



Item 7: Review Conflict of Interest Disclosures Submitted by Employees and Directors

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Senior Vice President, General Counsel and
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Human Resources and Governance Committee
Meeting

ERCOT Public

June 17, 2024

Overview

- **Purpose**

To provide an overview of conflict-of-interest disclosures by ERCOT employees and Directors

- **Voting Items / Requests**

No action is requested of the HR&G Committee or Board; for discussion only

- **Key Takeaways**

- No Director or Officer conflicts of interest disclosed in 2023-2024
- For employees, the average number of disclosures in the last 3 years is 75
- The most common disclosure category in 2023 was a spouse or family member working for a Market Participant or Vendor, same as in 2022

HR&G Committee Charter Section IV(B)(1)(a)(iv)

The Committee shall regularly review the Company's governance processes and governing documents, and if applicable, make recommendations to the Board regarding potential changes to the Company's governance. This review shall include ... [r]egular reports regarding potential conflicts of interests disclosed by the Company's employees and the Board of Directors

Board of Directors Conflicts of Interest

RULES

PURA § 39.151(g-3) Bylaws § 4.3(e)(3)

- No fiduciary duty or assets in the ERCOT electricity market

PURA § 39.1512 Bylaws § 9.2

- Obligation to report conflicts of interest
- Must be kept in corporate records

Ethics Agreement for Directors

- Must report relationships with a Market Participant, Vendor or Qualified Financial Institution
- Reinforces obligations from PURA & Bylaws



OWNERSHIP OF SECURITIES

- “Assets” includes securities (stocks, bonds, options, etc.) of a Market Participant or Affiliate
 - Because of plain statutory language, exception applicable to employees for Market Participants not primarily engaged in the electric business and whose participation does not constitute a significant portion of their revenues does not apply to Directors
- Participation in a mutual fund that invests solely in businesses that operate in the electric industry sector is prohibited, but may own shares in funds that invest in the securities Market Participants as part of a broader portfolio of investments

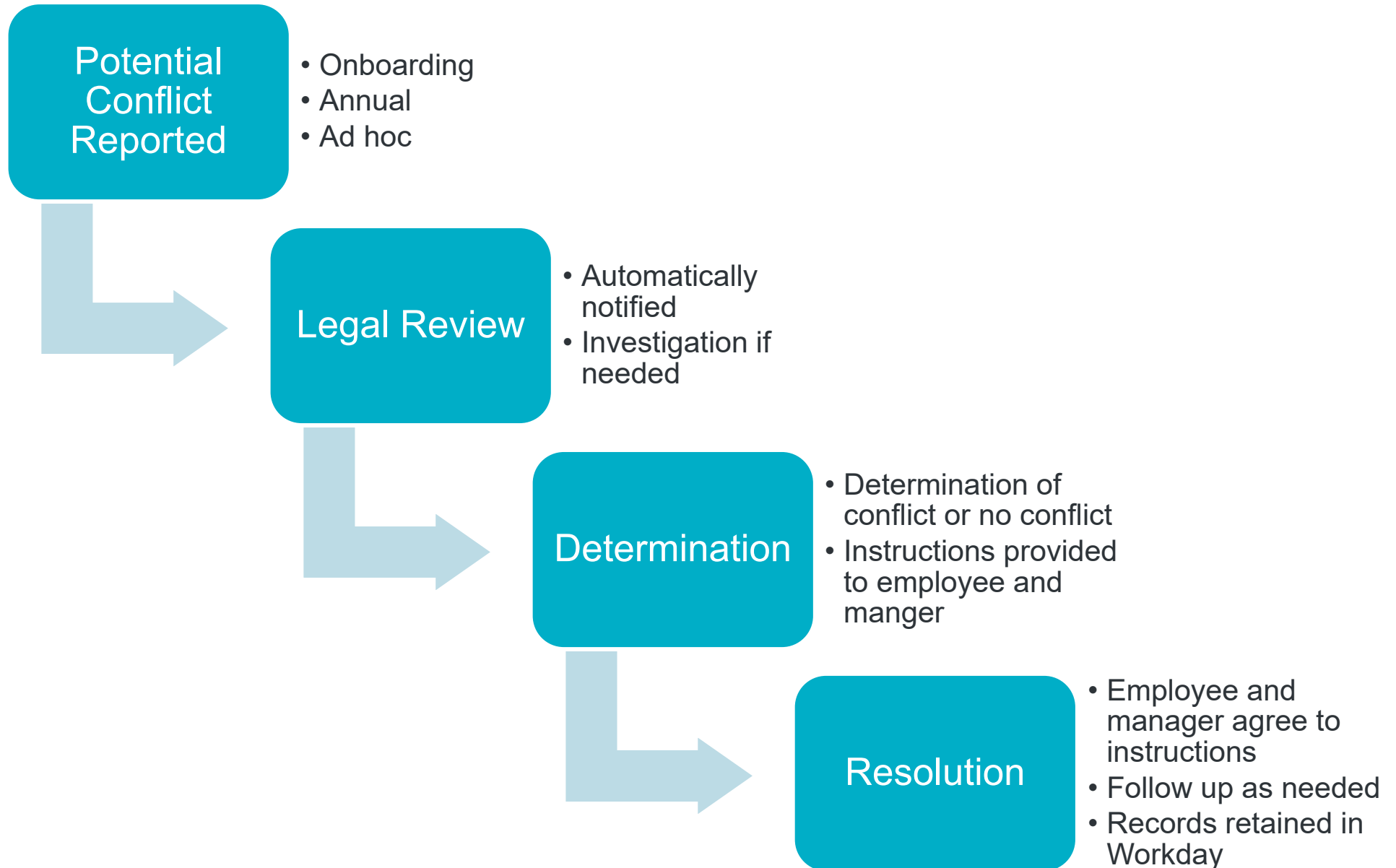
Board of Directors Conflicts of Interest

