Audit Partner Pulse Survey

Q2 2022

Inaugural survey finds U.S. public company audit partners are not optimistic on economic outlook over next 12 months.

July 2022

CAQ | AUDIT PARTNER PULSE SURVEY

About the Center for Audit Quality

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditors and audits to dynamic market conditions.

Contents

Introduction

Public company audit partners are trusted leaders who are uniquely positioned to objectively assess the state of our capital markets. They play an important role by overseeing the completion of high-quality audits for public companies within their industry sector. For this reason, they possess a breadth of experience that arms them with insights across businesses of all sizes, industries, and geographies in the United States.

The Center for Audit Quality (CAQ) is pleased to provide you with the inaugural edition of the Audit Partner Pulse Survey, a first of its kind survey that delivers U.S. public company audit partner observations on a range of topics, including the overall outlook on the economy, business transformation, and quality of corporate disclosures.

Public company auditors are vital to the efficient functioning of the capital markets by helping to build trust in company-reported financial information. On the other side of capital markets is the complexity of modern-day life that is made possible by public companies raising funds to operate, innovate, and grow. Retirement accounts, mortgages, small business loans, credit cards, stock ownership, and all the goods and services Americans rely on to live their daily lives while building for their future depend on strong, reliable, and efficient capital markets.

But amid the prolonged effects of the pandemic, international conflicts, rising inflation, and business transformation, the markets that public companies tap into remain complex and ever-evolving.

This report is based on a survey of 700 audit partners from among the eight CAQ Governing Board firms; data were collected from May 14 through May 27. Collectively these firms audit U.S.-listed companies with nearly $50 trillion in market capitalization. Survey participants work with small-cap companies with a valuation of less than $700 million to large-cap companies valued at more than $50 billion. The industries these audit partners serve—such as mining and manufacturing, consumer products and retail, health care, technology, financial services, and oil and gas—represent virtually every industry sector and geography of the U.S. economy.

The depth and breadth of experience represented by this group of public company audit partners provide insights from a well-informed stakeholder group not typically canvassed on issues affecting the U.S. economy, including:

+ Economic risks and outlook
+ Business transformation
+ Business readiness on cybersecurity
+ Emerging corporate reporting priorities

These survey results shed light on the economic environment and industry trends at public companies in the U.S. We hope readers find them both insightful and instructional.

Thank you,

Julie Bell Lindsay
Chief Executive Officer, CAQ

Executive Summary

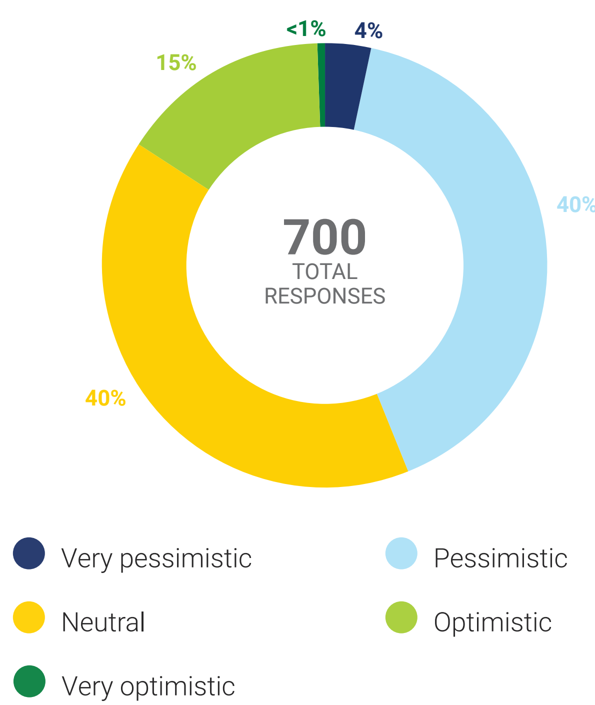
Audit Partner Observations May 2022

ECONOMIC OUTLOOK: CONTINUED INFLATION AND RISING PRICES ON THE HORIZON

The timing of the survey coincided with the lowest market performance the S&P 500 has seen since the beginning of the COVID-19 pandemic in early 2020. During this period, rising inflation (largely driven by post pandemic demand, public spending, and the war in Ukraine) has been a top headline, affecting businesses and consumers alike. With this and other economic factors in mind, only 16% of survey respondents hold an optimistic or very optimistic outlook regarding the U.S. economy over the next 12 months, compared with 40% neutral and 44% pessimistic.

