



EY Center for Board Matters

# Example audit committee charter



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The listing standards of the securities exchanges require that audit committees have a written charter. This example charter addresses the significant duties and responsibilities of the committee and incorporates elements of the audit committee responsibilities and requirements included in the listing standards of the various exchanges. This example charter is for illustrative purposes only. We encourage companies to obtain the advice and input of their legal counsel when developing and reviewing the audit committee charter and to tailor the charter as necessary.

Detailed tasks that the audit committee performs may be addressed in another document, such as the audit committee meeting planner. In addition, overall policies for corporate governance may be described in the company's corporate governance guidelines.

This audit committee charter example considers the audit committee requirements adopted by the SEC in Exchange Act Rule 10A-3, according to Section 301 of the Sarbanes-Oxley Act of 2002 and the listing standards of both the NYSE and Nasdaq. The existence of an internal audit function is assumed in this example (Nasdaq does not require companies to have an internal audit function). Some provisions, while only explicitly required under NYSE listing rules, have been included on the basis that they generally fall under broader requirements within the Nasdaq listing rules. Where a provision relates solely to an NYSE requirement, a footnote has been provided.

## Organization

This Charter governs the operations of the Audit Committee. The Board of Directors shall appoint an Audit Committee (the Committee) of at least three members, consisting entirely of independent directors of the Board, and shall designate one member as chairperson or delegate the authority to designate a chairperson to the Committee. For purposes hereof, members shall be considered independent as long as they satisfy all of the independence requirements for Board Members as set forth in the applicable stock exchange listing standards as well as Rule 10A-3 of the Exchange Act.

Each member of the Committee shall be financially literate, or become financially literate within a reasonable period of time, and at least one member shall be an "audit committee financial expert," as defined by Securities and Exchange Commission (SEC) rules.

Members shall not serve on more than three public company audit committees simultaneously unless the Board of Directors determines that such simultaneous service would not impair the member's ability to serve effectively on the Committee.<sup>1</sup>

The Committee shall meet separately and periodically with management, the personnel responsible for the internal audit function and the independent auditor. The Committee shall report regularly to the Board of Directors about its activities.

<sup>1</sup> This paragraph relates to NYSE listed company requirements (NASDAQ listed companies could adopt if desired).

### Purpose

The Committee will have the following purpose:

- The Committee will provide assistance to the Board of Directors in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to: (1) the integrity of the Company's financial statements, (2) the effectiveness of the Company's internal control over financial reporting, (3) the Company's compliance with legal and regulatory requirements, (4) the independent auditor's qualifications and independence, and (5) the performance of the Company's internal audit function and independent auditor.
- The Committee will prepare the audit committee report that SEC proxy rules require to be included in the Company's annual proxy statement.
- In fulfilling its purpose, the Committee is responsible for maintaining free and open communication between itself, independent auditor, the internal auditors and management of the Company, and for determining that all parties are aware of their responsibilities.

### Duties and responsibilities

The Committee has the responsibilities and powers set forth in this Charter. Management is responsible for the preparation, presentation and integrity of the Company's financial statements; for the appropriateness of the accounting principles and reporting policies that are used by the Company; and for establishing and maintaining internal control over financial reporting. The independent auditor is responsible for auditing the Company's financial statements and the effectiveness of internal control over financial reporting, and for reviewing the Company's unaudited interim financial statements.

The Committee, in carrying out its responsibilities, believes its policies and procedures should remain flexible in order to best react to changing conditions and circumstances. The Committee will take appropriate actions to monitor the overall corporate "tone" for quality financial reporting, sound business risk practices and ethical behavior.

The following shall be the principal duties and responsibilities of the Committee. These matters are set forth as a guide with the understanding that the Committee may supplement them as appropriate.

### Risk management and controls

The Committee shall discuss the Company's policies on risk assessment and risk management<sup>2</sup>, including the risk of fraud. The Committee also shall discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

The Committee shall review with senior management the Company's overall anti-fraud programs and controls.

The Committee shall discuss with the internal auditors and the independent auditor the overall scope and plans for their respective audits, including the adequacy of staffing and budget or compensation.

