

Minutes Corporate Governance and Human Resources Committee

August 12, 2015 | 8:45–9:45 a.m. Eastern

The Ritz-Carlton, Toronto
181 Wellington Street West
Toronto, Ontario M5V 3G7
Canada

Jan Schori, Chair, called to order a duly noticed open meeting of the Corporate Governance and Human Resources Committee (the “Committee”) of the Board of Trustees of the North American Electric Reliability Corporation (“NERC”) on August 12, 2015, at 8:45 a.m. Eastern, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were:

Committee Members

Jan Schori, Chair
Robert Clarke
Frederick W. Gorbet
George Hawkins
Ken Peterson

Board of Trustees Members

Paul Barber
Janice Case
Gerry Cauley, President and CEO
David Goulding
Douglas Jaeger
Roy Thilly

NERC Staff

Charles A. Berardesco, Senior Vice President, General Counsel, and Corporate Secretary
Stan Hoptroff, Vice President and Chief Technology Officer
Kristin Iwanechko, Associate Director, Member Relations
Mark G. Lauby, Senior Vice President and Chief Reliability Officer
Sonia Mendonca, Vice President and Deputy General Counsel
Marcus Sachs, Senior Vice President and Chief Security Officer
Janet Sena, Senior Vice President and Director Policy and External Affairs
Timothy Roxey, Vice President and Chief ES-ISAC Operations Officer
Michael Walker, Senior Vice President, Chief Financial and Administrative Officer and Corporate Treasurer
Brady Walker, Associate Counsel

Others

Eric Larre, Towers Watson

NERC Antitrust Compliance Guidelines

Ms. Schori directed the participants' attention to the NERC Antitrust Compliance Guidelines included with the agenda materials.

Minutes

Upon motion duly made and seconded, the Committee approved the minutes of the April 27, 2015 meeting as presented at the meeting.

Appointment of Board Vice Chair

Ms. Schori called upon Board Chair Gorbet, who noted that with the upcoming resignation of Mr. Jaeger as a trustee, a new Vice Chair was necessary. Upon motion duly made and seconded, the Committee recommend that the Board appoint Mr. Clarke as Vice Chair.

Compliance Committee Mandate Revisions

At Ms. Schori's request, Ms. Case, as chair of the Compliance Committee, summarized the proposed revisions to the mandate for the Compliance Committee, noting that proposed amended mandate, which more accurately reflect its ongoing work, had been recommend by the Compliance Committee. Upon motion duly made and seconded, the Committee recommend Board approval of the revisions to the mandate.

Board of Trustees Remuneration Study Findings

Mr. Larre of Towers Watson provided an overview of the Trustee Compensation Study report completed by Towers Watson that had been included in the advance agenda package, noting that the report used the same approach as was used for the 2013 report. He stated that, based on an analysis of peer data, Towers Watson was recommending that NERC consider maintaining the current retainer compensation structure, but that, based on the increase in peer compensation, the Committee consider recommending an increase in the annual trustee retainer to \$112,500 and an increase in the aggregate board chair retainer to \$160,000.

Ms. Schori referenced the summary of the report included in the advance agenda package and the tentative proposal included with the summary, which would establish target annual retainers for all trustees and the board chair at the amounts recommended by Towers Watson, but phase in such new retainers over the next three years, reaching the new target retainers in January 2018. The proposed increases would place the retainers between the 50th percentile of the ISO/RTO group and 25th percentile of the IOU group, an approach similar to that taken in 2013. Ms. Schori stated that given NERC is now recruiting for a new trustee, and will need to do so in the next two years as well, to have the trustee compensation set now would help in recruitment. She also noted that NERC's strict independence requirements diminishes the pool of potential trustees due to the limitations on security ownership and other employment.

Ms. Schori noted she had conferred in advance of this meeting with the MRC leadership, and asked Mr. Sylvain Clermont, MRC Chair, to comment. He suggested that the Board approve a policy statement to

guide future Board consideration of trustee compensation as this is an activity which will come up regularly, using the information learned from the experience this time around to establish both a proposed process to follow and certain substantive guidelines to assist with data evaluation and decision making. He recommended that the policy statement include a commitment to conducting an independent study of trustee compensation approximately every three years, and establish comparison groups/entities and a target range for compensation as a guideline. Ms. Schori suggested that the Committee recommend such an approach to the Board.

After discussion, and upon motion duly made and seconded, the Committee recommended that the Board adopt the proposed compensation as set forth in the advance agenda package, and request that the Board direct the Committee to develop an approach to future board compensation studies and ranges.

ERO Enterprise and Corporate Performance Metrics

Mr. Lauby reviewed the status of performance against metrics, referencing the detailed material included in the advance agenda package.

Annual Board Effectiveness Assessments

Ms. Schori reviewed the process for developing revisions to the effectiveness assessments, thanked the MRC and Board participants on the ad hoc review committee, and invited trustees and stakeholders to provide comments on the drafts included in the advance agenda package. The Committee discussed the drafts, and provided comments for the next draft.

ERO Enterprise Effectiveness Survey Results

Ms. Iwanekko summarized the ERO Enterprise Effectiveness Survey results, referencing the report included in the advanced agenda package. She noted that NERC staff was working with stakeholders to improve the survey based on comments that had been received, and to also provide additional analytics. Mr. Cauley noted the comments in the MRC policy input responses regarding the potential use of favorability analyses, and committed to provide additional analytics in that regard.

Employee Reporting and Document Retention Policies

Ms. Schori noted NERC was updating its employee reporting policies, and would update the Committee at a future meeting. Mr. Berardesco noted the Document Retention Policy was recently updated, but that management was reviewing the detailed retention periods as part of a periodic update.

Staffing and Recruiting Update

Mr. Schori referenced the update included in the advance agenda package.

Adjournment

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

Submitted by,



Charles A. Berardesco
Secretary