

# **Charter of the Audit, Risk, and Cybersecurity Committee of the Board of Directors Tennessee Valley Authority**

## **I. Purpose**

The Audit, Risk, and Cybersecurity Committee (“Committee”) is a standing committee of the Board of Directors (“Board”) and is charged with assisting the Board in fulfilling its responsibilities under the Tennessee Valley Authority Act (“TVA Act”). The Committee has been created by the Board pursuant to Section 2(g)(1)(I) of the TVA Act. Provisions of the TVA Act that provide the Committee guidance pertaining to its areas of responsibility are listed in Section VI below.

Specifically, the Committee shall advise the Board with respect to policies, strategies, and oversight in the following areas:

- a. The quality and integrity of the financial reporting process of the Tennessee Valley Authority (“TVA”);
- b. The effectiveness of TVA’s internal control over financial reporting;
- c. The qualifications and independence of TVA’s external auditor (“Auditor”);
- d. TVA’s compliance and ethics programs;
- e. TVA’s processes for identifying, monitoring, and mitigating enterprise risk; and
- f. Review and oversight of TVA’s strategies for addressing TVA’s cybersecurity, data, and privacy policies and response protocols.

Senior management has primary responsibility for each of the items identified above. The Board oversees senior management in its performance of this responsibility and adopts policies and strategies with regard to the items identified above. In accordance with Section 2(g)(1)(I) of the TVA Act, the Board has established the Committee as a standing committee to assist the Board in these functions.

## **II. Authority and Resources**

The Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- a. when performing its audit functions, independently retain and compensate such outside legal, accounting, or other advisers, at TVA’s expense, as it considers necessary in discharging its audit responsibilities set forth herein in accordance with the TVA Act, along with the authority to engage outside advisors on other matters as otherwise authorized by the Board;
- b. have unrestricted access to TVA’s personnel, documents, and Auditor;
- c. maintain free and open communication among the Committee, the Auditor, the Inspector General of TVA (“Inspector General”), and senior management of TVA, and to determine that all parties are aware of their responsibilities; and
- d. take appropriate actions to monitor the overall corporate “tone” for quality financial reporting, sound business risk practices, and ethical behavior.

The Committee shall notify the TVA Board of the activities associated with discharging its responsibilities by the next Board meeting.

Nothing contained in this charter is intended to expand the applicable standards of liability under statutory or regulatory requirements for the Board or its members. Although the Committee has a specific mandate under the TVA Act on behalf of the Board, it is not the duty of the Committee to plan or conduct audits or to determine that TVA's financial statements are in accordance with generally accepted accounting principles and applicable rules and regulations. Those are the responsibilities of senior management and the Auditor.

Nothing contained in this charter shall be construed as circumscribing the authority of the Inspector General under the Inspector General Act or is intended to restrict the authority of the Inspector General to conduct, supervise, and coordinate audits and investigations relating to the programs and operations of TVA.

Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of TVA management and employees, the Inspector General, the Auditor, and outside advisors. The Committee's responsibilities are not to be interpreted as a substitute for the professional obligations of the Auditor.

### **III. Membership**

The members of the Committee shall be appointed by the Chair of the Board with the approval of the Board in accordance with the *Bylaws of the Tennessee Valley Authority*. The Chair of the Committee shall be appointed by the Chair of the Board and shall serve a term that runs concurrently with the term of the appointing Chair of the Board. If the Chair of the Committee is absent, that position's role shall be filled by another member of the Committee selected by the Committee's membership in attendance.

The Committee will be comprised of at least three members of the Board, and to the extent practicable within the context of the appointment process for members of the Board, it shall be the objective of the Committee for all of its members to be financially literate or become financially literate within a reasonable period of time after appointment. A deliberate effort will be made to include at least one Director who is an audit committee financial expert. A deliberate effort also will be made to ensure the Committee has access to the right TVA internal resources and outside expertise concerning its governance and oversight functions in the areas of cybersecurity, data, and privacy.

No member of the Committee may serve on the audit committees of more than three government or commercial entities without the express consent of the Board. No member of the Committee shall receive compensation from TVA, other than as specified by the TVA Act and any other benefits statutorily related to service as members of the Board or service as a Chair of a standing committee of the Board.

### **IV. Meeting Requirements**

The Committee shall meet at least four times per year and may meet more frequently. Any such meeting may be held in-person, virtually, or by any other means that allows members of the Committee to communicate simultaneously. The Committee shall meet in executive session at least once annually without management present, and in executive session at least once annually with the Auditor without management present. Officers and other management officials of TVA may attend meetings of the Committee upon invitation. An executive session may be held during one of the four required Committee meetings. A quorum of the Committee is defined as a majority of its members.

The Committee Chair will approve the agenda, with input from senior management and other directors on the Committee and the Board as appropriate. The Committee shall consult with the Inspector General as to an appropriate approach regarding communications and meetings between the Committee and the Inspector General.

The Committee shall maintain minutes of its meetings and records related to those meetings. The Corporate Secretary shall appoint a Secretary of the Committee. The minutes of the Committee meetings shall accurately reflect the actions taken by the Committee, including all recommendations made by the Committee to the Board, and shall be distributed to all Committee members and to the Chair of the Board. Copies shall be distributed to the Chief Executive Officer, the Chief Financial Officer, the Inspector General, and the Auditor, unless the Committee specifies otherwise.

