

**TENNESSEE VALLEY AUTHORITY
RETIREMENT SYSTEM**

Audit Committee Charter

Adopted by the TVARS Board June 15, 2017

I. Purpose

The Audit Committee is a standing committee created by the Tennessee Valley Authority Retirement System (“TVARS” or “System”) Bylaws. The Audit Committee’s function is to assist the TVARS Board of Directors (Board) in fulfilling its fiduciary responsibilities as they relate to accounting policies and reporting practices, the system of internal controls, the effectiveness of standards of ethical business conduct, and the sufficiency of the auditing process.

II. Authority

The Audit Committee is empowered to:

- a) Conduct or authorize investigations into any matters within its scope of responsibility
- b) Resolve any disagreements between management and the internal or external auditor regarding financial reporting
- c) Recommend independent counsel, accountants, or others to the Board for final approval to advise the Audit Committee or assist in the conduct of an investigation
- d) Seek any information it requires from System staff (all of whom are directed to cooperate with the Audit Committee’s requests) or external parties
- e) Meet with officers and internal or external auditors as necessary

III. Responsibilities

The Audit Committee’s responsibilities include, but are not limited to, the following:

— *Internal Audit Function*

The Audit Committee will oversee the internal audit function, including reviewing the adequacy of TVARS’ internal control, the internal audit reports issued by the Executive Secretary, and the activities, organizational structure, and qualifications of the entire internal audit function. The Audit Committee will also periodically evaluate the effectiveness of the internal control system, including information technology security and control.

— *Annual Audit, Annual Financial Report, and Independent Audit Function*

The Audit Committee will oversee the System’s annual audit and annual financial report, including the independent audit function. The Audit Committee will provide a recommendation on the appointment of independent auditors, and review the proposed fee arrangement with the independent auditors. The Audit

Committee will also review the independent auditor's proposed audit scope and approach, along with the performance of the independent auditors. The Audit Committee will conduct a post-audit review of the financial statements and audit findings, including any significant suggestions for improvements provided to management by the independent auditors. This review will include meeting with the independent auditor after the field work is complete and before formal reports are issued.

— *Oversight Responsibilities*

The Audit Committee will review the management's monitoring of compliance with TVA codes of conduct by TVARS employees who conduct business of the System, and review conduct issues related to all members of the Board with respect to their System duties. The Audit Committee will discuss any legal matters that could have a significant impact on the System's financial statements with legal counsel. The Audit Committee will also oversee the findings of any examinations by regulatory agencies, such as the Internal Revenue Service. The Audit Committee will perform other oversight functions as requested by the Board;

— *Other Responsibilities*

The Audit Committee will recommend any special investigations to the full Board that it deems necessary, and, if appropriate, recommend special counsel or experts to assist. The Audit Committee will also provide a line of communication with management, the independent auditors, and internal auditors.

IV. Audit Committee Composition

The Audit Committee will consist of at least three Directors of the Board: at least one of which must be elected to the Board and one of which must be appointed to the Board. Not later than the first regular quarterly meeting of the Board after each October 31, the Board Chair will appoint the Audit Committee members for a one-year term. At that time, the Board Chair will also appoint the Chair of the Audit Committee.

V. Terms of Service

Audit Committee members serve one-year terms, and will serve from the time they are designated until their successors have been designated, or until they cease to be eligible for service on the Audit Committee.

VI. Meetings

The Audit Committee is expected to meet at least four times per year. Meetings will be scheduled near the time of or in conjunction with regularly scheduled Board meetings. The Audit Committee Chair or two Audit Committee members may call a special meeting. TVARS Staff will assist in providing proper notice of meetings.

VII. Staffing

The TVARS Manager of Financial Reporting will support the Audit Committee and ensure appropriate staff members are assigned to assist the Audit Committee and support the Audit Committee's activities by scheduling meetings, preparing meeting materials, drafting minutes or Audit Committee

reports, performing research and rendering other types of assistance as reasonably requested by the Audit Committee. If the Audit Committee determines that staff resources are limited or conflicted in a matter before the Audit Committee, the Audit Committee may retain the services of an outside counsel, independent auditor, independent actuary, or other professional advisor.

VIII. Reporting Requirements

The Audit Committee, through the committee chair or designated TVARS Staff, will report to the Board on a quarterly basis, or more frequently as the fulfillment of its responsibilities requires. The Audit Committee may report as necessary to other key stakeholders.

IX. Charter Review

The Audit Committee and the Board will review this Charter at least every three years to ensure it remains appropriate. The Audit Committee will recommend any changes to the Board for review and approval. The Board may amend the Charter at any time.