

MIDWEST RELIABILITY ORGANIZATION

Policy and Procedure 1: MRO Board of Directors

Objective

The objective of this policy and procedure is to set forth the general procedures regarding board composition including responsibilities, compensation for independent directors, and terms. This policy and procedure outlines the processes for selecting, nominating, and electing directors to the board. This policy and procedure also outlines the policies and procedures regarding board administration.

Policy

The purpose of the MRO Board of Directors is to advise, govern, oversee policy and strategic direction, and assist with the leadership and general promotion of MRO, so as to support the organization's mission and needs. This policy reflects the board structure and board member qualifications as defined by MRO's Bylaws and the board-approved Guiding Principles, as well as the associated procedures to meet these objectives. This policy and procedure is subject to annual review and approval of the board.

Composition

The MRO Board of Directors is a combination independent and balanced stakeholder board comprised of twenty-three members. Seventeen individuals are nominated and elected by Industry Sector Members as follows:

- Three directors from the Transmission System Operator Sector;
- Two directors from the Generator and Power Marketer Sector;
- Five directors from the Investor Owned Utility Sector;
- Two directors from the Cooperative Sector;
- Two directors from the Municipal Utility Sector;
- One director from the Federal Power Marketing Agency Sector; and
- Two directors from the Canadian Utility Sector, provided that both directors are not residents of the same Canadian province.

Two board members are Regional Directors, each of whom is an employee of a member and meets the qualifications set out in the Bylaws for directors nominated and elected by Industry Sectors. Regional Directors are nominated by the board and elected by all MRO Members.

Four individuals who meet the qualification to be Independent Directors will be nominated by the board and elected by all MRO Members.

Qualifications and Ability to Serve

The qualifications for Industry Sector Directors pursuant to Section 7.3 of MRO's Bylaws are:

- There shall not be more directors from a particular Industry Sector than there are actual members of such Industry Sector;
- Industry Sectors shall endeavor to nominate directors from Industry Sectors among individuals holding senior management or officer positions in member organizations;
- The board shall have a view to ensure geographic representation of the Corporate Region on the board; and
- No two Industry Sector Directors may be employees of a single member or employees of members that are affiliates.

Regional Directors must meet the qualifications for Industry Sector Directors. Regional Directors will be nominated with a view to ensure geographic representation of the corporate region on the board.

Independent Directors must have relevant senior management expertise and experience to the reliable operation of the bulk power system in North America.

To be considered an Independent Director, an individual cannot:

- be an officer or employee of MRO;
- be a member, director, officer, or employee of a member or adjunct member of MRO;
- be a director, officer, or employee of any registered entity on the NERC registry;
- have a financial interest in a registered entity that is prohibited by MRO's Conflict of Interest Policy and Procedure; and
- reasonably be perceived as having a direct financial interest in the outcome of a decision by the board of directors, such as a consultant providing professional services to a registered entity.

An Independent Director cannot have any other relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director.

The board has determined that if an Independent Director, or a member of his or her immediate household, provides services and/or products, or is an employee of an entity that provides services and/or products, to a registered entity in MRO's Region, the Independent Director would have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of an Independent Director.

A director should report any concern the director has about his or her continued ability to serve on the board or another director's ability to serve on the board to the Governance and Personnel Committee Chair. Concerns include matters such as potential conflicts of interest, a change in job responsibilities or employer, health issues, or legal issues including criminal charges of any kind.

Responsibilities

Specific responsibilities of the board include the following:

- Govern the corporation and oversee all of its activities;