## **V. Responsibilities of the Committee**

In addition to the responsibilities described below, the Committee will undertake such other duties as the Board delegates to it, and will report periodically and as may be deemed necessary by the Committee, to the Board regarding the Committee's activities, examinations, and recommendations:

### **A. Overseeing the Annual Audit**

1. In consultation with the Inspector General, recommend to the Board the appointment of the Auditor;
2. Oversee the performance of the Auditor, including preapproval of audit and permitted non-audit services and compensation in accordance with the Committee's preapproval policy;
3. At least annually, obtain and review a report by the Auditor describing: (i) the Auditor's internal quality control procedures; (ii) any material issues raised by the most recent internal quality control review, or peer review, of the Auditor, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the Auditor, and any steps taken to deal with any such issues; and (iii) all relationships between the Auditor and TVA (to assess the Auditor's independence);
4. On an annual basis, review with the Auditor the scope of the audit of TVA and the audit plan prior to its implementation;
5. On an annual basis, coordinate and review with the Inspector General TVA's internal audit activities conducted and administered by the Inspector General, including the Inspector General's annual audit plan;
6. Discuss with senior management, the Inspector General, and the Auditor any changes in or deficiencies in internal control over financial reporting that have materially affected or are reasonably likely to materially affect TVA's internal control over financial reporting that are required to be disclosed. The Committee shall also discuss with senior management its remediation plan to address such internal control deficiencies;
7. Review TVA's Annual Report filed on Form 10-K, including the annual financial statements and the Auditor's report. The Committee's review of the financial statements shall include: (i) major issues regarding accounting principles and financial statement presentations; (ii) discussions with senior management regarding significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (iii) consideration of the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements; (iv) consideration of the judgment of both senior management and the Auditor about the quality, and not just the acceptability, of accounting principles; and (v) the clarity of the disclosures in the financial statements; and
8. Recommend to the full Board whether the audited financial statements should be included in TVA's Annual Report on Form 10-K. (This recommendation may be made electronically.)

### **B. Overseeing Quarterly and Other Financial Matters**

1. Review the quarterly financial statements filed on Form 10-Q with senior management, the Inspector General, and the Auditor after each of the first three quarters of TVA's fiscal year;

2. Review legal and regulatory matters that may have a material effect on TVA's financial statements, compliance policies and programs, and reports from regulators;
  3. Review and oversee the performance of TVA's Disclosure Control Committee; and
  4. Discuss with senior management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act.
- C. Overseeing Policies and Programs Related to Risk (other than Cybersecurity)*
1. Evaluate TVA's risk identification and mitigation processes;
  2. Monitor enterprise risks and provide appropriate oversight for each; and
  3. Discuss TVA's major financial risk exposures, including the risk of fraud, and the steps TVA has taken to monitor and mitigate such exposures.
- D. Cybersecurity*
1. Review and recommend organizational strategies to ensure that the cybersecurity function is adequately represented across the enterprise;
  2. Review the organization's cyber risk appetite, or tolerance, in the context of TVA's risk profile and strategic goals;
  3. Oversee periodic presentations to the full Board on the cybersecurity implications of TVA's activities;
  4. Participate in periodic cybersecurity training to increase the Committee's base level of knowledge on cyber risk;
  5. Review periodic audits, reviews of cybersecurity strength, and benchmarking by independent third parties that are provided to the Committee by TVA management and employees; and
  6. Retain, as necessary, expertise from external parties to ensure that the Committee is adequately performing its cybersecurity governance and oversight functions.
- E. Other*
1. Receive and review reports from the Inspector General and make recommendations to the Board, as appropriate;
  2. Administer the conflict-of-interest policy applicable to members of the Board and employees of TVA. Review and approve all related party transactions identified as a result of this policy and discuss with senior management the business rationale for the transactions and whether appropriate disclosures have been made;
  3. Review, in consultation with the Inspector General and the Auditor (if the Auditor has been asked to perform such reviews) or any outside party selected by the Committee, compliance with TVA's Code of Ethics and the conflict-of-interest policy established by the Board in accordance with Section 2(g)(1)(E) of the TVA Act, and report any exceptions thereto to the Board and as required by law;
  4. Make recommendations to the Board on matters within the scope of the Committee's responsibilities, as considered necessary or appropriate; and
  5. Conduct annually a self-assessment of the Committee with the goal of continuous improvement.

## **VI. Responsibilities Related to the TVA Act**

The Committee is charged with the responsibility of assisting the Board in fulfilling its responsibilities under the TVA Act, including primary responsibility regarding the following provisions of the TVA Act:

- a. Section 2(g)(1)(A) (broad goals, objectives, and policies);

- b. Section 2(g)(1)(B) (long-range plans to guide TVA in achieving the goals, objectives, and policies of TVA and assistance to the Chief Executive Officer to achieve those goals, objectives, and policies);
  - c. Section 2(g)(1)(C) (ensure that Board-approved goals, objectives, and policies are achieved);
  - d. Section 2(g)(1)(E) (maintain the conflict-of-interest policy);
  - e. Section 2(g)(1)(I)(i) (recommend to the Board, in consultation with the Inspector General, an external auditor);
  - f. Section 2(g)(1)(I)(ii) (receive and review reports from the external auditor and Inspector General);
  - g. Section 2(g)(1)(H) (ensure that TVA activities are carried out in compliance with applicable law);
  - h. Section 2(g)(1)(I)(iii) (make recommendations to the Board that the Committee considers necessary);
  - i. Section 2(g)(1)(M) (engage the services of an external auditor);
  - j. Section 4(f) (selection of a treasurer and assistant treasurers);
  - k. Section 9(a) (annual financial statement and report to the President and Congress); and
  - l. Section 14 (keep accounts of costs and report the same to Congress).
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