[If applicable under Dodd-Frank and related regulations: review and approve decisions to enter into swaps and other derivatives transactions relying on the end-user clearing exception. Review and approve policies regarding swaps and other derivative transactions relying on the end-user clearing exception.]

### Financial reporting and disclosure matters

The Committee shall meet to review and discuss the quarterly financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent auditor prior to the filing of the Company's Quarterly Report on Form 10-Q. Also, the Committee shall discuss the results of the quarterly review and any other matters required to be communicated to the Committee by the independent auditor under the standards of the Public Company Accounting Oversight Board (PCAOB).

The Committee shall meet to review and discuss the annual audited financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, with management and the independent auditor prior to the filing of the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K). Also, the Committee shall discuss the results of the annual audit and any matters required to be communicated to the Committee by the independent auditor under professional standards.

The Committee's review of the financial statements shall include: (1) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy and effectiveness of the Company's internal control over financial reporting and any specific remedial actions adopted in light of significant deficiencies or material weaknesses; (2) discussions with management and the independent auditor regarding significant financial reporting issues and judgments made about the preparation of the financial statements and the reasonableness of those judgments, including analyses of the effects of alternative GAAP methods on the financial statements; (3) consideration of the effect of regulatory

<sup>2</sup> This relates to NYSE listed company requirements (NASDAQ listed companies could adopt if desired).

and accounting initiatives, as well as off-balance sheet structures on the financial statements; (4) consideration of the judgment of both management and the independent auditor about the quality, not just the acceptability, of accounting principles; and (5) the completeness and clarity of the disclosures in the financial statements.

The Committee shall review and discuss with the independent auditor, before the filing of the Company's Annual Report on Form 10-K (or the annual report to shareholders if distributed prior to the filing of Form 10-K), all critical accounting policies and practices of the Company; all material alternative treatments of financial information within US GAAP that have been discussed with management, including the ramifications of using such alternative treatments and disclosures, and the treatment preferred by the independent auditor; and other material written communications between the independent auditor and management.

The Committee shall review and approve all related-party transactions required to be disclosed according to SEC Regulation S-K, Item 404, and discuss with management the business rationale for the transactions and whether appropriate disclosures have been made.

The Committee shall review and discuss earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

The Committee shall discuss, with management and the internal auditors, management's process for assessing the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, including any material weaknesses or significant deficiencies identified.

The Committee shall review management's report on its assessment of the effectiveness of internal control over financial reporting as of the end of each fiscal year and the independent auditor's report on the effectiveness of internal control over financial reporting, before the filing of the Company's Form 10-K.

The Committee shall discuss with the independent auditor the characterization of deficiencies in internal control over financial reporting. The Committee shall also discuss, with management, management's remediation plan to address internal control deficiencies. The Committee shall determine that the disclosures describing any identified material weaknesses and management's remediation plans are clear and complete.

The Committee shall discuss with management its process for performing its required quarterly certifications under Section 302 of the Sarbanes-Oxley Act, including the evaluation of the effectiveness of disclosure controls by the CEO and CFO.

The Committee shall discuss with management, the internal auditors and the independent auditor (1) any changes in internal control over financial reporting that have materially affected or are reasonably likely to materially affect the Company's internal

control over financial reporting that are required to be disclosed and (2) any other changes in internal control over financial reporting that were considered for disclosure in the Company's periodic filings with the SEC.

### Independent auditor oversight and responsibilities

The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor in preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor must report directly to the Committee.

At least annually, the Committee shall obtain and review a report by the independent auditor describing: (1) the firm's internal quality control procedures; (2) any material issues raised by the most recent internal quality control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (3) all relationships between the independent auditor and the company to assess the auditors' independence.

After reviewing the foregoing report and the independent auditor's work throughout the year, the Committee shall evaluate the auditors' qualifications, performance and independence. This evaluation should include the review and evaluation of the lead audit partner and take into account the opinions of management and the Company's personnel responsible for the internal audit function.