Most audit partners expect the current inflationary cycle to affect their primary industries for more than 12 months. Many businesses initially absorbed increased costs to produce and deliver their goods and services. With high inflation also comes the potential for rising prices. Survey respondents overwhelmingly (77%) reported that they expect prices to continue to rise in the next 12 months. This is no surprise to consumers who have felt the pinch of

Twelve-month outlook for the US economy (% of responses)



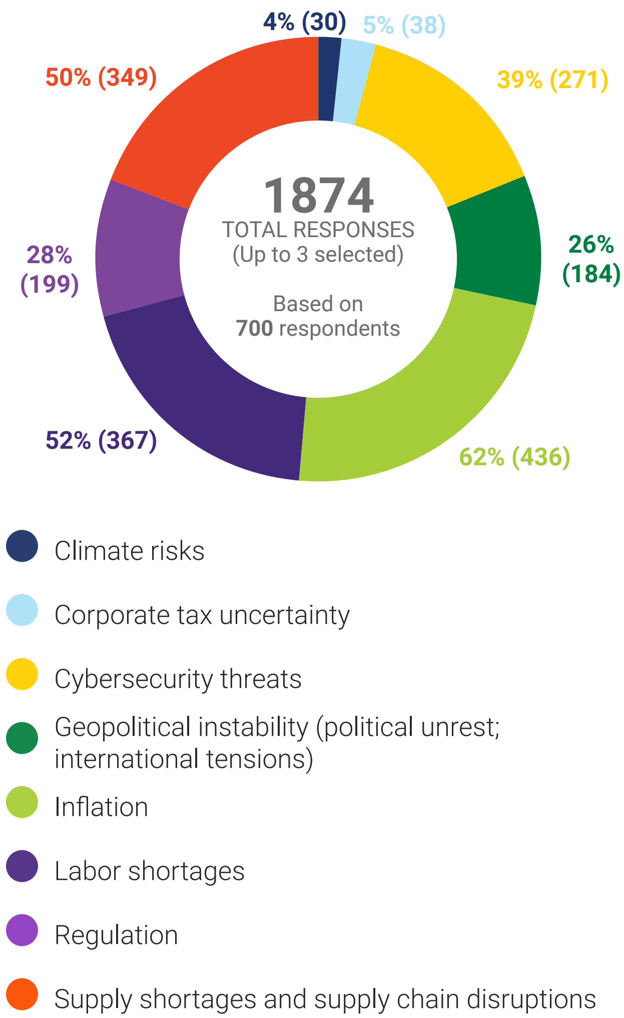
inflation at the gas pump and grocery store checkout lines, but it is notable where respondents see prices rising and where prices might remain steady. Survey responses reflect differences by industry: Almost all audit partners surveyed in consumer products and retail (95%) and industrial products (94%) expect price increases, while only 50% of partners in health care and life sciences expect the same.

Audit partners also expressed similar economic concerns across industries. After inflation—which 62% of partners identified as the largest economic risk—labor shortages (52% of respondents) and supply shortages and supply chain disruptions (50%) constituted the three largest economic risks identified in the survey.

These areas of concern are in turn driving what the respondents see as public companies' priorities for 2022 and beyond. Amid what some have described as the "Great Resignation," the labor market is tight, so it is no surprise that 53% of audit partners believe that talent is a top priority for businesses.
The analysis revealed that public companies are using a variety of methods to attract and retain talent, but the top two are increasing flexibility (75% of respondents) and increasing compensation (73%). Aside from talent, partners cited growth (40%), cost management (38%), and financial performance (38%) as top priorities for the companies they audit.

What currently is not a priority for most public companies, according to 69% of audit partners, is cryptocurrency. However, according to survey results, two industries (financial services and technology; telecommunications, media, and entertainment) appear to be early adopters of cryptocurrency and were slightly more likely to be considering or preparing for accepting crypto as a form of payment (51% and 43%, respectively).

Top economic risks facing companies in the next 12 months (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. As respondents were given the opportunity to select up to 3 responses, the sum of the percentages exceeds 100%.

MORE PROGRESS NEEDED IN CYBERSECURITY

Following increased ransomware attacks on U.S. businesses, schools, and local governments, the Biden Administration and the federal Cybersecurity and Infrastructure Security Agency recently sounded the alarm over elevated cybersecurity threats from Russia and other bad actors. Public companies, for their part, have rapidly been accelerating their cybersecurity technologies, expertise, and capabilities. Survey results indicated significant progress in communications on cybersecurity matters between management and the board. While 45% of partners noted that there has been significant progress made in cyber risk management, it was primarily partners in the financial services sector (43%) and the technology, telecom, media, and entertainment sector (31%) who observed that these companies showed a high level of preparedness for identifying and addressing a cyberattack.

