

AUDIT AND ETHICS COMMITTEE MEETING MINUTES JUNE 25, 2025

The Audit and Ethics Committee meeting was held on Wednesday, June 25, 2025.

Committee Members Present: Committee Chair Rob McCabe, Anne Davis, Clifton Harris, and Michael Vandenberg (virtually)

Officers Present: Teresa Broyles-Aplin, Laura Smith, Dr. Trish Holliday, Brent Baker and Recording Secretary David Frankenberg

Committee Chair Rob McCabe called the meeting to order at 8:02 a.m.

SAFETY TIP

Jack Baxter presented a safety tip on Emergency Preparedness. Key topics included workplace safety, emergency preparedness, roadway safety, and wellbeing.

2025 TENNESSEE VALLEY LINEMAN RODEO

Brad Heck applauded the performance of fourteen NES linemen who competed in the 2025 Tennessee Valley Lineman Rodeo, bringing home ten awards including top honors in both the Senior and Team categories. Mr. Heck stated that this event highlights the real-world challenges NES linemen face daily and serves as a powerful testament to their technical expertise, teamwork, and commitment to safety.

MINUTES

Upon motion by Member Harris and seconded by Member McCabe, the Committee approved the minutes from the Audit and Ethics Committee meeting held May 28, 2025, with four ayes and zero nays.

EVALUATION OF INTERNAL AUDIT SURVEY RESULTS

Chair McCabe presented the results of the 2025 Internal Audit survey. He stated that each Audit and Ethics Committee member was asked to evaluate the effectiveness of the Internal Audit function based on the Institute of Internal Audit standards.

Survey results indicated that the Internal Audit function is operating effectively, with a strong emphasis on risk-based auditing and adherence to professional standards. The team's expertise and advisory role are well recognized, along with its commitment to transparency and open communication with Management. Key strengths highlighted include a deep understanding of the business and risk landscape, active participation in audit meetings, availability for consultation, and timely responses to Committee requests.

Chair McCabe expressed his appreciation for Kraft's contributions and indicated that progress of the Internal Audit function will continue to be monitored annually.

KRAFT INTERNAL AUDIT REPORTS

Scott Nalley reviewed the Audit and Ethics Committee Calendar and noted that all items are proceeding according to schedule. He referred to the Internal Audit Status Report and indicated that the FY25 Audit Plan is in its final stages and audit plans for FY26 are underway.

Mr. Nalley reported that KraftCPAs conducted a compliance-focused audit centered around North American Electric Reliability Corporation (NERC) and the Southeastern Electric Reliability Corporation (SERC) standards. He explained that the audit took into account corporate governance, organizational culture, and stewardship efforts that could potentially influence its scope. Mr. Nalley confirmed that the audit evaluation was satisfactory and revealed no reportable findings.

A risk assessment and quality review of the NES Encompass project was presented, with the project receiving an overall risk rating of low to moderate. Mr. Nalley noted that the project's go-live was executed successfully with the Hypercare phase concluded on schedule.

Chair McCabe asked what function Paymentus performs. Brent Baker responded that it is a payment technology platform through which approximately ninety percent of NES payments are processed.

EXECUTIVE SESSION


The Committee did not go into Executive Session.

MISCELLANEOUS

There were no miscellaneous items to present.

ADJOURNMENT

The meeting adjourned at 8:22 a.m.

APPROVED:  Signed by:
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Committee Chair Rob McCabe