thereto, including Section 215 of the Federal Power Act.

The Legal and Human Resources Departments have advised the Committee that:

1. Based on the completed conflict of interest questionnaires, each NERC Trustee, officer, key employee and employee is in compliance with all applicable conflict of interest and independence requirements.
2. No modifications are necessary to NERC's independence and conflict of interest requirements or policies.
3. NERC's current Board of Trustees meets all qualifications under applicable laws.

Annual Review of Committee Mandate

Action

Review

Background

As part of the annual review of all Board committee mandates, the NERC Legal Department has reviewed the current Corporate Governance and Human Resources Committee (CGHRC) mandate. The Legal Department is recommending one change to the CGHRC mandate, which is to clarify that, as required in the NERC Governance Guidelines, the CGHRC will receive the annual recommendation from the Board Chair for committee assignments and recommend committee assignments to the Board for its approval.

The attached CGHRC mandate reflects the proposed revision.

The Legal Department is not recommending any further revisions at this time.

Board of Trustees Corporate Governance and Human Resources Committee Mandate

Approved by the Board of Trustees: ~~November~~
~~5XXXXX~~, 20159

Committee Membership

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

Purpose

The purpose of the CGHRC is to assist the Board in (i) insuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation's employee compensation and benefit approaches, including the compensation of the corporation's Board members and officers, and (iii) overseeing the corporation's programs and practices for personnel development and human resources, as well as performing such other responsibilities as directed by the Board or this Mandate.

Committee Authority and Responsibilities

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

Corporate Governance:

1. Develop criteria governing the overall composition of the Board for recommendation to the Board.
2. Periodically review the criteria for independence of the Board set out in the NERC Bylaws and recommend changes to the Board, as appropriate.
3. Monitor the membership of the Board to ensure that: (i) the Board members are independent, (ii) qualifications under any applicable laws are maintained, and (iii) specific situations of conflict of interest are avoided.
4. Coordinate an annual effectiveness evaluation of the Board, its structure, and processes.
5. Review the self-assessments of the Board committees to assure that they are being done on a consistent basis.
6. Review on a periodic basis the structure of the other Board committees and, together with chairs of other Board committees, review the mandate of each committee and recommend changes to the Board, as appropriate.

7. Receive the recommendation of the Board chair for Board committee membership and chairs, and recommend to the Board the chairs and members of each board committee.

~~7.8.~~ Ensure the meaningfulness and timeliness of support, information, and documentation from NERC management to the Board.

~~8.9.~~ Develop a Board member and company code of conduct and conflict of interest policy for adoption by the Board and periodically review the code of conduct and conflict of interest policy and recommend changes, as appropriate.

~~9.10.~~ Develop recommendations for the Board regarding Board member succession policy.

~~10.11.~~ Develop Governance Guidelines for adoption by the Board, that address the overall governance processes of the Board, and periodically review them and recommend changes, as appropriate.

Compensation and Benefits:

1. Review, on an annual basis, the compensation plan for members of the Board and make recommendations to the Board, as appropriate.
2. Conduct periodic reviews of industry compensation and benefit practices and trends and other information in order to assess the adequacy, effectiveness and competitiveness of the Company's compensation and benefit plans for Board members and officers.
3. Approve the metrics related to the Corporation's annual performance goals for use in determining incentive compensation.
4. Review and approve a general compensation and benefit structure for the officers and management of the corporation.
5. Review the performance and approve the compensation and significant benefit plans for all officers of the Corporation, including salaries, bonuses, life insurance and retirement benefits, based on recommendations by the NERC's President and Chief Executive Officer (the "CEO").
6. Recommend to the Board the appropriate compensation, including salary and bonus, of the CEO.

Personnel Development and Human Resources:

1. Regularly review the performance of the CEO and provide feedback as appropriate.
2. Review with the CEO the essential elements of key personnel succession planning.
3. Review overall staffing levels and management's plans and activities for the development and improvement of key personnel.

Other Matters

1. Oversee the corporation's retirement plans and take various other actions related thereto, including, but not limited to, the following: (i) create such retirement plan investment policy statements and retirement plan oversight committees as it deems appropriate to provide day to day oversight of the company's retirement plans; (ii) review, on an annual basis, the performance

- of the company's retirement plans; and (iii) undertake such other actions as it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
2. Review the corporate governance aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.
 3. Whenever it may be appropriate to do so, retain and receive advice from experts, including independent compensation consultants and legal counsel, and conduct or authorize the conduct of investigations into any matters within the scope of the responsibility of the CGHRC as the CGHRC may consider appropriate.
 4. Perform such other functions as may be delegated from time to time by the Board.

Committee Meetings

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

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

Governance

The Board, or in the event of their failure to do so, the members of the CGHRC, shall appoint a chair from among their members. The CGHRC Chair shall be responsible for leadership of the Committee, scheduling of meetings, setting agendas, presiding over Committee meetings, and making reports to the Board. The CGHRC shall appoint a person, who does not need to be a member of the Board or of the Committee, to assist the Chair and serve as the non-voting secretary.

Review

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

Human Resources and Staffing 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.

2018 investments in training targeted leadership development and communications. The officer team continued their engagement in coaching and leadership training, and this coaching access will continue to be extended down to the next level of emerging leaders and succession candidates in 2019. Managers are working 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 rollout. The 2018 organization training plan included a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning. 2019 plans will ensure NERC staff continue to have the required technical skills and competencies to meet the mission, and the training department realignment to report into the HR department is already creating operational efficiencies and the ability to deliver more services internally and externally.

A variety of initiatives to improve culture and employee engagement were launched in 2018, including the creation of an Employee Engagement and Advisory Council with diverse representation across locations, levels, and departments. In 2019, HR will work with leadership to do a full evaluation of HR products and services and consider and implement a variety of enhancements to improve staff engagement and retention.

The 2018 attrition rate rose slightly over 2017's rate, which was expected as the organization focused on organizational structure and operational efficiencies.