COMPLIANCE/AWARENESS

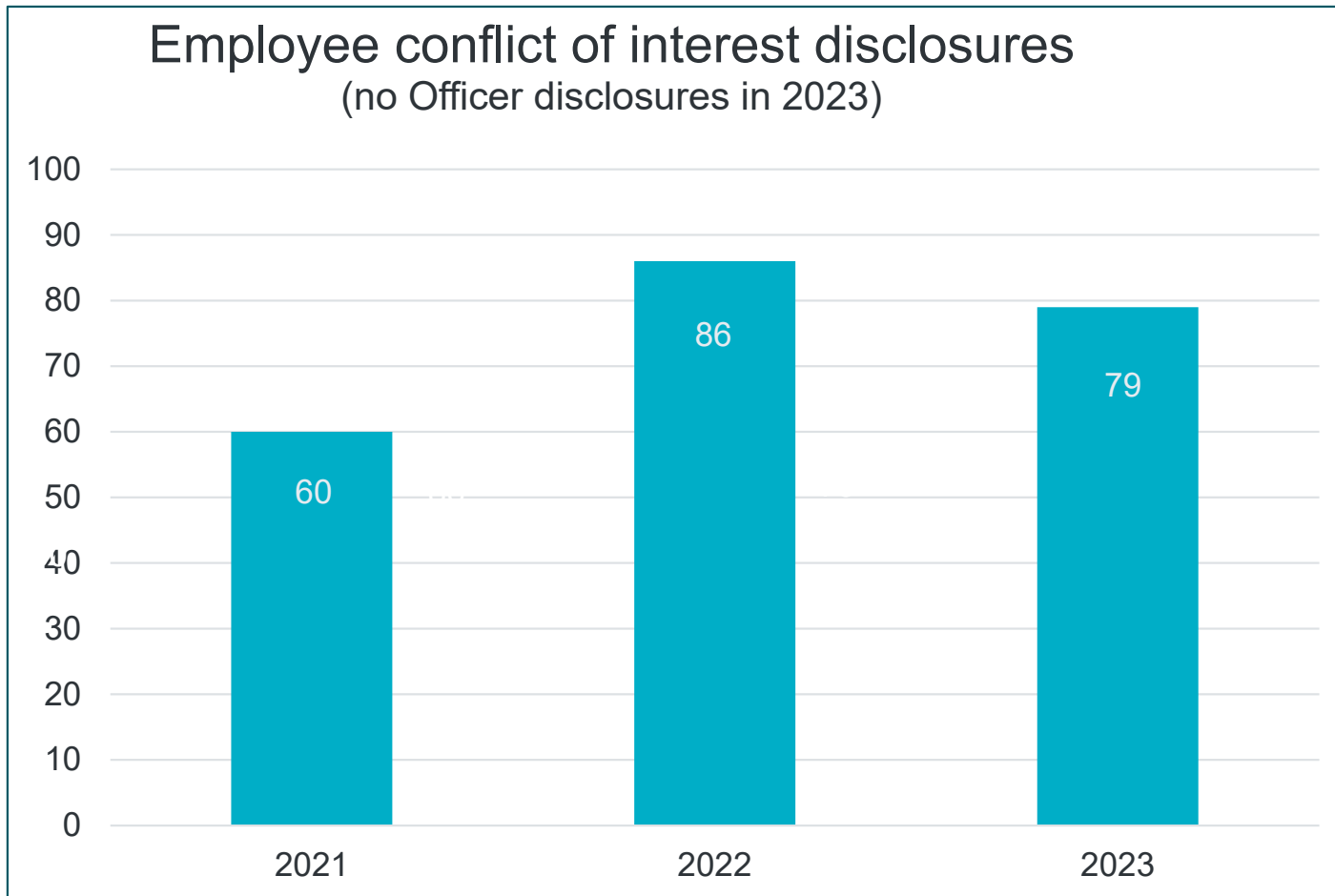


Key Takeaway: There were no Director disclosures determined to be conflicts of interest in 2023 or so far in 2024 (there were two employment-related disclosures that were not conflicts of interest)

Employee Conflict of Interest Reporting Process Overview



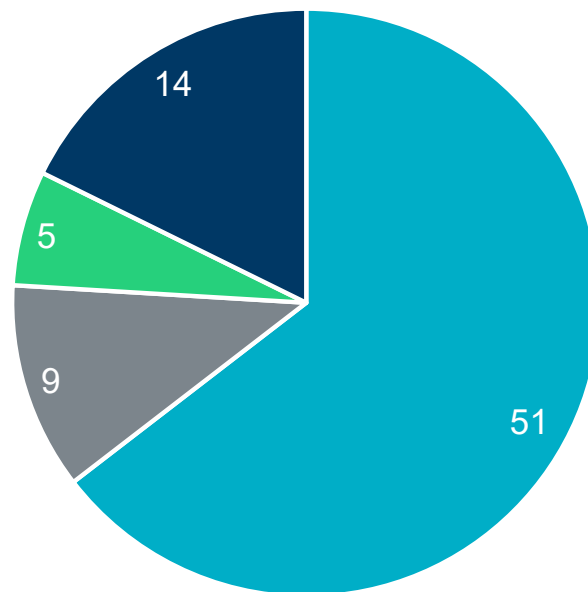
3 Year Historical Submission and Disclosure Categories



Key Takeaway: No significant change in employee disclosures from 2022 to 2023

Types of Disclosures

2023 Employee Disclosures



- Market Participant/Vendor
- Family Employed by ERCOT
- Stock Ownership
- Non-ERCOT Work

Key Takeaway: Majority of disclosures made in 2023 (~65%) concern a family member's employment with an ERCOT Market Participant or Vendor. This typically can be resolved by employee and manager agreement that the employee will not share confidential information or take biased action to the advantage of the family member's employer.

Typical Resolutions to Common Reports by Employees

Reported Issue	Common Resolution
Family member employed by Market Participant/Vendor	Admonishment (no information sharing, no biased action)
Commercial relationship with Market Participant/Vendor (e.g., land lease)	Admonishment (no information sharing, no biased action)
Ownership of Market Participant stock	Direction to divest and submit proof
Family member employed by ERCOT	No conflict but reminded of requirements of Nepotism Corporate Standard (CS5.16)
ERCOT employee with outside employment (but not a Market Participant/Vendor)	No conflict but reminded of requirements of Outside Employment Corporate Standard (CS5.21)
Receipt of gift from Market Participant/Vendor	Direction to return gift (unless of nominal value)