The Committee shall determine that the independent auditor has a process in place to address the rotation of the lead audit partner and other audit partners serving the account as required under the SEC independence rules.

The Committee shall preapprove all audit and non-audit services provided by the independent auditor, including specific preapproval of internal control-related services based on PCAOB Rule 3525, and shall receive certain disclosure, documentation and discussion of non-prohibited tax services by the independent auditor based on PCAOB Rule 3524. The Committee shall not engage the independent auditor to perform non-audit services proscribed by law or regulation. The Committee may delegate preapproval authority to a member or subcommittee of the Audit Committee. The decisions of any Committee member or subcommittee to whom preapproval authority is delegated must be presented to the full Committee at its next scheduled meeting.

The Committee shall regularly review with the independent auditor any audit problems or difficulties encountered during the course of the audit work, including any restrictions on the scope of the independent auditor's activities or access to requested information, and management's response. The Committee should review differences that were noted or proposed by the auditors but were passed (as immaterial or otherwise) and any management or

## EXAMPLE AUDIT COMMITTEE CHARTER

internal control letter issued, or proposed to be issued, by the audit firm to the Company that is in addition to its audit report on the effectiveness of internal control over financial reporting.

The Committee shall set clear hiring policies for employees or former employees of the independent auditor that meet SEC regulations and applicable stock exchange listing standards.

The Committee shall determine the appropriate funding needed for payment of compensation to the independent auditor engaged for preparing or issuing audit reports, or performing other audit, review or attest services for the Company.

### Internal audit oversight and responsibilities

The Committee shall review and approve the Internal Audit Department's annual audit plan and all major changes to the plan.

The Committee shall review and discuss with the internal auditors the scope, progress and results of executing the internal audit plan.

The Committee shall receive reports on the status of significant findings and recommendations, and management's responses.

The Committee shall approve the internal audit charter, internal audit plan, budget and resource plan.

The Committee shall review and concur on the appointment, replacement, reassignment or dismissal of the Chief Audit Executive, who shall have direct access to the Committee.

The Committee shall review the annual performance of the internal audit function.

### Compliance oversight and responsibilities

The Committee shall review the Company's compliance and ethics programs, including legal and regulatory requirements, and review with management its periodic evaluation of the effectiveness of such programs. The Committee shall review the Company's code of conduct and programs that management has established to monitor compliance with such code. The Committee shall receive any corporate attorneys' reports of evidence of a material violation of securities laws or breaches of fiduciary duty by the Company and meet periodically with compliance officers and the general counsel to better understand the Company's compliance process. The Committee shall receive reporting on any communications with regulators or governmental agencies that raise issues related to the Company's financial statements, accounting policies, compliance policies or internal controls.

The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company about accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.

The Committee shall review and approve related-party transactions to the extent required by Company policies and procedures.

The Committee shall have the authority to retain outside counsel, accountants, experts and other advisors that it deems appropriate to assist the Committee in performing its functions. The Committee shall be provided with appropriate funding, as determined by the Committee, for payment of compensation to such outside counsel, accountants, experts and other advisors.

### Meetings and agendas

The Committee shall meet as often as it deems necessary and not less than quarterly. The Chair, with input from the Committee, shall determine the agendas and communicate with management or others regarding information needs. The Committee shall meet separately with management, internal auditors and independent auditors on a periodic basis. Members of management, directors, advisors or others may attend meetings at the request of the Chair. Minutes of Audit Committee meetings shall be written and maintained.

### Evaluation

The Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively.<sup>3</sup> The Committee also shall discuss with the independent auditor the accountants' observations related to the effectiveness of the Committee.

The Committee shall review and reassess the Charter at least annually and obtain the approval of the Board of Directors for any required updates.

### Investigative authority

The Committee shall be empowered to investigate any matter brought to its attention with full access to all Company books, records and personnel, using special counsel or outside experts when necessary or appropriate.

<sup>3</sup> This relates to NYSE listed company requirements (NASDAQ listed companies could adopt if desired).

