# Board of Directors Principles of Corporate Governance

# 1. Principles of Corporate Governance

Under Utah law, the Western Electricity Coordinating Council (WECC) is managed under the direction of an independent Board of Directors (Board). The Board establishes broad corporate policies and authorizes various types of transactions, but it is not involved in day-to-day management and operations. Its various responsibilities include the selection, evaluation, and compensation of the chief executive officer (CEO), the understanding and approval of corporate strategies, and the understanding of the major issues and risks WECC faces.

The mission of the Board is to foster the long-term success and corporate sustainability of WECC consistent with its responsibilities to members, other stakeholders, governmental authorities, and end-use customers. The Board performs a central role in achieving this goal by ensuring that management is capable of performing its duties and achieving its objectives consistent with WECC's strategic plan and core values.

Directors also have the obligation to ensure that WECC's disclosures include accurate information that fairly presents WECC and its operations to stakeholders and the public in conformity with applicable laws and regulations. This is also consistent with the Internal Revenue Service's designation of WECC as a tax-exempt social welfare organization under Section 501(c)(4) of the Internal Revenue Code.

The Board has adopted the following Principles of Corporate Governance to provide a framework for the general governance of WECC and its Board and committees.

# 2. Board of Directors

## 2.1. Role of the Board of Directors

The Board, elected by the members to act on behalf of a broad and diverse stakeholder community, acts,

as fiduciaries, to further WECC's vision and mission for a reliable Bulk Electric System. Each director has a responsibility to be open and honest, though respectful, in communications with others and to be fair and impartial in all aspects of deliberations and decision-making. Each director has a responsibility to constructively engage in furthering WECC's mission, including a responsibility to raise issues or viewpoints of importance to that mission, even when those issues or viewpoints are not unanimously (or fully) embraced by the members and stakeholders.

The directors are independent. Directors shall promote the independence of the Board to represent the best interests of WECC, its members, and stakeholders as a whole. Directors are committed to representing the long-term interests of WECC.

The Board takes overall responsibility for the oversight and monitoring of WECC's enterprise risk management. The CEO has primary responsibility for notifying the Board of any issue that could have a material effect on the operational or financial condition of WECC, as well as on its regulatory and legal status. The CEO or designee will present to the Board, at least semiannually, a risk management report that includes a risk dashboard analysis. The CEO will ensure additional risk management reports are provided as needed to ensure timely communication of potential material risks.

# 2.2. Conflicts of Interest

Directors are expected to adhere to the law and to the highest ethical standards in their own conduct and ensure that WECC operates to further its stated objectives in compliance with legal requirements and the highest ethical standards. The Board expects directors to act ethically at all times and to acknowledge directors' adherence to WECC's Standards of Conduct. If an actual or potential conflict of interest arises, the director must promptly inform the general counsel. If a conflict exists that cannot be resolved, the director should resign. All directors will recuse themselves from any discussion or decision affecting their personal, business, or professional interests.

Except for mementos and meals typically given for or in connection with a speech, retirement, or similar occasion, a director may not accept any gift, regardless of monetary value or source, given because of the director's position at WECC. Under all circumstances, directors are encouraged to seek guidance on this matter from WECC's General Counsel.

# 2.3. Board and Board Committee Effectiveness and Assessment

The Board will perform a biennial self-evaluation of its effectiveness and that of its committees. The Governance Committee shall evaluate biennially, in the off years when no evaluation is occurring, the thoroughness and effectiveness of the Board self-assessment process. The purpose of this evaluation is to increase the efficiency and competence of the Board as a whole and to gather opinions and information regarding areas in which the Board believes that its performance could be improved.

Each committee of the Board will biennially evaluate its performance in a similar self-evaluation process with a view toward improving its efficiency and competence. Any significant change that a committee proposes with regard to its charter or its operations shall be presented to the Board of directors for its

approval. Committee assessments are open to the public.

Board and Committee evaluations should occur before the Board meeting held in conjunction with the Annual Member Meeting with results reported at the Board meeting.

