MISO Corporate Governance Best Practices

(September 2016)

A. Compliance Program Components

Standard	MISO Practice
1. Establish a written code of ethics.[1]	A formal, written Code of Business Ethics has existed since February 15, 2001 and is reviewed and updated as necessary on at least an annual basis and externally reviewed every 3-5 years.
2. Implement explicit compliance policies and standards on a corporate and departmental level.[2]	Standards of Conduct are set forth in Appendix A to the MISO Transmission Owners Agreement ("SOC" or "Appendix A"). Compliance policies are in place for SOC 1, NERC/NAESB standards, and the Tariff. Other policies, such as corporate exceptions, life-cycle management, and risk assessments, are continually being updated and revised. Departmental work level instructions and operating guides have also been developed for high risk compliance standards.
3. Publish an employee handbook summarizing compliance program.[3]	Employee handbook exists and is reviewed and updated as necessary on at least an annual basis. Information on MISO's compliance program is also posted on the public website and internal intranet site.
4. Conduct training for employees on code of ethics and other important compliance policies and standards.[4]	New employees receive SOC and Code of Business Ethics training as part of new hire orientation. Annual compliance training and certification regarding the SOC, Code of Business Ethics, Harassment, and Cyber Security is conducted for all employees. Other compliance training occurs throughout the year as necessary.

[1] Sarbanes-Oxley Act ("SOA") § 406; New York Stock Exchange Listing Rules ("NYSE Rules") 303A.01.
[2] SOA § 805; § 8B2.1(a), U.S. Sentencing Guidelines; FERC Order 889; American Bar Assoc. Corporate Director's Guidebook (6th ed. 2011)("ABA Guidebook") at 33-39.
[3] SOA §§ 406, 805; § 8B2.1(b)(1), (4), U.S. Sentencing Guidelines.
[4] SOA § 805; § 8B2.1(b)(4), U.S. Sentencing Guidelines.

Standard	MISO Practice
5. Establish a hotline for reporting anonymous complaints of alleged non-compliance and for questions regarding the compliance program.[5]	Hotline established May 2003. Procedures of complaint policy formalized in June 2005 to supplement Appendix A. The hotline is currently operated by Global Compliance, Inc. with monthly reports of hotline activity sent to the General Counsel, the Chief Compliance Officer, Internal Audit, Vice President of Human Resources, in-house legal counsel responsible for Human Resources matters and Counsel to the Board of Directors.
6. Designate resource for enforcement and monitoring of compliance program.[6]	Compliance program enforcement and monitoring is conducted by the business units responsible for compliance activities. The Compliance Services Department, with oversight from the Senior Vice President, Corporate Support and Chief Compliance Officer, provides consistency in enforcement and monitoring as needed.
7. Conduct regular audits of compliance process.[7]	Internal Audit monitors the controls of the process from a financial perspective, as does the External Auditor. The Compliance Services Department coordinates reviews of the corporate compliance processes with oversight by the Chief Compliance Officer and other executive leadership.
8. Protect against retaliation for employees who report alleged non-compliance.[8]	The MISO Employee Handbook prohibits disciplinary action against employees who make a good faith report of a violation. Managers receive training on how to handle employee complaints and on the prohibition against retaliation.
9. Provide regular reports to Board to facilitate oversight.[9]	Disclosure Committee reports were submitted to the Audit & Finance Committee until 2009 when the Corporate Governance & Strategic Planning Committee began receiving the reports. Annual reviews are reported to the Corporate Governance & Strategic Planning Committee on Standards of Conduct and ethics training. Semi-annual compliance program updates are provided to the Corporate Governance & Strategic Planning Committee and a summary of the Compliance Program and compliance initiatives is provided to the full Board annually.

[5] SOA §§ 301, 806 (amending 18 U.S.C. § 1514); § 8B2.1(b)(5), U.S. Sentencing Guidelines.
[6] SOA § 805; § 8B2.1(b)(2)(C) and (b)(5)(A), U.S. Sentencing Guidelines.
[7] SOA § 805; § 8B2.1(b)(5)(A)-(B), U.S. Sentencing Guidelines.
[8] SOA §§ 301, 806; § 8B2.1(5)(C), U.S. Sentencing Guidelines.
[9] See generally SOA § 301; § 8B2.1(b)(2), U.S. Sentencing Guidelines; NYSE Rule 303A.04, .05, .07.