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Effective corporate governance is an important element in building a better working world. The EY Center for Board Matters supports boards, committees and directors in their oversight role by providing content, insights and education to help them address complex boardroom issues. Using our professional competencies, relationships and proprietary corporate governance database, we are able to identify trends and emerging governance issues. This allows us to deliver timely and balanced insights, data-rich content, and practical tools and analysis for directors, institutional investors and other governance stakeholders.

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# Example meeting planner



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Meeting planners are based on the committee charter and set out the timing and requirements for covering each of the committee's responsibilities. The simple example below provides a structure that must be tailored based on each audit committee's charter responsibilities, practices and meeting schedule. Optionally, the table might also include an indication of whether the agenda item is for approval or discussion and whether coordination with any other committees is required.

Agenda item	Planned cadence (annually, quarterly, ad hoc)	Meeting					Source		
		January	March	June	September	December	Charter	Established practice	Charter language or cross-ref, if applicable
<b>General responsibilities and administrative matters</b>									
Approve committee meeting planner for the upcoming year. Share expectations with management, the internal audit team and the independent auditor.									
Discuss compliance, culture and code of professional ethics (code breaches, whistle-blower, rumors and allegations of fraud or harassment involving senior management; report from relevant management re: legal and regulatory compliance, etc.).									
Review and approve minutes of prior meetings.									
Monitor audit committee members' compliance with applicable independence rules and regulations.									
As necessary, engage outside legal, accounting or other advisors, and provide funding to compensate those advisors.									
Review the financial literacy and expertise of all audit committee members. Determine audit committee financial expert status and determine that members are in compliance with applicable rules and regulations.									
Participate in an executive session, without members of management, at each regularly scheduled meeting or as otherwise determined by the committee.									
Periodically meet with management, the internal auditor and the independent auditor privately to discuss any necessary matters.									

## EXAMPLE MEETING PLANNER

Agenda item	Planned cadence (annually, quarterly, ad hoc)	Meeting					Source		
		January	March	June	September	December	Charter	Established practice	Charter language or cross-ref, if applicable
<b>General responsibilities and administrative matters, continued</b>									
Provide the board with regular reports of activities and review with the board any issues that arise with respect to the Company's compliance with legal or regulatory requirements.									
Discuss and assess conflicts of interest and related-party transactions. Review and approve any transaction between the Company and any related person in accordance with the Company's related person transaction policy.									
Review audit committee and internal audit charters.									
Plan and conduct orientation of new members and relevant continuing education for members of the committee.									
Consider and plan for succession of audit committee members.									
Assess performance relative to the audit committee's purpose, duties and responsibilities.									
<b>Internal audit</b>									
Evaluate internal audit function, including selection of Chief Audit Executive, staffing (resources, objectivity and qualifications of personnel), funding and responsibilities.									
Review internal audit findings and matters resolved by management. Review any significant difficulties, disagreements with management, or scope restrictions encountered in the course of the function's work.									
Review the internal audit charter.									
Discuss general quality of the Company's control environment, including culture and emphasis on ethical behavior, as well as management's ability to override the company's internal controls.									
<b>Independent auditor</b>									
The appointment (with ratification by the board), compensation, retention, independence and oversight of the independent auditor.									
Discuss with the independent auditor the audit strategy, scope and timing of the audit plan (including ICFR), deliverables, communication procedures and responsibilities of the auditor.									
Preapprove audit and non-audit services provided by the independent auditor. Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence.									
Oversee the resolution of disagreements between management and the independent auditor. Remove the independent auditor if circumstances warrant.									
Review with the independent auditor any problems or difficulties encountered in the course of the audit and management's response.									
Prior to filing periodic financial statements, receive and review the report from the independent auditor required by Rule 2-07(a)(3) of Regulation S-X.									

