



Revision to Audit Committee Charter

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Audit Committee Charter

Background

- The Board's Audit Committee provides an independent review of the Cooperative's accounting and financial reporting, oversees the annual financial audit, makes recommendations to the Board, and receives periodic reports from the Cooperative's internal audit function.
- The Board's Audit Committee has a Charter that was originally adopted in September of 2009, and amended several times since.
- PEC strives for a regular review of this Charter.
- During the current review, PEC has identified certain revisions and improvements for clarity of the Charter and the Committee's duties and responsibilities.
- These revisions were presented to the Board as a draft resolution in October of 2024 and now for approval at the November 2024 Board Meeting. If approved, the revised version will be effective following this Board meeting.

Proposed Revisions to the Audit Committee Charter

- The title was changed from “Charter of the Audit Committee of the Board of Directors of Pedernales Electric Cooperative, Inc.” to “Audit Committee Charter”.
- The term “internal auditor” was changed throughout the document to “internal audit function”.
- Certain duties and responsibilities were relocated within the list to improve the organization of the document.
- Item (g) filing requirement was removed because it is not applicable to this Committee.
- The references to the “Institute of Internal Auditors’ Definition of Internal Auditing” and the “International Standards for Professional Practice of Internal Auditing” were removed because they are not applicable to this Committee.
- The term “chief audit executive” was replaced with “executive overseeing the Cooperative audit function”.
- Item (p) was revised to clarify the duty as reviewing the Cooperative’s Form 990 Return of Organization Exempt From Income Tax.
- Item (q) was removed because it is either no longer applicable to the Committee (in the case of the Insurance Continuation Plan) or addressed in other Board Policies (in the case of the Defined Benefit Retirement Plan and 401(k) Savings Plan).
- Various other non-material language updates were made for policy consistency.