However, survey results also indicated that enhancing cybersecurity disclosure, managing cyber risk, aligning cybersecurity with company goals, and establishing a culture of cybersecurity were areas for improvement. There were also nuances in terms of perceived cybersecurity risk across industries: Respondents whose primary industry was financial services or technology, telecommunications, media, and entertainment reported cybersecurity as one of their top three economic threats.

CLIMATE CHANGE: A SHORT-TERM AND LONG-TERM PRIORITY, CHALLENGES WITH REPORTING

Nearly two-thirds of audit partners (63%) said businesses take climate change into account when developing corporate strategies. With the SEC working on a proposed rule that would require public companies to include certain climate-related disclosures in their registration statements and periodic reports, audit partners say businesses are focused on both short-term climate priorities such as enhancing sustainability reporting (47%) and long-term projects like climate-related risk (46%).

Here, there are also a few nuances by industry and market cap, with 68% of audit partners whose primary industry is in oil, gas, and chemicals and 54% of audit partners whose largest audited company had a market capitalization that exceeded $50 billion, reporting prioritizing climate-related risk more consistently than other industries and market caps.

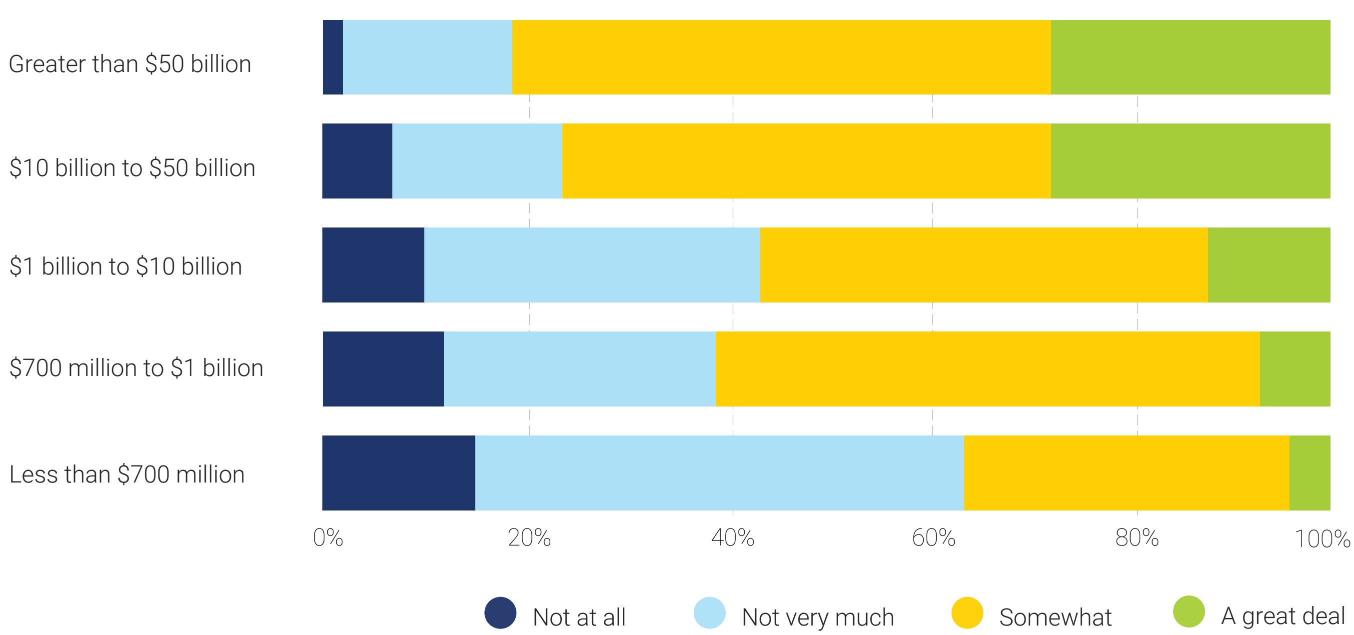
While nearly all public companies are placing an emphasis on climate disclosures, the survey reveals some challenges exist in the reporting process.

Overall, survey responses suggest a lack of tools supporting the collection, collation, and analysis of environmental, social, and governance (ESG)–related data presents the greatest challenge in terms of climate and other ESG reporting (49%). Rounding out the top three challenges are diversity of standards and frameworks (40%) and the lack of expertise (38%).

Even with climate reporting as a high priority across industries, investor demand for ESG information has also driven increased DEI efforts at U.S. businesses.