## EXAMPLE MEETING PLANNER

Agenda item	Planned cadence (annually, quarterly, ad hoc)	Meeting					Source		
		January	March	June	September	December	Charter	Established practice	Charter language or cross-ref, if applicable
<b>Independent auditor, continued</b>									
Obtain and review a report by the independent auditor describing: <ul style="list-style-type: none"> <li>▪ The independent auditor's internal quality control procedures</li> <li>▪ Any material issues raised by the most recent internal quality control review, peer review or any inquiry or investigation by governmental or professional authorities, within the preceding five years, with respect to independent audits carried out by the independent auditor, and any steps taken to deal with such issues</li> <li>▪ All relationships between the independent auditor and the Company</li> </ul>									
Review hiring policies for personnel of the independent auditor.									
<b>Financial reporting</b>									
In consultation with the independent auditor and the internal audit function, review the integrity of the company's internal and external financial reporting processes, including disclosure controls and procedures.									
Review with management material issues regarding accounting principles and presentation of the financial statements, including any significant changes in the company's selection or application of accounting principles, significant issues as to the adequacy of the company's internal controls, and any special audit steps adopted in response to significant or material internal control deficiencies.									
Review analyses prepared by management and the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements.									
Conduct a reasonable prior review and oversight of all related-party transactions for potential conflicts of interest, and prohibit such a transaction if the committee determines the transaction to be inconsistent with the interests of the company and its shareholders.									
Discuss with the independent auditor its evaluation of the company's identification of, accounting for and disclosure of its relationships with related parties as set forth under the standards of the PCAOB.									
<b>Evaluating financial statements and earnings information</b>									
Review and discuss with management and the independent auditor the company's annual financial statements and semiannual financial statements prior to the company's Form 20-F and 6-K filings or release of earnings, including the company's disclosures relating to internal control over financial reporting and company-specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Confirm management certifications are included in relevant filings as required by the SEC.									
Discuss earnings press releases, including the type and presentation of information, paying particular attention to any pro forma or adjusted non-IFRS information.									
Discuss the financial information and earnings guidance provided to analysts and ratings agencies, if applicable.									
Review the regular internal reports to management prepared by the internal audit function and management's response.									

## EXAMPLE MEETING PLANNER

Agenda item	Planned cadence (annually, quarterly, ad hoc)	Meeting					Source		
		January	March	June	September	December	Charter	Established practice	Charter language or cross-ref, if applicable
<b>Ethics and legal compliance</b>									
Review the Company's code of ethical conduct and the Company's systems to monitor compliance and enforce this code. Determine whether the code is in compliance with applicable rules and regulations.									
Review the adequacy of procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters, including procedures for confidential, anonymous submissions by Company employees.									
Receive and review reports or complaints of questionable accounting, auditing or internal control matters.									
In consultation with the Company's legal counsel, review legal compliance and legal and regulatory matters that could have a significant impact on the financial statements.									
<b>Risk management</b>									
Discuss policies with respect to risk assessment, risk management, risk guidelines and policies to govern the risk assessment and management process. Discuss major financial risk exposures and the steps taken to monitor and control such exposures.									
Approve applicable primary risk policies and review of certain associated frameworks, analysis and reporting established by management.									
Review and assess internal processes to manage and control risk, inclusive of risk areas assigned to other committees of the board or external resources retained by the board.									
Discuss risks relating to potential and ongoing litigation matters that could materially impact the Company's contingent liabilities and risks.									
Discuss risks relating to cybersecurity, data security and technology breaches.									
Discuss risks relating to the current macroeconomic (impacts of inflation, rising interest rates, etc.) and geopolitical environment and other potential disruptions.									
Review the Company's anti-fraud, antibribery and anti-corruption programs, controls and policies.									

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# Example financial expert questionnaire



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Note: this example of an audit committee financial expert questionnaire illustrates how an audit committee might evaluate a candidate for consideration as its financial expert. This questionnaire is helpful in determining whether a member can help the committee achieve financial literacy and can be identified as an audit committee financial expert as defined by the SEC. However, it is not meant to be the only means for the committee's evaluation of the financial expertise of members.

SEC rules (Item 407(d)(5) of Regulation S-K) adopted in response to the disclosure requirements of Section 407 of the Sarbanes-Oxley Act of 2002 require a company to disclose annually whether it has at least one audit committee financial expert. If so, that company also must disclose the name of its audit committee financial expert and whether that person is independent, as defined. If it has more than one audit committee financial expert, the company may, but is not required to, disclose the names of any additional audit committee financial experts. If there is not an audit committee financial expert serving on the audit committee, the company is required to explain why not.

