

Charter of the Audit, Risk, and Regulation Committee of the Board of Directors Tennessee Valley Authority

I. Purpose

Acting pursuant to Section 2(g)(1)(I) of the Tennessee Valley Authority Act, the Board of Directors (“Board”) has established an Audit, Risk, and Regulation Committee (“Committee”), which is charged with the responsibility of assisting the Board in fulfilling its responsibilities under 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 and strategies in the following areas:

- a. The quality and integrity of the financial reporting process of the Tennessee Valley Authority (“TVA” or the “Corporation”);
- b. The effectiveness of the Corporation’s internal control over financial reporting;
- c. The qualifications and independence of TVA’s external auditor (“Auditor”);
- d. The Corporation’s regulatory policies with regard to retail rates;
- e. The Corporation’s processes for monitoring enterprise risk; and
- f. The Corporation’s compliance and ethics programs.

The primary responsibility for financial reporting, accounting systems, and internal controls of TVA is that of the senior management and is overseen by the Board. 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 responsibilities and other responsibilities relating to TVA’s regulatory authorities over resale rates and over the use of power revenues by distributors of TVA power and TVA’s risk identification and mitigation process.

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. retain and compensate such outside legal, accounting, or other advisers, at the Corporation’s expense, as it considers necessary in discharging its responsibilities set forth herein;
- b. have unrestricted access to the Corporation’s personnel, documents, and Auditor;
- c. maintain free and open communication among the Committee, the Auditor, the Inspector General of the Corporation (“Inspector General”), and management of the Corporation, 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 and contracts 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 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 the Corporation.

Members of the Committee are entitled to rely on the expertise, knowledge, and judgment of management, the Inspector General, and the Auditor. 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.

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 the Corporation, 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 by telephone or by any other means that allows members of the Committee to communicate simultaneously. The Committee shall meet at least once annually without management present, and at least once annually with the Auditor without management present. Officers and other management officials of the Corporation may attend meetings of the Committee upon invitation. A quorum of the Committee is defined as a majority of its members.

The Chair will approve the agenda, with input from 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 Audit, Risk, and Regulation 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 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 the Corporation (to assess the Auditor's independence);
4. On an annual basis, review with the Auditor the scope of the audit of the Corporation and the audit plan prior to its implementation;
5. On an annual basis, coordinate and review with the Inspector General the Corporation's internal audit activities conducted and administered by the Inspector General, including the Inspector General's annual audit plan;
6. Discuss with 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 the Corporation's internal control over financial reporting that are required to be disclosed. The Committee shall also discuss with management its remediation plan to address such internal control deficiencies;
7. Review the Corporation'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 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 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 the TVA's Annual Report on Form 10-K. (This recommendation may be made by e-mail.)

B. Overseeing Quarterly and Other Financial Matters

1. Review the quarterly financial statements filed on Form 10-Q with management, the Inspector General, and the Auditor after each of the first three quarters of the Corporation's fiscal year;
2. Review legal and regulatory matters that may have a material effect on the Corporation's financial statements, compliance policies and programs, and reports from regulators;

3. Review and oversee the performance of the Corporation's Disclosure Control Committee; and
4. Discuss with 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

1. Evaluate the Corporation's risk identification and mitigation processes;
2. Monitor migration of enterprise risks and provide appropriate oversight for each; and
3. Discuss the Corporation's major financial risk exposures, including the risk of fraud, and the steps management has taken to monitor and control such exposures.

D. Regulation of Distributors

1. Review and monitor the Corporation's regulatory policies and performance with regard to distributor resale rates, financial health and compliance, as provided for by TVA's wholesale power contracts and rules and regulations authorized by Section 10 of the TVA Act and employed by the TVA Board to carry out the various purposes of the TVA Act; and
2. Review the contractual terms and conditions under which the Corporation sells power at wholesale to distributors of TVA's power and at retail to customers directly served by the Corporation and recommend material changes to the full Board for approval.

E. Other Matters

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 the Corporation. Review and approve all related party transactions identified as a result of this policy and discuss with 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 the Corporation'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 as considered necessary or appropriate and conducting annually a self-assessment of the Committee with the goal of continuing 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:

- Section 2(g)(1)(E) (maintain the conflict-of-interest policy);
- Section 2(g)(1)(I)(i) (recommend to the Board in consultation with the Inspector General of the Corporation an external auditor);
- Section 2(g)(1)(I)(ii) (receive and review reports from the external auditor and Inspector General);

- Section 2(g)(1)(I)(iii) (make recommendations to the Board the Committee considers necessary); and
- Section 10 (power contract terms and conditions regarding rules and regulations).

Original charter approved August 20, 2010

Revised February 11, 2016, to adopt gender neutral terminology