



Policy and Procedure 1: MRO Board of Directors

1. 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.

2. 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, 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.

3. 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.

4. 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.

5. Responsibilities

Specific responsibilities of the board include the following:

- Govern the corporation and oversee all of its activities;
- 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.

6. Compensation and Expenses

Regional and Industry Sector Directors do not receive compensation and are considered volunteers.

Independent Directors do receive compensation, which is reviewed annually by the Governance and Personnel Committee who will also make recommendations for any compensation changes to the board so that any change can be incorporated in MRO's business plan and budget for the following year.¹

The disinterested directors of MRO's GPC evaluate, following the IRS procedures to secure the benefit of a rebuttable presumption that the compensation is reasonable, with staff's assistance and outside consultants as needed, compensation for Independent Directors annually with any adjustments occurring in the following year. The GPC also considers the NERC Board of Trustee compensation study and the compensation for other Regional Entity Independent Directors. If advisable, the disinterested directors of the GPC recommend setting the compensation for MRO Independent Directors as a percent of the NERC Board of Trustee's compensation.

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.



7. Board Administration

A. 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.

B. 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

C. Committee Chair and Members

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

D. 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.

E. 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.

8. 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.



9. Nomination and Election Procedures

Director Nominations – Vacancy

Director Type	Step 1	Step 2	Step 3	Step 4	Other
Industry Sector (“IS”)	Nominations requested from IS within 14 days has been or will be formally vacated.	Nomination period to elect open for at least 14 days.			
Regional Director (“RD”)	GPC Chair calls a special meeting to be held within 30 days of MRO being notified that directorship has been or will be formally vacated.	GPC identifies desired geographic region with a view of the MRO Corporate Region and defines skill set required. GPC will establish timeline to identify and interview candidates.	GPC will present identified candidate(s) to Board to nominate one of these candidate(s) to the MRO members.	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination a RD candidate.	
Independent Director (“InD”)	GPC Chair calls a special meeting to be held within 30 days of MRO being notified that directorship has been or will be formally vacated.	GPC, in consultation with the Board, will review position description for any changes. GPC will establish timeline to identify and interview candidates. GPC may recommend to the Board that a search firm be engaged.	GPC will present identified candidate(s) to Board to nominate one of these candidate(s) to the Industry Sector members.	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination an InD candidate.	Annually, the GPC reviews the position description for any changes to be presented at the Q4 Board meeting.



Director Nominations – Term Expiration

Director Type	Step 1	Step 2	Step 3	Step 4	Other
Industry Sector (“IS”)	Nominations requested from IS in Q4.	If incumbent has served 3 or more terms, GPC will make an effort to identify a different candidate. Regardless of number of terms, IS may nominate and elect incumbent.	Nomination period to elect open for at least 14 days.		
Regional Director (“RD”)	<p>In Q1 of the term expiration, GPC will solicit feedback from Board Chair, Vice Chair, GPC members, and CEO on filling this position.</p> <p>GPC will meet in executive session (without MRO staff or the incumbent if member of GPC) to discuss feedback.</p>	If incumbent has served 3 or more terms, GPC will make an effort to identify a different candidate and may consider incumbent as a candidate.	<p>If the GPC supports having the incumbent as a candidate, GPC will meet with incumbent to determine incumbent’s willingness to serve another term. If the GPC does not support the incumbent as a candidate, the GPC will inform the incumbent.</p> <p>GPC will identify candidates 1) if the incumbent is unwilling to serve; 2) has served 3 or more terms; or 3) not recommended by the GPC to be a candidate.</p>	<p>GPC identifies desired geographic region with a view of the MRO Corporate Region and defines skill set required.</p> <p>GPC will establish timeline to identify and interview candidates for election in Q4.</p>	If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination a RD candidate.



Director Type	Step 1	Step 2	Step 3	Step 4	Other
<p>Independent Director (“InD”)</p>	<p>In Q1 of the term expiration, GPC will solicit feedback from Board Chair, Vice Chair, GPC members, and CEO on filling this position.</p> <p>GPC will meet in executive session (without MRO staff or the incumbent if member of GPC) to discuss feedback.</p>	<p>If incumbent has served 3 or more terms, GPC will make an effort to identify a different candidate and may consider incumbent as a candidate.</p>	<p>If the GPC supports having the incumbent as a candidate, GPC will meet with incumbent to determine incumbent’s willingness to serve another term.</p> <p>If the GPC does not support the incumbent as a candidate, the GPC will inform the incumbent.</p> <p>GPC will identify candidates if the incumbent is: 1) unwilling to serve; 2) has served 3 or more terms; or 3) not recommended by the GPC to be a candidate.</p>	<p>GPC will establish timeline to identify and interview candidates for election in Q4.</p>	<p>If the Board does not nominate a candidate recommended by the GPC, the Board will provide the GPC guidance on identifying and nomination an InD candidate.</p>



Elections – All Directors

Election Type	Step 1	Step 2	Step 3	Step 4	Other
<p>Vacancy</p>	<p>After the nomination period has ended, director elections will be held by electronic ballot.</p> <p>The election will be held as soon as practicable for elections to fill a vacancy, in sufficient time for the results to be announced at the next regularly scheduled board meeting.</p>	<p>MRO Members will have at least 14 days to submit a vote.</p>	<p>Newly elected directors will be seated the date the election closes.</p>		
<p>Term Expiration</p>	<p>After the nomination period has ended, director elections will be held by electronic ballot.</p> <p>The election will be held as soon as practicable for elections to fill a vacancy in Q4, in sufficient time for the results to be announced at the last regularly scheduled board meeting of the year.</p>	<p>MRO Members will have at least 14 days to submit a vote.</p>	<p>Newly elected directors will be seated as of January 1, of the following year.</p>		