For each attribute, provide relevant details related to the education and experience through which such attributes have been acquired. Include relevant degrees, licenses, certifications, positions held and any other relevant education or experience. Please indicate the time period during which the relevant education or experience was obtained and whether it reflects current financial reporting practices.

Means of acquiring attributes	Required attributes				
	An understanding of US GAAP and financial statements	An ability to assess the general application of US GAAP in the accounting for estimates	Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to issues reasonably expected to be raised by the registrant's financial statements, or experience in actively supervising one or more persons engaged in such activities	An understanding of internal control over financial reporting	An understanding of audit committee functions
Education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor, or experience in one or more positions that involve performing similar functions					

## EXAMPLE FINANCIAL EXPERT QUESTIONNAIRE

Means of acquiring attributes	Required attributes				
	An understanding of US GAAP and financial statements	An ability to assess the general application of US GAAP in the accounting for estimates	Experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to issues reasonably expected to be raised by the registrant's financial statements, or experience in actively supervising one or more persons engaged in such activities	An understanding of internal control over financial reporting	An understanding of audit committee functions
Experience in actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or persons performing similar functions					
Experience in overseeing or assessing the performance of companies or public accountants in preparing, auditing or evaluating financial statements					
Other relevant experience					

### Attestation

I confirm that, to the best of my information, knowledge and belief, the answers to these questions are true and accurate.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

### Conclusion

(to be completed by reviewer)

Does the member have all of the required attributes to be an audit committee financial expert?

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# Example audit committee self-assessment tool



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This questionnaire has been designed as a tool for qualitative self-assessment of audit committee performance in key areas. Please use the comments section under each question to explain your rating and provide additional information to help improve committee and committee member effectiveness.

## Leadership

1. Each audit committee (committee) member, and the committee as a whole, fully understands the committee's purpose, duties and responsibilities, including as set forth in the committee's charter, which the committee regularly reviews and approves.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

2. There is clarity between the committee and the board about the responsibilities delegated by the board to the committee and how the committee is expected to report to the board.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

## EXAMPLE AUDIT COMMITTEE SELF-ASSESSMENT TOOL

3. The committee reviews and complies with the company's corporate governance guidelines.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

4. The committee as a whole, and each of its members, clearly demonstrates:

Yes	No	Somewhat		Yes	No	Somewhat	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Integrity and ethics	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Professional curiosity and skepticism
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Financial accounting and reporting expertise	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Strong and effective communication skills
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Risk management proficiency	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The ability to constructively challenge and collaborate with each other, management, and the internal and external auditors
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Knowledge of relevant regulatory and legal requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	A proactive and effective approach to Committee and individual work
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Accountability and independence				
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Diversity of experience and perspective				

Comments

5. The Committee has the appropriate leadership and composition, including with respect to the number and qualifications of directors serving on the Committee, to effectively execute its duties and responsibilities set forth in its charter and comply with relevant regulation, including enhanced independence standards.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

6. The Committee actively assesses and provides constructive feedback on Committee, CFO and CEO performance and regularly considers plans for Committee and CFO succession.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

## Reporting

7. The Committee exercises and demonstrates to the Board, management, the internal auditor, the independent auditor, and in its public disclosures, the appropriate tone at the top relative to high-quality financial reporting, internal controls over financial reporting, independence and compliance.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

8. The Committee and each individual member demonstrates a robust understanding of financial reporting and related developments, tax reporting and related developments, the Company's significant accounting policies, accounting practices and related developments, and ethics and fraud prevention and compliance matters.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

9. The Committee endorses the quality and integrity of financial accounting and reporting, and considers disclosures on nonfinancial reporting matters that have an impact on company value.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

10. The Committee considers, in view of general best practices, its own report required in the Company's proxy statement or annual report, as applicable, and discusses with the independent auditor any report it publicly issues on the Company's critical audit matters.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

### Risk management

11. The Committee considers, understands and, as appropriate, approves or oversees the processes, guidelines and policies implemented by management to effectively identify, assess, prioritize, mitigate and respond to the Company's key risks.

