

Agenda

Corporate Governance and Human Resources Committee

August 14, 2019 | 11:15 a.m.-12:00 p.m. Eastern

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

Hilton Quebec
1100 Boulevard René-Lévesque E
Québec, QC G1R 4P3

Conference Room: Salle de Bal (1st Floor)

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement*

Agenda Items

1. Minutes* — **Approve**
 - a. May 8, 2019 Meeting
2. 2019 ERO Work Plan Priorities* — **Update**
3. Draft 2020 ERO Work Plan Priorities* — **Review**
4. Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey* — **Review**
5. 2019 Work Plan Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness* — **Update**
6. Employee Reporting and Document Retention Policies and Procedures* — **Review**
7. Human Resources and Staffing Update* — **Review**
8. Adjournment

*Background materials included.

Antitrust Compliance Guidelines

I. General

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

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

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

II. Prohibited Activities

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

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.
- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

III. Activities That Are Permitted

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

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

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

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

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

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

DRAFT Minutes

Corporate Governance and Human Resources Committee Meeting

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

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

Chair Kenneth W. DeFontes, Jr. 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 May 8, 2019, at 8:30 a.m. Central, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Kenneth W. DeFontes, Jr., Chair
Robin E. Manning
Jan Schori
Roy Thilly

Board Members

Janice B. Case
Frederick W. Gorbet
George S. Hawkins
David Goulding
Suzanne Keenan
James B. Robb, President and Chief Executive Officer
Colleen Sidford

Committee Members Not Present

Robert G. Clarke

NERC Staff

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

NERC Antitrust Compliance Guidelines

Mr. DeFontes 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.

Opening Remarks

Mr. DeFontes reported that the Committee met in closed session on April 24, 2019 to discuss various topics including the Board Committee Self-Assessment results, benefits and compensation, trustee compensation, and the corporate governance aspects of the IRS Form 990.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the February 6, 2019 meeting as presented at the meeting.

Board Committees' Self-Assessment Surveys Results

Mr. Berardesco reviewed the results of the Board Committees' Self-Assessment surveys, referencing the material included in the advance agenda package. He noted the responses indicate that the Board committees continue to function effectively and in accordance with their mandates. Mr. Berardesco also noted that the results have been shared with the Committee chairs.

2019 ERO Enterprise Metrics Update

Mr. Lauby reviewed the status of the 2019 ERO Enterprise metrics.

Annual Review of Trustee Compensation

Mr. DeFontes noted that the Board is required to review trustee compensation on an annual basis. He explained the process the Board follows. Compensation is determined in accordance with a report prepared by an independent consultant, with any compensation adjustments implemented over a three-year period. Mr. DeFontes explained that the last report was prepared in 2018, and NERC is in the first year of implementing compensation adjustments. As such, the Committee has determined not to recommend any additional compensation adjustments at this time.

Staffing and Recruiting Update

Mr. Jones provided an update on NERC's multi-year human resources strategy, referencing the information provided in the advance agenda package. He noted continued success in E-ISAC hiring and continued investments in training and leadership development.

Adjournment

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

Submitted by,



Charles A. Berardesco
Corporate Secretary

**2019 ERO Work Plan Priorities
Draft 2020 ERO Work Plan Priorities**

Action
Review

Summary

Management will provide a mid-year status update on the [2019 ERO Work Plan Priorities](#) and present on the following preliminary focus areas for 2020:

1. Expand Risk-Based Focus in Standards, Compliance Monitoring and Enforcement
2. Assess and Take Steps to Mitigate Known and Emerging Risks to Reliability
3. Build a Strong E-ISAC-Based Security Capability
4. Strengthen Engagement across North America and the Reliability Ecosystem
5. Promote Effectiveness, Efficiency and Continuous Improvement

Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness Survey and Board Committee Self-Assessments

Action

Review

Summary

NERC management has prepared the attached draft of the assessment for the annual Board self-assessment and the MRC assessment for Committee review. The proposed survey is divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

The questions and answers within each section have were amended in 2018 to aide in more meaningful year over year analytics, direction, and areas of improvement for the Board.

Management recommends that the Committee provide any comments, with the goal of approving the final assessment at the November 2019 Committee meeting, which will allow for a prompt release of the assessment after the November meeting.

DRAFT

Board of Trustees/Member Representatives Committee Assessment Questions

Thank you for taking this assessment of the NERC Board of Trustees. The questions should take about 10 minutes to complete.

