

AUDIT AND ETHICS COMMITTEE MEETING MINUTES SEPTEMBER 24, 2025

The Audit and Ethics Committee meeting was held on Wednesday, September 24, 2025.

Committee Members Present: Committee Chair Rob McCabe, Anne Davis, Clifton Harris, Ian Prunty and Casey Santos. 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 8:01 a.m.

SAFETY TIP

Brad Heck presented a safety tip on NES Operations Training, highlighting its scope and emphasizing the program's mission statement: "I Do It For You And Me."

MINUTES

Upon motion by Member Davis and seconded by Member Santos, the Committee approved the minutes from the Audit and Ethics Committee meeting held August 27, 2025, with five ayes and zero nays.

RECOMMENDATION FOR APPROVAL OF THE ANNUAL AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Chair McCabe reminded the Committee that the Board adopted a program for voluntary compliance with certain provisions of the Sarbanes-Oxley Act. One of the adopted provisions is that the Audit and Ethics Committee will review and approve the annual financial statements to be included in the Annual Report.

David Frankenberg reported that PricewaterhouseCoopers completed its examination of Nashville Electric Service's financial statements and presented their audit report and other required communications to the Audit and Ethics Committee, which was approved during the meeting held August 27, 2025.

Mr. Frankenberg indicated that the Uniform Guidance Compliance Supplement for 2025 has not been released. Therefore, PwC will be unable to request approval of the report on the company's compliance with requirements applicable to each major federal program and on NES's consideration of its internal control over compliance, as required under the OMB Uniform Guidance, until (likely October)..

He noted that copies of the Annual Report were circulated to all members of the Committee and recommended approval of the financial statements and the referenced reports, with the exception of the report on financial statements and compliance in accordance with federal uniform guidance.

Upon motion by Member Harris and seconded by Member Santos, the Committee approved the financial statements and referenced reports, with the exception of the financial statement that is in compliance with federal uniform guidance, with five ayes and zero nays.

RECOMMENDATION FOR APPROVAL OF A CORPORATE BOARD SERVICE OPPORTUNITY

Laura Smith reported that, according to Section 3 of the Conduct Policy in the NES Policy Manual, Executives must inform both the CEO and the Chair of the Audit and Ethics Committee before accepting paid board positions. The Committee Chair is responsible for placing the matter on the Audit and Ethics Committee's agenda to assess potential conflicts of interest. If no conflict is identified, the Committee may approve the board service.

Ms. Smith noted that Brad Heck, Vice President of Transmission & Distribution Operations, has informed the CEO and the Chair of the Audit and Ethics Committee of a compensated opportunity for him to serve on the corporate advisory board for Volunteer Power, LLC. He requested that the matter be placed on the Committee agenda for discussion.

Executive leadership determined that Mr. Heck's participation on the advisory board for Volunteer Power does not present a conflict of interest and supports Mr. Heck's service on the advisory board. Mr. Heck recommended the Committee's approval of the advisory board position with Volunteer Power, LLC.

Chair McCabe expressed that he views this as an excellent opportunity and indicated that Mr. Heck will need to include in his annual conflict of interest statement.

Member Santos added that the implemented controls that have been put in place are reasonable and emphasized the value of community engagement.

Upon motion by Member McCabe and seconded by Member Santos, the Committee approved the corporate board service opportunity at Volunteer Power, LLC for Brad Heck with five ayes and zero nays.

BAKER TILLY INTERNAL AUDIT REPORTS

Scott Nalley reported there were no updates to the Audit and Ethics Committee Calendar. He referred to the Internal Audit Status Report and stated that there was one item remaining from the FY25 Audit Plan and stated that the audit is substantially complete and noted that everything is on schedule with the FY26 audits.

Mr. Nalley stated that the FY25 Network and Cybersecurity – Corporate audit received a satisfactory rating and was assessed as low risk based on the audit findings. He clarified that the scope of this audit was limited to the Corporate IT group and did not cover the System Operations IT group.

Mr. Nalley stated that NES uses a management detection tool to block the installation of malicious applications, but unapproved applications that are not deemed malicious can be installed by users. He said the installation of unapproved software can leave NES systems vulnerable to threats; therefore, blocking the installation of unapproved software and a review of the network on a regular basis was recommended.

Member Santos inquired whether employees possess local administrator rights on their devices. Mr. Nalley explained that the majority of staff operate under restricted access, though certain individuals do have local administrator privileges. He further noted that some software installations are permitted

even without such permissions. Member Santos commented that she is glad to see that controls are being put in place and stressed the importance of being thorough when monitoring installations.

Mr. Nalley followed-up on two prior audits and stated that from a remediation standpoint one is resolved, and one is still outstanding pending updates of the strategic plan from an IT perspective.

Member Santos pointed out that managing third-party vendors, especially in terms of security threats, remains one of the main concerns for companies. She mentioned that while companies often focus on vendors in the beginning, they tend to lose track over time, making follow-up a key challenge. She stated that she would like to see NES maintain strong oversight in this area. Mr. Nalley shared that IT vendors were a key focus in the prior audit, and that there has been steady improvement in this area.

Mr. Nalley reviewed follow-up and remediation items for the Fourth Quarter of Fiscal Year 2025. He stated that out of the five items for the quarter, four have been resolved and one is outstanding. He noted that the outstanding item is related to the overall organization's strategic plan and significant progress has been made with a planned completion date of December 31, 2025.

Member Santos questioned whether the IT strategic plan is dependent on the completion of the corporate strategic plan. Brent Baker explained that IT is actively developing its strategic plan, which will outline a five-year infrastructure investment strategy.

Laura Smith noted that substantial progress has been made on the organization's strategic plan, with key strategic pillars and initiatives already identified, ensuring everything is aligned.

Ian Prunty noted that two of the Vegetation Management audits appear to be complete, while one, linked to a long-term action plan, is still ongoing. He requested an update on the current status of that item.

Mr. Nalley responded that everything has been resolved. He added that some activities were completed over time, and when marked "complete," it means they were finalized either before or during this quarter, confirming the resolution of all items.

MISCELLANEOUS

There were no miscellaneous items to present.

ADJOURNMENT

The meeting adjourned at 8:21 a.m.

EXECUTIVE SESSION

There was no Executive Session held.

APPROVED:  Signed by:
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Committee Chair Rob McCabe