## 2.4. Director Term Limits

An individual may not serve as a WECC director for more than four three-year terms. This limitation, however, will not be applied to preclude a director from continuing to serve during a holdover period, to cure a procedural vacancy, or to serve as a temporary director (as each of these circumstances are addressed in the WECC Bylaws) for a period which would extend beyond this limitation.

## 2.5. Process for Selection of Board of Directors Chair and Vice Chair

On an annual basis before the Board meeting held in conjunction with the Annual Member Meeting, the Board will begin the process for selecting a chair and vice chair from the Board members. Any director who has been a member of the WECC Board for at least one three-year term (unless a shorter time is otherwise approved by a majority of all directors), except for the CEO, is eligible to serve in these positions. The process for selecting the chair and vice chair will be led by the most recent past chair, previous past chair, the chair of the Nominating Committee, the chair of the Governance Committee, the chair of the Human Resource and Compensation Committee, or the chair of the FInance and Audit Committee, whoever is available in this rank order. No one who has expressed a desire to be considerd for the chair or vice chiar position may lead this process.

It is intended that the director serving as chair serve a maximum of three consecutive one-year terms, assuming director satisfaction with the chair's performance.

Performance feedback will be given to the chair and vice chair throughout the year. At the time of the annual election, Board members will review the performance of the chair and vice chair considering their receptivity to feedback and the transparency of their leadership to the rest of the Board members, including regularity and full disclosure of activities undertaken on behalf of the Board. The chair and vice chair acknowledge their status as equal peers to other Board members.

Candidates for chair and vice chair may be determined by self-nomination or nomination by other Board members. Criteria for consideration include a desire to serve, demonstrated leadership experience, and broad support by other Board members.

While elections for the chair and vice chair positions are separate, it is the intent of the Board that the vice chair progress to the chair position when deemed highly effective by peers. The Board acknowledges the benefits of continuity and stability resulting from this progression.

The vice chair supports and collaborates with the chair and assumes the chair's duties if the chair is unable to serve or if the chair position becomes vacant.

If more than one candidate is put forth for either chair or vice chair, the Board will hold a special Executive Session, without candidates present, to determine the candidate of choice. Discussion of the

candidates during the Executive Session will be led by the previous chair, vice chair, or most senior tenured director, whoever is available in this rank order.

The final vote for chair and vice chair should occur in open session at the Board meeting held in conjunction with the Annual Member Meeting.

## 2.6. Duties and Responsibilities of the Chair

The chair is a peer of the other directors and each director has an equal voice in matters before the Board. However, the chair has the additional responsibility to plan, coordinate, and conduct the business of the Board. The chair will receive communications from stakeholders on behalf of the Board and provide timely reports of those communications to all directors. The chair must be unbiased in the conduct of Board business, but is free to express personal opinion, as are all directors. The chair, in consultation with the CEO and the directors, will prepare the agenda for each meeting. As provided in the Bylaws and committee charters, the chair may make committee appointments and assignments after reasonable consultation with all directors.

## 2.7. External Communications

The Board is committed to active communication with stakeholders. Such communications are usually most appropriate and useful in conjunction with meetings of the Board, the Member Advisory Committee, at the Annual Meeting, or at meetings scheduled by state or federal regulators. Directors should be attentive to stakeholder concerns in performing their mission and responsibilities. Directors should advise the CEO and the other Board members of any significant communications.

*Regarding communication to the Board:* Anyone who has a concern about WECC's conduct may communicate that concern directly to the Board of Directors. Communications may also be submitted in writing to the General Counsel. WECC's compliance hotline is published on WECC's website. It can be used by employees and stakeholders to anonymously report alleged illegal, inappropriate, or unethical activity.

Individual directors should act in a manner that recognizes that they do not represent WECC, unless authorized to do so by the chair or the CEO. The Board recognizes that a third party may initiate a communication directly with a director on Board or WECC business without notice to the other directors. On such occasions, a director may indicate that he or she is a WECC director, provided that this is done for identification purposes and provided that opinions expressed and statements made are attributed solely to the individual involved rather than to the Board or WECC. Directors may state WECC policy where this can be done accurately. They may also describe WECC activities, plans and involvement where this can be done accurately and is consistent with requirements to maintain confidentiality. The director who is involved in such communication must promptly report the substance of the discussion to the CEO and to the full Board no later than its next regularly scheduled meeting.