Note: The questions are divided into four sections:

- Overall Effectiveness
- Strategy
- Oversight
- Stakeholder Relations and Board Functioning

I. Overall Effectiveness

- 1. Overall, how effective is the Board of Trustees at performing their responsibilities?**
 - a. Very effective
 - b. Effective
 - c. Neither Effective nor ineffective
 - d. Ineffective
 - e. Very ineffective
 - f. Uncertain
- 2. [Board only] Overall, how satisfied are you personally with the job you do working on the Board of Trustees?**
 - a. Very satisfied
 - b. Satisfied
 - c. Neither Satisfied nor Dissatisfied
 - d. Dissatisfied
 - e. Very dissatisfied
 - f. Uncertain
- 3. What are the Board of Trustees' MOST important functions at NERC? (Select No More Than 3)**
 - a. Setting company and management priorities
 - b. Guiding and approving the development of annual budgets and business plans
 - c.
 - d. Providing vision for the future
 - e. Ensuring adherence to NERC's mission, vision and values
 - f. Overseeing NERC management
 - g. Approving NERC's Senior Management and Officer Hires

- h. Uncertain
- i. Other (please specify)

4. Comments on Board of Trustees Overall Effectiveness

II. Strategy

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

- a. Very effective
- b. Effective
- c. Neither effective nor ineffective
- d. Ineffective
- e. Very ineffective
- f. Uncertain/Not applicable

2. Please rate how effective the Board of Trustees is at each of their following functions? [Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]

- a. Staying in tune with issues and trends affecting NERC and the industry
- b. Setting company priorities
- c. Providing leadership
- d. Incorporating the international charter of the North American bulk power system

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

- a. Very satisfied
- b. Satisfied
- c. Neutral
- d. Dissatisfied
- e. Very dissatisfied
- f. Uncertain/Not applicable

4. Comments on Strategy

III. Oversight

1. Please rate the **amount of involvement** the Board has in each of the following: *[Too much, About the right amount, Too little, Uncertain]*
 - a. ERO Enterprise's (NERC and the Regional Entities) annual business planning and budgeting process
 - b. Day-to-day management by NERC's CEO
2. Rate the Board's effectiveness at **monitoring** each of the following: *[Very effective, Effective, Neither effective nor ineffective, Ineffective, Very ineffective, Uncertain/Not applicable]*
 - a. Efficiency (cost effectiveness) of ERO Enterprise processes
 - b. Standards Development
 - c. Compliance Monitoring and Enforcement
 - d. Assessments
 - e. E-ISAC

3. Comments on Board Oversight

IV. Stakeholder Relations and Board Functioning

1. Please indicate your agreement or disagreement with each of the following statements about **stakeholder relations**. *[Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]*
 - a. The Board listens to input from the MRC.
 - b. The Board listens to input from NERC management.
 - c. The Board listens to input from Regional Entities
 - d. The Board works effectively with management.
 - e. The Board maintains a positive working relationship with Federal regulators.
 - f. The Board maintains a positive working relationship with State regulators.
 - g. The Board maintains a positive working relationship with Canadian federal and provincial regulators.
2. **[Board only]** Please indicate your agreement or disagreement with each of the following statements **board functioning**. *[Strongly agree, Agree, Neither agree nor disagree, Disagree, Strongly disagree, Uncertain]*
 - a. Board meetings are efficient.
 - b. Board meetings are an effective use of my time.
 - c. The frequency of Board meetings is appropriate.
 - d. Board members communicate effectively with each other.

- e. 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.

3. Comments on Stakeholder Relations Board Functioning

Final Comments/Suggestions/Requests

Thank you for taking part in this important assessment.

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

Action
Update

Summary

CGHRC Chair DeFontes will provide a mid-year update on the identified focus areas within the attached 2019 Board Self-Assessment and MRC Assessment of Board of Trustees Effectiveness work plan.

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

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 continues to be integrated with NERC's document management system, so as to better ensure compliance with the policy. In addition, NERC legal continues to provide 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. Management believes that the procedures for the reporting of employee concerns are understood by employees and work effectively, and that the investigation procedures are effective in providing a framework for necessary investigations.

Staffing and Recruiting Update

Action

Review

Background

The company remains engaged in a multi-year human resources (HR) strategy focused on attracting, developing and retaining the staff necessary to achieve the company's long-term strategy and operating plan. Building additional technical and cyber security strength remains the primary focus for 2019.

There have been continued significant investments in 2019 in training and leadership development and communications. The officer team remains engaged in coaching and leadership training, and this coaching access has been broadened to include emerging leaders and succession candidates, resulting in meaningful impact on managers' ability to manage conflict and engage and develop teams. The 2019 organization training plan includes a combination of classroom-based competency, technical, and industry training, offsite utility visits and e-learning. The training department realignment to report into the HR department continues to improve operational efficiencies and the ability to deliver more services internally and externally, including to the regions.

A variety of additional initiatives to improve culture and employee engagement are underway, including the operation of Employee Engagement and Advisory Councils with diverse representation across locations, levels, and departments. Feedback from initial activities from these groups suggest that staff are engaging well with leadership and will be instrumental in helping to drive NERC's "invented future." Through a series of leadership offsite meetings, the officer team and HR have created a comprehensive plan to develop a NERC culture that's safe, inclusive, innovative, and collaborative. HR will play a key advisory and execution role on a number of related initiatives, which will include a full evaluation of existing HR products and services and enhancements that support the culture.