

TXNM ENERGY, INC.

AUDIT & ETHICS COMMITTEE POLICY GOVERNING AUDIT, AUDIT-RELATED AND NON-AUDIT FEES AND SERVICES,

As approved by the Audit and Ethics Committee

December 9, 2002

(Amended February 17, 2003; November 7, 2003; July 17, 2006, February 23, 2017)

OVERVIEW

The Sarbanes-Oxley Act of 2002 (“Act”) was signed into law on July 30, 2002. Subsequently, on January 28, 2003, the Securities and Exchange Commission adopted Rules on Strengthening the Commission’s Requirements Regarding Auditor Independence (“Rules”). The Act and the Rules require that audit, audit-related, and non-audit services (other than those prohibited), to be performed by the audit firm must be pre-approved by the Audit and Ethics Committee (the “Committee”) of the Company’s Board of Directors. However, the Committee does not need to pre-approve non-audit services provided by an accounting firm that is not auditing the Company.

Audit services include fees billed for professional services rendered by the principal accountant for the audit of the Company’s annual financial statements and review of financial statements included in the Company’s Form 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements. Audit-related services include fees billed for assurance and related services by the Company’s principal accountant that are reasonably related to the performance of the audit or review of the Company’s financial statements and are not considered Audit services.

Non-audit services means any professional services provided to a company by a registered public accounting firm, other than those provided to a company in connection with Audit or Audit-related services. The Company may engage the audit firm for any non-audit service that is not prohibited. The following non-audit services are specifically prohibited by law from being provided by the audit firm:

- Bookkeeping or other services related to the accounting records or financial statements of the audit client
- Financial information systems design and implementation
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports
- Actuarial services
- Internal audit outsourcing services
- Management functions
- Human resources
- Broker-dealer, investment adviser, or investment banking services

- Legal services and expert services unrelated to the audit
- Specified types of tax or tax-related services
- Any service or product for a contingent fee or commission
- Any other services that the Public Company Accounting Oversight Board determines, by regulation, is impermissible

The Committee must pre-approve all audit, audit-related and non-audit services provided by the Company's independent accountants before they commence. There is no limit to the number of services that the Committee may pre-approve at one meeting or occasion. Each service must be specifically identified. The Act permits the Committee to delegate to one or more of its members the authority to pre-approve services. The delegated member must report approvals at the next meeting of the full Committee. The pre-approval requirement is waived with respect to an inadvertent violation involving a non-audit service if:

- The service was not recognized by the company at the time of the audit engagement to be a non-audit service
- The aggregate amount paid for all services is not more than 5 percent of the total amount of revenues paid by the company to the auditor during the fiscal year when the non-audit services are performed
- The service is promptly brought to the attention of the Committee
- The Committee approves the activity prior to the conclusion of the audit

Committee approvals must be disclosed to investors in periodic reports filed with the SEC.

POLICY

The Committee shall approve all audit, audit-related and non-audit services provided by the public accounting firm currently engaged as the Company's auditor. In order to maintain control over the contracting of services from the audit firm, the Controller has the responsibility of providing to the Committee or its delegate sufficient documentation describing with particularity the specific services desired to be procured from the audit firm, the budget for the services and a statement that the services are permitted by law to be provided by the audit firm. The Company will not contract for any services with the audit firm that has been prohibited by the Act or the Rules.

PROCEDURE

Budget

All external audit, audit-related and non-audit services provided by the audit firm shall be budgeted by the Controller. It will be the responsibility of the Controller to include in the budget a specified amount for any unidentified services at the time of the annual budget process. Specific services that have

received preliminary approval from the Controller will be submitted to the Committee or its delegate for final approval.

Committee Approval

Services for the audit of the Company's annual financial statements and review of quarterly financial statements included in the Company's Form 10-Q shall be approved by the Committee at the meeting prior to issuance of the annual proxy statement. Audit-related services and Other allowable services to be provided by the audit firm shall be specifically identified and submitted to the Committee for approval during regularly scheduled meetings. The Committee hereby delegates to its Chair the authority to pre-approve audit firm services during interim periods. The Chair shall report approvals at the next meeting of the full Committee.

The Committee shall approve a budget for services of the audit firm. Each service provided under the budget shall be reported to the Committee at the next regularly scheduled meeting.