Needs improvement  1 —  2 —  3 —  4 —  5 **Excellent**  **Unable to assess**

Comments

12. The Committee considers significant risks that may directly or indirectly affect the Company's financial position, financial reporting and compliance, such as:

- Regulatory and legal requirements
- Accounting and auditing requirements and practices
- Business, market and competitive trends
- Financing and liquidity needs, and other financial risks
- Internal control over financial reporting
- Disclosure controls and procedures
- Strategy development and execution
- Operational risks
- Board and management "tone at the top"
- Employee engagement

Comments

13. The Committee keeps abreast of business, geopolitical, legal, regulatory and other important matters relevant to the Company's business, risk and compliance policies and programs, ethical policies and programs, and financial and other reporting.

Needs improvement  1 —  2 —  3 —  4 —  5 **Excellent**  **Unable to assess**

Comments

14. The Committee effectively oversees management's procedures for communicating, monitoring and enforcing the Company's code of conduct and hotline/whistle-blower activity. The Committee has developed procedures or direct reporting to the Committee on accounting, auditing and internal control matters. and understands the procedures to prohibit retaliation against whistle-blowers.

Needs improvement  1 —  2 —  3 —  4 —  5 **Excellent**  **Unable to assess**

Comments

### Independent and Internal Audit

15. The Committee has effective processes for the appointment, compensation, performance evaluation, retention, dismissal and other oversight of the independent auditor, including the direct reporting of the independent auditor to the Committee. The Committee also considers the independent auditor’s coordination of work with the Company’s internal auditor.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

16. The Committee has effective processes to review the appointment, compensation, performance evaluation, replacement, reassignment or dismissal, and other oversight of the internal audit director, including the direct, independent and transparent reporting of internal audit to the Committee. The Committee also considers the internal auditor’s coordination of work with the Company’s independent auditor.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

### Committee effectiveness

17. The Committee’s calendar and agenda-setting processes enable the Committee to have adequate meeting time, including in person and at appropriate locations, to effectively address all required and other Committee matters, in regular and special meetings.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

18. Materials, presentations and other information provided to the Committee are well-organized, relevant, appropriately concise and delivered sufficiently in advance to enable the Committee to have effective discussions and deliberations and reach well-informed and well-considered decisions during Committee meetings.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

## EXAMPLE AUDIT COMMITTEE SELF-ASSESSMENT TOOL

19. Committee meetings are led in a manner that allows informed, full and constructive participation by each individual Committee member.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

20. The Committee's programs for or approaches to member orientation and continuing education, including through access to internal and external experts, are effective, practical and useful.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

21. The Committee conducts a self-evaluation of performance at sufficient intervals and with sufficient rigor to be effective in highlighting areas of improvement and clear communication within the Committee on an ongoing basis.

Needs improvement  1  2  3  4  5 Excellent  Unable to assess

Comments

## Overall observations

22. What additional topics, emerging areas and/or matters do you feel the Committee needs to focus more of its attention on and/or would benefit from receiving additional insights on?

Comments

23. Areas in which the Committee chair demonstrates strength and could improve:

Comments

24. Suggestions for improving the overall performance or effectiveness of the Committee and any other comments:

Comments

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# Example report of the audit committee



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The better the question. The better the answer. The better the world works.

Note: this example audit committee report reflects the content required by SEC Regulation S-K Item 407(d). Enhanced disclosures observed in practice are also included and highlighted in gray where management chooses to disclose greater detail in certain areas based on the responsibilities within their charter. In addition to our own research, the Center for Audit Quality (CAQ) publishes annual analysis of US public company audit committee disclosures, The Audit Committee Transparency Barometer, which provides a helpful benchmark for current disclosures.