Approved by board: December 5, 2019

- Establish and oversee all organizational groups;
- Oversee the accomplishment of all functions set forth in any delegation, or other agreement, with the North American Electric Reliability Corporation (NERC) or any government entity related to development, monitoring, and enforcement of Reliability Standards and related matters;
- Approve, revise, and enforce MRO Member data and information requirements and related confidentiality requirements;
- Establish and approve an annual budget and annual audit reports;
- Represent the corporation in legal and regulatory proceedings;
- Hire and annually review the performance of the president and CEO;
- Consider the recommendation of the Governance and Personnel Committee in setting the compensation for the president and CEO, remanding to the Governance and Personnel Committee for further consideration and recommendation as needed so that the board is able to accept the recommendation of the Governance and Personnel Committee;
- Establish reasonable compensation for the Independent Directors following IRS rebuttable presumption procedures after considering the recommendation from the Governance and Personnel Committee’s directors who are not compensated;
- Participate actively in organizational strategic planning;
- Serve as a resource of knowledge and counsel to the executive staff, committees, and other board members;
- Represent the organization at NERC and industry events;
- Serve on at least one, and no more than two, board committees;
- Chair committees as appointed;
- Exercise their fiduciary duty of care by preparing for, attending, and participating in board and assigned committee meetings. Absent compelling and stated reasons, directors should be present at meetings; and
- Complete the board self-assessment.

Compensation and Expenses

Regional and Industry Sector Directors do not receive compensation and are considered volunteers. During 2020, Independent Directors receive the following compensation for their time.

Annual Retainer	\$	79,625 ¹
Annual Retainer – Board Chair	\$	10,000
Annual Retainer – Board Committee Chair	\$	8,000

Annually, the Governance and Personnel Committee will review the compensation for Independent Directors, and make recommendations for any changes to the board so that any change can be incorporated in MRO’s business plan and budget for the following year.

All directors receive reimbursement of reasonable out-of-pocket expenses incurred in traveling to MRO and NERC meetings pursuant to MRO’s [Policy and Procedure 2: Expense Reimbursement](#).

¹ The annual board retainer will be paid one-half in January and one-half in June. The annual retainer is prorated if a director begins his or her term other than in January.

Terms

MRO directors are elected to three-year, staggered terms. At the third regularly, scheduled Governance and Personnel Committee meeting of the year, MRO staff will provide the committee with a list of board members whose terms are expiring the following year and the length of time served by the director.

Nomination and Election Procedures

Industry Sector Directors

Nominations for Directors Elected by an Industry Sector Due to a Vacancy

Nominations to fill an unexpired term, that is open due to a vacancy, shall be requested from the applicable Industry Sector within 14 days after the directorship has been, or will be, formally vacated.

Nominations for Directors Elected by an Industry Sector Due to the Expiration of a Term

Nominations to elect an Industry Sector Director, due to the expiration of a term, shall be requested from the applicable Industry Sector in the fourth quarter. If the incumbent Industry Sector Director has served three or more terms, an effort will be made by the Governance and Personnel Committee to identify a different candidate willing to represent that Industry Sector on the board. Regardless of the number of terms served, the Industry Sector may nominate and elect the incumbent director.

The nomination period to elect an Industry Sector Director will be open for at least 14 days for elections to fill a vacancy and for elections for a new term.

Regional Directors

Nominations for Regional Directors Due to a Vacancy

If an opening for a Regional Director does, or will exist, due to a vacancy, the chair of the Governance and Personnel Committee will call a special meeting of the committee, to be held within 30 days after MRO has been formally notified that the directorship has been, or will be, vacated. The committee will identify the desired geographic region, with a view toward ensuring geographic representation of the corporate region on the board, and define the skill set for the new Regional Director, in consultation with the board. The Governance and Personnel Committee will establish a timeline to identify and interview potential candidates.

Upon identification of a candidate, or candidates, for the vacancy, the committee will recommend to the board that the board nominate one of these candidates to the MRO Members. If the board does not nominate a candidate recommended by the committee, the board will provide the Governance and Personnel Committee guidance regarding identifying and nominating a candidate for the Regional Director opening.

Nominations for Regional Directors Due to the Expiration of a Term

During the first quarter of the year in which a Regional Director's term will expire, the Governance and Personnel Committee Chair will solicit feedback from the board chair and vice chair, members

of the Governance and Personnel Committee, and the President and CEO on filling the position. This input could include, but is not necessarily limited to, specific candidates for consideration or a process that the Governance and Personnel Committee may consider in identifying candidates. If the incumbent Regional Director has served three or more terms, the Governance and Personnel Committee will seek new candidates to consider recommending to the board for possible nomination, and may also consider the incumbent Regional Director as a candidate.