B. Board of Directors Best Practices

Recommended Standard	MISO Practice
1. Board should be composed of a substantial majority of "independent" directors.[10]	The Board is to consist of nine independent directors, plus the CEO.
2. Board should require that key committees be composed entirely of independent directors.[11]	Only independent directors are members of Board committees.
3. Each key committee should have a Board-approved written charter detailing its duties.[12]	All committees have adopted written charters setting forth their duties and responsibilities. On an annual basis, the committees review their charters, and update them as necessary. Charters are posted to the MISO public website.
4. Board should consider formally designating an independent director as chairman or lead director.[13]	The Board Chair has always been an independent director.
5. Board should regularly and formally evaluate performance of CEO, senior management, Board as a whole, and individual directors.[14]	Board evaluates CEO on a semi-annual basis, with lead taken by Human Resources Committee. Senior management is also regularly evaluated, with formal annual reviews by CEO and Board. The Board and its committees engage in an annual self-evaluation process.

[10] NYSE Rule 303A.01; ABA Guidebook at 41-46; NACD Governance Guidelines (1998) ("NACD Guidelines") at 5.
[11] SOX § 301; NYSE Rule 303A.4-.5; ABA Guidebook at 59-60, 63-65, 81, 97; NACD Guidelines at 5.
[12] NYSE Rule 303A.04-.05, .7; ABA Guidebook at 63; NACD Guidelines at 10.
[13] ABA Guidebook at 46-47; NACD Guidelines at 6.
[14] NYSE Rule 303A.05; ABA Guidebook at 12-14, 54-55, 82-83; NACD Guidelines at 10.

Recommended Standard	MISO Practice
6. Board should review adequacy of Company's compliance and reporting systems at least annually.[15]	Compliance and reporting systems are reviewed at least annually by the Corporate Governance & Strategic Planning Committee and the Audit & Finance Committee. Annual compliance and audit presentations are made to the Board.
7. Board should hold periodic sessions with only the independent directors.[16]	Board has always conducted such sessions as a regular part of each meeting.
8. Audit Committee should meet independently with both internal and independent auditors.[17]	Audit & Finance Committee has always met separately with both the Internal Auditor and the External Auditors.
9. Board should be constructively engaged with management to ensure development, execution, monitoring and modification of company strategy.[18]	All committees, especially the Corporate Governance & Strategic Planning Committee, are constructively engaged with management on strategic issues. Since 2005, the Board has conducted strategic planning retreats with members of senior management.
10. Board should provide new directors with appropriate orientation.[19]	Management and the Counsel to the Board provide Board orientation programs. The company's liaisons to the Board's committees provide special briefings and training on specific issues related to the energy markets, transmission planning, financial and non-financial risk management, compensation programs, and other matters.

[15] § 8B2.1(b)(5), U.S. Sentencing Guidelines; ABA Guidebook at 35-37; NACD Guidelines at 11-12.
[16] NYSE Rule 303A.03; ABA Guidebook at 50-51; NACD Guidelines at 8.
[17] NYSE Rule 303A.07; ABA Guidebook at 73-76.
[18] ABA Guidebook at 11-15; NACD Guidelines at 9-10.
[19] NYSE Rule 303A.09; ABA Guidebook at 15-23, 66; NACD Guidelines at 7.

Comment

The compliance program elements set forth in Part A reflect policies that have been followed by major public corporations and are consistent with advice provided by outside counsel to MISO.

The foregoing best practices reflect recommendations provided by the National Association of Corporate Directors to Congress in 2002, as it was drafting legislation to improve the accuracy and reliability of corporate disclosures, which ultimately became the Sarbanes-Oxley Act of 2002.

These recommendations are generally embodied in the revised listing standards published by the New York Stock Exchange and the NASDAQ on November 4, 2003.

Consistent with these standards and the MISO Transmission Owners Agreement, the MISO Board adopted Principles of Corporate Governance on December 8, 2005, which address a variety of issues, including:

1. Director qualification issues (selection of Directors, Board composition and term limits);
2. Director responsibilities (separation of Chair from President/CEO, election and duties of Chair, and Board meetings);
3. Board committees (number and type of committees; selection of committee members; charters and responsibilities; conduct of meetings; executive sessions; and ethics and conflicts of interest);
4. Director access to management;
5. Director compensation, orientation and continuing education;
6. Board and management succession; and
7. Annual performance evaluations of President/CEO and Directors.

These Principles are annually reviewed and revised as necessary..

The Board of Directors conducts retreats to review the Company's strategic plan and to assess the overall performance of MISO, its senior management and the Board itself. As part of its retreats, through the leadership of the Board Chair and the President/CEO, the Board reviews and discusses the following:

1. Executive cohesion, compensation and succession.
2. Company performance and compliance.
3. Trends in industry, technology and government.
4. Board and Board Committee performance.
5. Active involvement of Directors in Board affairs and in Company oversight.
6. Board organization and governance issues, including Director compensation, indemnification and liability insurance.