PURPOSE

Consistent with the Board of Trustees (Board) responsibility to manage the business and affairs of the corporation, the Audit and Finance Committee (Committee) is established for the primary purpose of assisting the Board in its oversight of:

- the integrity of UCAR’s financial statements,
- UCAR’s compliance with legal and regulatory requirements,
- UCAR’s compliance with its ethics policy,
- the performance of UCAR’s internal audit function,
- the independent auditor’s qualifications and independence,
- the performance of UCAR’s investments, and
- the incurrence of debt financing and related policies.

The Committee will encourage continuous improvement of, and will foster adherence to, UCAR’s policies, procedures and practices at all levels.

The Committee has the authority to seek any information it requires from UCAR employees--all of whom are directed to cooperate with the Committee’s requests--or external parties.

The Committee has the authority to obtain advice and assistance from outside legal, accounting or other advisors as deemed appropriate to perform its duties and responsibilities at UCAR’s expense.

COMPOSITION

The Committee shall be comprised of 4-8 members as determined by the Board, each of whom shall be independent members, and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. The Treasurer of the Board serves as the Chair of the Committee. The Board shall determine that at least one member of the Committee qualifies as a financial expert.

MEETINGS

The Committee shall meet at least three times annually, or more frequently as circumstances dictate. The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. One of these three meetings will be dedicated to discussing the annual audited financial statements.

At the Committee’s discretion periodic private executive sessions may be held with the independent auditor, the internal auditor or members of management.

\(^1\) Not an officer (apart from his or her capacity as a member of the board and any board committee) or employee of the Corporation or an immediate family member of an officer or employee.
RESPONSIBILITIES

The following responsibilities are set forth as a guide. The Committee is authorized to carry out these duties and other actions related to the Committee’s charter or as requested by the Board of Trustees.

- Internal Audit and Independent Audit
  - Independent Audit
    - Appoint the independent auditors to be engaged by the organization, approve the audit fees of the independent auditors, and pre-approve any non-audit services provided by the independent auditors before the services are rendered. Review the performance of the independent auditor and remove the independent auditor if circumstances warrant. The independent auditor shall report directly to the Committee and the Committee shall oversee the resolution of disagreements between management and the independent auditor in the event that they arise.
    - Discuss with the independent auditors the quality of the organization’s financial and accounting processes and any recommendations that the independent auditor may have. Topics to be considered during this discussion include improving internal financial controls, controls over compliance with rules and regulations, the selection of accounting principles, and management reporting systems. Consider whether the auditor’s performance of permissible non-audit services is compatible with the auditor’s independence.
    - Consider the rotation of the lead audit partner (at least every ten years), and whether there should be regular rotation of the audit firm itself.
  - Internal Audit
    - Review with management and the internal auditor the charter, plans, activities, and organizational structure of the internal audit function.
    - Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the internal auditor.
    - Review the effectiveness of the internal audit function, including compliance with the Institute of Internal Auditors’ Standards for the Professional Practice of Internal Auditing, as appropriate.
- Internal Control and Risk Mitigation
  - Review disclosures made by management about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the organization’s internal controls.
  - Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as UCAR’s major financial risk exposures and the steps management has undertaken to control them.
• Compliance with Laws, Regulations, Ethics, and Policies
  • Approve policies and procedures regarding compliance with the law and other significant organizational policies including, but not limited to UCAR Ethical Conduct Policy and other matters related to business conduct, fraud and legal compliance designed to prevent and detect violations of laws, rules, regulations, and guidelines and review the effectiveness of the system for monitoring compliance with the law and internal conduct policies. UCAR’s Ethics Officer is responsible for notifying the committee about any compliance issues.
  • Review the findings of any examinations by regulatory agencies, and any auditor observations.

• Investment and Debt Management
  • Establish, review and update investment philosophy, objectives and policies as applicable. Recommend changes as needed to the Board of Trustees.
  • Oversee implementation of investment policy including decisions on use and selection of professional investment managers; monitor investment activity and performance; monitor asset allocation of funds.
  • Oversee incurrence of corporate debt and recommend to the Board of Trustees issuance of debt for approval as required by UCAR by-laws.

• Financial Reporting
  • Review UCAR’s annual financial report, including the financial statements, required OMB Circular A-133 reports and management letter (if applicable), footnote disclosures and supplemental disclosures required by generally accepted accounting principles prior to recommending acceptance of the report to the board.
  • Review major issues regarding accounting principles and financial statement presentations, including any significant changes in the institution’s selection or application of accounting principles.
  • Review written responses of management to “letter of comments and recommendations” from the independent auditor and discuss with management the status of implementation of prior-period recommendations and corrective action plans.
  • Review, with UCAR’s counsel, any legal matter that could have a significant impact on UCAR’s financial statements.
  • Review the IRS Form 990 annually.

• Other Responsibilities
  • Review this Charter periodically and recommend any necessary amendments to the Board.
  • Periodically review the organization's code of conduct/ethics to ensure that it is adequate and up-to-date.
  • Review the procedures for the receipt, retention, and treatment of complaints received by the organization regarding accounting, internal accounting controls, or auditing matters that may be submitted by any party internal or external to the organization.
  • Review procedures for the anonymous submission by employees and third parties of concerns regarding financial, ethical and compliance issues. The Internal Auditor informs the Chair of the Committee of any submissions.