The Governance and Personnel Committee will meet in executive session without MRO staff and without the incumbent Regional Director whose term is expiring, if he or she is a member of the Governance and Personnel Committee; the committee chair will present the feedback. If the committee supports a process that includes considering the incumbent Regional Director as a candidate, although not necessarily the sole candidate, the Governance and Committee Chair will meet with the incumbent Regional Director to determine if the incumbent is willing and able to serve another term. If the committee does not support the incumbent Regional Director as a candidate, the chair will inform the incumbent Regional Director.

If the committee does not vote to recommend that the board consider only the incumbent Regional Director, or the incumbent Regional Director was not willing or able to serve, or if the incumbent director has served three or more terms, the committee will identify candidates for the Regional Director. The committee will determine the desired geographic region, with a view toward ensuring geographic representation of the Corporate Region on the board, and define the skill set for the Regional Director, in consultation with the board. The committee will establish a timeline to identify and interview potential candidates for election in the fourth quarter.

In any case, the Governance and Personnel Committee shall recommend to the board a candidate or candidates to fill the Regional Director's role. The board will vote on whether to nominate a candidate for Regional Director to the Industry Sector MRO Members. If the board does not elect to nominate one of the Governance and Personnel Committee recommended candidates for Independent Director, the board will provide the Governance and Personnel Committee guidance regarding identifying and nominating a candidate for the Regional Director opening.

Independent Directors

Position Description for Independent Directors

Annually, the Governance and Personnel Committee should review the Independent Director position description to ensure it reflects current policies, compensation, and the needed skill sets for the MRO Board of Directors. The committee will recommend any changes to the position description to the MRO Board of Directors at the board's fourth quarter meeting.

Nominations for Independent Directors Due to a Vacancy

If an opening for an Independent Director does, or will exist, due to a vacancy, the chair of the Governance and Personnel Committee will call a special meeting of the committee, to be held within 30 days after MRO has been formally notified that the directorship has been, or will be, vacated. The committee, in consultation with the board, will review and recommend changes as necessary, to the position description for the Independent Director and establish a timeline to identify and interview potential candidates. The committee may recommend to the board that a search firm be engaged to assist the committee.

Upon identification of a candidate, or candidates, for the vacancy, the committee will recommend to the board that the board nominate one of these candidates to the Industry Sector MRO Members. If the board does not nominate a candidate recommended by the committee, the board will provide the Governance and Personnel Committee guidance regarding identifying and nominating a candidate for the Independent Director opening.

Nominations for Independent Directors Due to the Expiration of a Term

During the first quarter of the year in which an Independent Director's term will expire, the Governance and Personnel Committee Chair will solicit feedback from the board chair and vice chair, members of the Governance and Personnel Committee, and the President and CEO on filling the position. This input could include, but is not necessarily limited to, specific candidates for consideration or a process that the Governance and Personnel Committee may consider in identifying candidates. If the incumbent Independent Director has served three or more terms, the Governance and Personnel Committee will seek new candidates to consider recommending to the board for possible nomination, and may also consider the incumbent Independent Director as a candidate.

The Governance and Personnel Committee will meet in executive session without MRO staff and without the incumbent Independent Director whose term is expiring; the committee chair will present the feedback. If the committee supports a process that includes considering the incumbent Independent Director as a candidate, although not necessarily the sole candidate, the Governance and Committee Chair will meet with the incumbent Independent Director to determine if the incumbent is willing and able to serve another term. If the committee does not support the incumbent Independent Director as a candidate, the chair will inform the incumbent Independent Director.

If the committee does not vote to recommend that the board consider only the incumbent Independent Director, or the incumbent Independent Director was not willing or able to serve, or if the incumbent director has served three or more terms, the committee will, in consultation with the board, review and recommend changes as necessary to the position description of the Independent Director and establish a timeline to identify and interview potential candidates for election in the fourth quarter. The committee may recommend to the board that a search firm be engaged to assist the committee.

