



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.  
HUMAN RESOURCES AND GOVERNANCE  
COMMITTEE CHARTER**

**Purpose**

The Human Resources and Governance Committee (the “Committee”) of the Board of Directors (“Board”) of Electric Reliability Council of Texas, Inc. (“ERCOT”) shall:

1. Oversee the compensation of ERCOT’s Chief Executive Officer (“CEO”) and other officers, make recommendations to the Board regarding the compensation package for the CEO, and review the CEO’s recommendations for the compensation for all other ERCOT officers;
2. Oversee the annual evaluation of the CEO and make recommendations to the Board regarding the CEO’s performance;
3. Oversee the administration of ERCOT’s executive compensation plans;
4. Consult with the CEO and advise the Board with respect to senior management succession planning;
5. Consult with the Unaffiliated Board members and advise the Board with respect to succession planning for the Unaffiliated Board members;
6. Review employee compensation and benefit strategies and make recommendations to the Board for approval of those strategies;
7. Consider board training opportunities that could enhance the Board’s performance; and
8. Oversee ERCOT’s governmental-relations efforts and work with relevant ERCOT staff to develop high-level policy messages.

In addition to its other duties, the Committee shall be fully independent, accountable, and vigorous in taking primary responsibility for the Board regarding all aspects of executive compensation including employment, retention and severance agreements.

**Membership and Qualification**

**Committee Composition, Committee Member Qualifications and Term**

The Board members shall decide from among themselves who shall participate in the Committee. The Committee shall be comprised of representatives from at least two Market Segments and one or more of the Unaffiliated Board members. Each Committee member (“Committee Member”) shall also meet any experience requirements as may be established from time to time by the Board. The term of the Committee and its Committee Members shall be for not more than one year.

**Election of Committee Chair and Chair Qualifications**

The Chair of the Committee shall be elected through a majority vote of the Committee Members. The Committee Chair shall not be the CEO of ERCOT.

## **Authority**

### **Power to Investigate**

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of ERCOT and the power to retain outside counsel or other experts for this purpose. All employees are directed to cooperate as requested by the Committee or any of its Committee Members for Committee purposes. The Committee may request any officer or employee of ERCOT, ERCOT's outside counsel or ERCOT's independent auditor to attend a meeting of the Committee or to meet with any Committee Member or any consultants to the Committee.

The Committee may appoint workgroups or task forces to investigate issues defined by the Committee. Members of such workgroups or task forces need not be Directors. Such workgroups or task forces shall have no authority to bind the Committee or ERCOT.

### **Quorum and Action by Committee Members**

The presence of at least half of the Committee Members who are duly assembled to conduct authorized business of the Committee shall constitute a quorum. At any meeting at which a quorum exists, the act of a majority of the Committee Members present at a meeting shall be the act of the Committee. For the purposes of voting, Committee Members who recuse themselves from voting on an issue shall not be counted as present for that vote.

### **Duties and Responsibilities**

The Committee shall:

1. Review and make recommendations regarding ERCOT's general compensation philosophy, strategy, policies and programs;
2. Review and make recommendations regarding compensation levels of the CEO, officers and top management;
3. Review and make recommendations regarding ERCOT's employee benefit plans;
4. Plan for the orderly succession of well-qualified Unaffiliated Board members; and
5. Periodically review the overall governance structure of the Board, including the number, focus and membership of Board Committees and sub-committees, and make recommendations to the Board regarding any changes the Committee believes would enhance the governance of ERCOT.

The functions of the Committee shall include:

1. Review and approval of pay levels for the CEO and review and final approval of pay levels for all other corporate officers;
2. Annually, review and make recommendations to the Board regarding the approval of performance goals and objectives with respect to the compensation of the CEO and all other officers consistent with approved compensation plans;
3. Evaluation of the CEO's performance against the goals and objectives set for the year and make recommendations to the Board regarding the CEO's performance;
4. Oversight of the performance evaluation of all other officers against the approved goals and objectives;

5. Based upon the performance evaluation, recommending to the Board the compensation of the CEO and all other officers, including annual base salary level and any special or supplemental benefits, and for the CEO, recommending annual incentive levels and longer-term incentive levels to the Board;
6. Consultation with the CEO and advising the Board with respect to senior management succession planning;
7. Retention or termination of the services of consulting firms engaged to assist the Committee in the evaluation of ERCOT's compensation packages;
8. Advising the Board on risk issues pertaining to staffing levels;
9. Periodically investigating competitive practices and industry trends to determine the adequacy of ERCOT's executive compensation programs;
10. Approval of contractual employment arrangements for the CEO or other officers of ERCOT, as applicable;
11. Consideration of Unaffiliated Board member compensation matters;
12. Consideration of necessary training to enhance the Board's performance, keeping apprised of the latest corporate governance trends and issues;
13. Consideration of Unaffiliated Board member succession planning;
14. Working with the Chair of the Board to create the Nominating Committee (when a Nominating Committee is necessary), while staying consistent with the Bylaws by replacing or adding any Unaffiliated Board members required by ERCOT's Bylaws;
15. Development and review of ERCOT's governmental-relations policies and efforts;
16. Review and assess the adequacy of this Charter annually and recommend any proposed changes to the board; and
17. Report to the Board, as necessary, the deliberations, actions, and recommendations of the Committee.

## **Meetings**

### **Frequency of Meetings**

The Committee shall meet, as needed, at the discretion of the Committee Chair.

The Committee Chair, in consultation with the CEO, shall develop the agenda, the frequency and length of meetings, and shall have unlimited access to ERCOT's management and information for purposes of carrying out the functions of the Committee. The Chair shall establish such other rules, as may from time to time be necessary and proper for the conduct of the Committee.

### **Attendance at Open Session and Executive Session of Committee Meetings**

Any member of the public may attend and participate in the open session of Committee meetings. The executive session of the Committee meeting shall be closed to the public to enable the Committee to address sensitive matters, such as confidential personnel information, contracts, lawsuits, competitively sensitive information, or other information related to the security of the regional electrical network. The Committee may request that any officer or employee of ERCOT, or any other person, whose advice and counsel are sought by the Committee attend the executive session of the Committee meeting to provide the pertinent information requested by the Committee. In addition, during the executive session of a Committee meeting, the Committee may exclude any persons who are not Directors, the Directors' Segment Alternates, or the Directors' Alternate Representatives.

### **Participation and Voting During Committee Meetings**

Board members who are not Committee Members (including Segment Alternates and Alternate Representatives) may attend and participate in all Committee meetings, but may not participate in Committee voting.

### **Minutes**

The Corporate Secretary, or his or her designee, is responsible for preparing or causing to be prepared the minutes of the Committee's meeting, filing the minutes with the corporate records of ERCOT, and sending, or causing to be sent, copies of such minutes to each of the Committee members.

### **Self-Evaluation**

Annually, the Committee shall conduct a self-evaluation of its performance and, in light of this self-evaluation, consider changes in its membership, Charter, or procedures. The Committee shall report to the Board the results of its evaluation, including recommended Charter, membership, and other changes, if any.