Except as authorized above, the Board chair and CEO, or any person authorized by them, shall represent WECC and speak on its behalf on all matters.

## 2.8. Board and Committee Meetings

The Board and committees established by the Board may meet face-to-face or remotely by videoconference or teleconference. When traveling for face-to-face meetings (or when traveling on other WECC business), members of the Board will be guided by WECC's Business Travel and Expense Policy in booking their travel and in seeking reimbursement for travel-related expenses.

Meetings (face-to-face and by teleconference) of the Board and of committees established by the Board are open to the public, subject to reasonable limitations such as the availability and size of meeting facilities. A meeting may be held in or adjourned to closed session if the subject matter of the meeting so warrants, consistent with the provisions of WECC's Bylaws and these Principles of Corporate Governance.

In general, a meeting of the Board or any committee established by the Board shall be conducted as follows:

- **Open Meeting.** WECC members and the public may attend and observe the deliberations of the Board or any committee during such meetings.
- **Closed Session.** WECC members and the public may not attend or observe the deliberations of the Board or committees. The Board or committee may invite or excuse particular persons—including staff and executive management—as necessary to further the business of the Board or committee.

  Such closed sessions shall be held as necessary to:

  1. Consider the employment, evaluation of performance, or dismissal of an employee of WECC and to deliberate regarding decisions that the Board may be called upon to make regarding the nomination, qualification, appointment, or removal of a member of the Board of Directors;
  2. Discuss pending or proposed litigation and to receive confidential attorney-client communications from legal counsel; and
  3. Receive and discuss any information that is privileged, trade secret, cybersecurity-related, critical energy infrastructure information (as defined by the Federal Energy Regulatory Commission), protected from public disclosure by law, or that the Board determines should be confidential to protect a legitimate public interest.[1]

## 2.9. Relationship of the CEO to the Board

The directors and CEO should at all times maintain a close professional relationship while avoiding a personal relationship that could lead to, or be perceived as, causing a conflict of interest regarding the respective roles of the director and the CEO. However, the CEO is at all times free to seek professional development advice and mentoring from any director.

## 2.10. Assessment and Compensation of Chief Executive Officer and Other Officers

The annual performance and related compensation, including any bonus, of WECC's CEO shall be determined by the Board. The Board may seek input from the Human Resources and Compensation Committee to assist the Board in making these determinations. In its deliberations, the Board shall make use of market data as it deems appropriate. The Board chair and HRCC chair or another Board member will communicate the Board's assessment to the CEO.

The CEO shall recommend annual compensation for WECC's other officers to the HRCC. The HRCC shall provide its recommendations for the annual compensation for each officer to the Board for approval. The HRCC shall make use of market data as it deems appropriate, and shall also consider the degree to which WECC and the officer have achieved established goals.

The Board will oversee the creation and administration of a management succession plan to ensure business continuity as it relates to the position of the CEO. In addition, the Board will monitor similar succession plans both for officers and other executive positions to be established and administered by the CEO. All succession plans will be reviewed on a regular basis by the HRCC. These same succession plans will be reviewed in summary form by the entire Board in executive session at least annually.

# 3. Amendment

The Board may amend these Guiding Principles and Principles of Corporate Governance, if needed. The Governance Committee shall review these Guiding Principles and Principles of Corporate Governance, at least biennially, and recommend any amendments to the Board.

[1] WECC Bylaws, 7.6.1. Examples of activities that may be considered confidential in order to protect a legitimate public interest and therefore discussed only in closed session include: a) consideration of assumption of liabilities, business combinations, or the purchase or lease of real property or assets; b) except as may be required by law, consideration of the sale or purchase of securities, investments, or investment contracts; c) strategy and negotiation sessions; d) discussion of emergency and security procedures; e) consideration of matters classified as confidential by federal or state law; f) specifications for competitive bidding; and g) to discuss a specific proposal that if discussed in open session would jeopardize the cost or give an unfair competitive or bargaining advantage to any person or entity.