In any case, the Governance and Personnel Committee shall recommend to the board a candidate or candidates to fill the Independent Director's role. The board will vote on whether to nominate a candidate for Independent Director to the Industry Sector MRO Members. If the board does not elect to nominate one of the Governance and Personnel Committee recommended candidates for Independent Director, the board will provide the Governance and Personnel Committee guidance regarding identifying and nominating a candidate for the Independent Director opening.

Election of Directors to Fill a Vacancy or an Expired Term

Director elections will be held by electronic ballot. The election will be held as soon as practicable for elections to fill a vacancy in the fourth quarter, in sufficient time for the results to be announced at the last regularly scheduled board meeting of the year. MRO Members will have at least 14 days to submit a vote.

Board Administration

Board Chair and Vice Chair

The board shall elect a chair and a vice chair of the board of directors for a one-year term, and each can be reelected to his or her respective office for no more than two consecutive terms. The chair, or in the chair's absence, the vice-chair will preside over board meetings.

Lead Director Role

The Governance and Personnel Committee Chair, who is an Independent Director, will serve the role of the lead director. In this role, the Governance and Personnel Committee Chair will provide advice to the board chair on setting the board's agenda and other material or strategic matters, including the independence of MRO's Compliance Monitoring and Enforcement Program.

At least annually, the Governance and Personnel Committee Chair will meet with the president and CEO to discuss any issues or concerns, including potential undue pressure, that may exist related to the independence of the Compliance Monitoring and Enforcement Program

Committee Chair and Members

The board chair will recommend to the board for its approval members of board committees and a chair.

Regular and Executive Session Board Meetings

Meetings are conducted in accordance with *Robert's Rules of Order (Modern Edition)* unless otherwise specified in the corporate bylaws or Certificate of Incorporation. Attendees at each meeting of the MRO Board or board committee must follow MRO's Antitrust and Standards of Conduct guidelines

An executive session of the board of directors meeting may be held as a regular or special meeting. Notice provisions for regularly scheduled meetings and special meetings will be given as required by the MRO Bylaws. An executive session may be held prior to, during, or following an open meeting or may be a separate meeting. It may be held in-person or through electronic communication such that the directors may simultaneously hear each other.

The procedures set forth below should be followed when calling an executive session:

1. Executive sessions may be noticed and held in conjunction with the board's regularly scheduled meeting.
2. Special executive sessions of the board may only be held at the request of the MRO President and Chief Executive Officer, the board chair, or any three members of the board of directors. If the executive session is called as a special meeting immediately before, during, or after a public meeting, and the notice required by the bylaws cannot be provided, the membership and the directors will be asked to waive notice.

3. Permissible subjects to be discussed during an executive session include matters such as:
 - a. Budgetary matters before such details become public.
 - b. Litigation, investigations, and other legal matters.
 - c. Personnel or labor actions and discussions involving specific individuals.
 - d. Contractual negotiations and discussions.
 - e. Audit and penalty matters.
 - f. Issues related to a specific registered entity where company confidential information may be disclosed.
 - g. Safety, physical, and cyber security matters.
 - h. Governing document violations.
 - i. Strategic Planning.
 - j. Nonpublic CMEP materials.

The information discussed in executive session shall be kept confidential. Therefore, executive sessions are closed to the public and any persons in attendance who are not members of the board must have executed a Midwest Reliability Organization's Statement of Confidentiality within the calendar year in which the meeting occurs. In addition, meeting minutes are not publicly posted, and access and use of the minutes will be limited to board members, MRO executive staff, and legal counsel.

Approval of Minutes

Draft minutes will be reviewed by the chair, vice chair, the chairs of each board committee, the president, and the secretary prior to distribution to the entire board. Draft minutes will be available to the entire board within fifteen (15) working days after any scheduled board meeting. After seven (7) working days for board review, the draft minutes will be posted to the MRO website. Approved meeting minutes will be available on the MRO website within seven (7) working days of being approved by the board.