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. In fulfilling its oversight responsibilities, the Committee reviewed and discussed the audited **[consolidated]** financial statements **[and the related schedules]** in the Annual Report with Company management, including a discussion of the quality, not just the acceptability, of the accounting principles; the reasonableness of significant judgments; and the clarity of disclosures in the financial statements.

The Committee is governed by a charter. A copy of the charter is available on the Company's website at **[specify location]**. The charter was last amended effective **[specify date]**. The Committee held **[XX]** meetings during fiscal year 20**[XX]**. The Committee is composed solely of independent directors as defined by the **[indicate the applicable national securities exchange or national securities association]** listing standards and Rule 10A-3 of the Securities Exchange Act of 1934.

The membership of the Audit Committee, together with appointment dates and attendance at meetings, is set forth below:

Members	Committee member since	Attendance at full meetings during 20XX
[Name]	[Date]	[# of meetings attended out of total held (e.g., 7/7)]

The meetings of the Committee are designed to facilitate and encourage communication among the Committee, the Company, the Company's internal audit function and the Company's independent auditor. The Committee discussed with the Company's internal auditors and independent auditor the overall scope and plans for their respective audits. The Committee meets with the internal auditors and the independent auditor, with and without management present, to discuss the results of their examinations; their evaluations of the Company's internal control **[, including internal control over financial reporting]**; and the overall quality of the Company's financial reporting.

Gray highlighting – Enhanced disclosures observed in practice

## EXAMPLE REPORT OF THE AUDIT COMMITTEE

The Audit Committee recognizes the importance of maintaining the independence of the Company's independent auditor, both in fact and appearance. Each year, the Committee evaluates the qualifications, performance and independence of the Company's independent auditor and determines whether to reengage the current independent auditor. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the auditors, the auditors' (global) capabilities and the auditors' technical expertise and knowledge of the Company's operations and industry. Based on this evaluation, the Audit Committee has retained **[specify firm]** as the Company's independent auditor for 20[XX]. **[The firm]** has been the independent auditor for the Company (or its predecessor) since **[XXXX]**.

The members of the Audit Committee and the board believe that, due to **[the firm's]** knowledge of the Company and of the industries in which the Company operates, it is in the best interests of the Company and its shareholders to continue retention of **[the firm]** to serve as the Company's independent auditor. Although the Audit Committee has the sole authority to appoint the independent auditors, the Audit Committee will continue to recommend that the board ask the shareholders, at the annual meeting, to ratify the appointment of the independent auditors.

The Committee reviewed with the independent auditor, which is responsible for expressing an opinion on the conformity of those audited **[consolidated]** financial statements **[and related schedules]** with US generally accepted accounting principles; its judgments as to the quality, not just the acceptability, of the Company's accounting principles; and such other matters as are required to be discussed with the Committee by the standards of the Public Company Accounting Oversight Board (US) (PCAOB), including PCAOB Auditing Standard No. 16, Communications With Audit Committees, the rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Committee has

discussed with the independent auditor the firm's independence from Company management and the Company, including the matters in the letter from the firm required by PCAOB Rule 3526, Communication with Audit Committees Concerning Independence, and considered the compatibility of non-audit services with the independent auditor's independence.

### **[The following paragraph is included for integrated audits.]**

The Committee also reviewed and discussed together with management and the independent auditor the Company's audited **[consolidated]** financial statements for the year ended December 31, 20[XX], and the results of management's assessment of the effectiveness of the Company's internal control over financial reporting and the independent auditor's audit of internal control over financial reporting. **[The Committee discussed with management and the independent auditor material weaknesses and significant deficiencies identified during the course of the assessment and the audit and management's plan to remediate those control deficiencies.]**

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors, and the Board has approved, that the audited **[consolidated]** financial statements **[and related schedules]** **[and management's assessment of the effectiveness of the Company's internal control over financial reporting]** be included **[and/or incorporated by reference]** in the annual report on Form 10-K for the year ended December 31, 20[XX], filed by the Company with the Securities and Exchange Commission.

### **[include names here]**

Audit Committee Chair  
Audit Committee Member  
Audit Committee Member

July 1, 20[XX]

Gray highlighting – Enhanced disclosures observed in practice

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