Top actions observed include addressing board

Consideration of climate change in corporate strategy, by market capitalization



diversity (49%), establishing and tracking DEI effort metrics (42%), and increasing transparency and disclosure around DEI progress (35%). Audit partners observed that smaller public companies (with market capitalization less than $700 million) tended to prioritize employee welfare (47%) and building a more diverse board/leadership team (41%).

ABOUT THE SURVEY

The Center for Audit Quality's (CAQ) Audit Partner Pulse Survey presents findings from a survey distributed to audit partners at public accounting firms in the U.S. that make up the CAQ's Governing Board. The survey was conducted from May 14 to May 27, 2022.

There were 700 completed responses from audit partners who work with small-, mid-, and large-market capitalization companies (less than $700 million to greater than $50 billion) across multiple industry sectors (transportation and hospitality; technology, telecom, media, and entertainment; professional services; power, utilities, and renewables; oil, gas, and chemicals; nonprofits; mining and metals; industrial products; health care and life sciences; government and public services; financial services; consumer products and retail; and automotive).

Throughout this report, responses by market capitalization are categorized based on the partners' self-reporting of the market capitalization of the largest company that they audit as of its most recent fiscal year end; responses by industry sector are based on the partners' identifying the primary industry in which they practice.

Survey results are presented for all firms in total. The data provided in response to the survey were presented and analyzed anonymously by the CAQ. Therefore, responses and results cannot be attributed to a specific firm, firm audit partner, or publicly traded company. In some cases, percentages may not total 100 due to rounding and/or a question that allowed respondents to select multiple choices.

Responses by Industry	**#**
Multiple/Other (please specify)	91
Transportation and hospitality	9
Technology, telecom, media, entertainment	144
Professional services	12
Power, utilities & renewables	11
Oil, gas, chemicals	40
Non-profits	11
Mining and metals	2
Industrial products	77
Health care/life sciences	66
Government and public services	11
Financial services	135
Consumer products and retail	83
Automotive	8
Grand Total	**700**

Responses by Market Capitalization	**#**
Less than $700 million	92
$700 million to $1 billion	60
$1 billion to $10 billion	266
$10 billion to $50 billion	150
Greater than $50 billion	127
Grand Total	**700**

Macroeconomic Conditions

In general, respondents expressed pessimism about growth in the U.S. economy over the next 12 months. Several factors influenced this assessment, including inflation, labor and supply shortages, and supply chain disruptions. Regarding inflation, the effects were expected to persist for more than 12 months on the top six industries represented in the sample. In line with overall economic challenges, audit partners observed certain common priorities for the next 12 months at companies in the industries in which they focus; the top four are talent and labor, growth, cost management, and financial performance.

In terms of responses to the economic risks cited, audit partners observed several actions being taken by companies to minimize their negative effects on business strategies, including reevaluating investments, decreasing spending on certain initiatives, increasing focus on cash flow and liquidity, considering immediate M&A opportunities, and price increases.

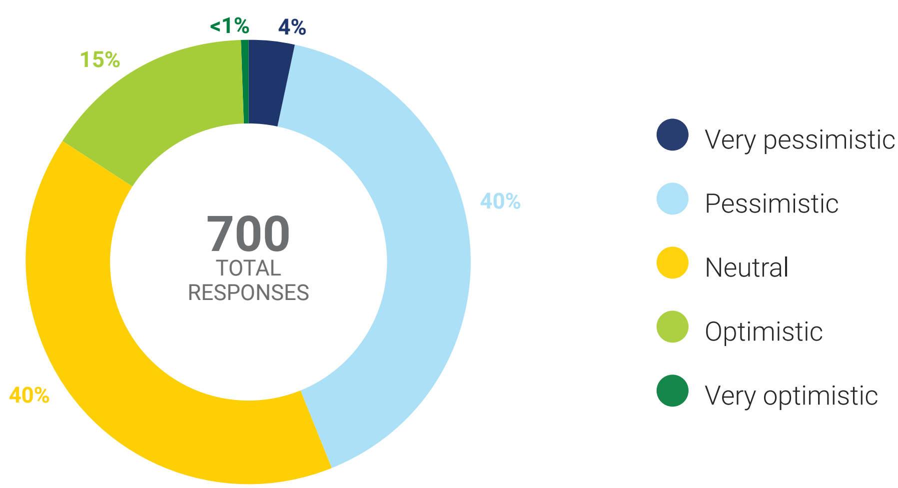
Twelve-month Outlook for the U.S. Economy

OVERALL, HOW WOULD YOU CHARACTERIZE YOUR OUTLOOK REGARDING THE U.S. ECONOMY OVER THE NEXT 12 MONTHS?

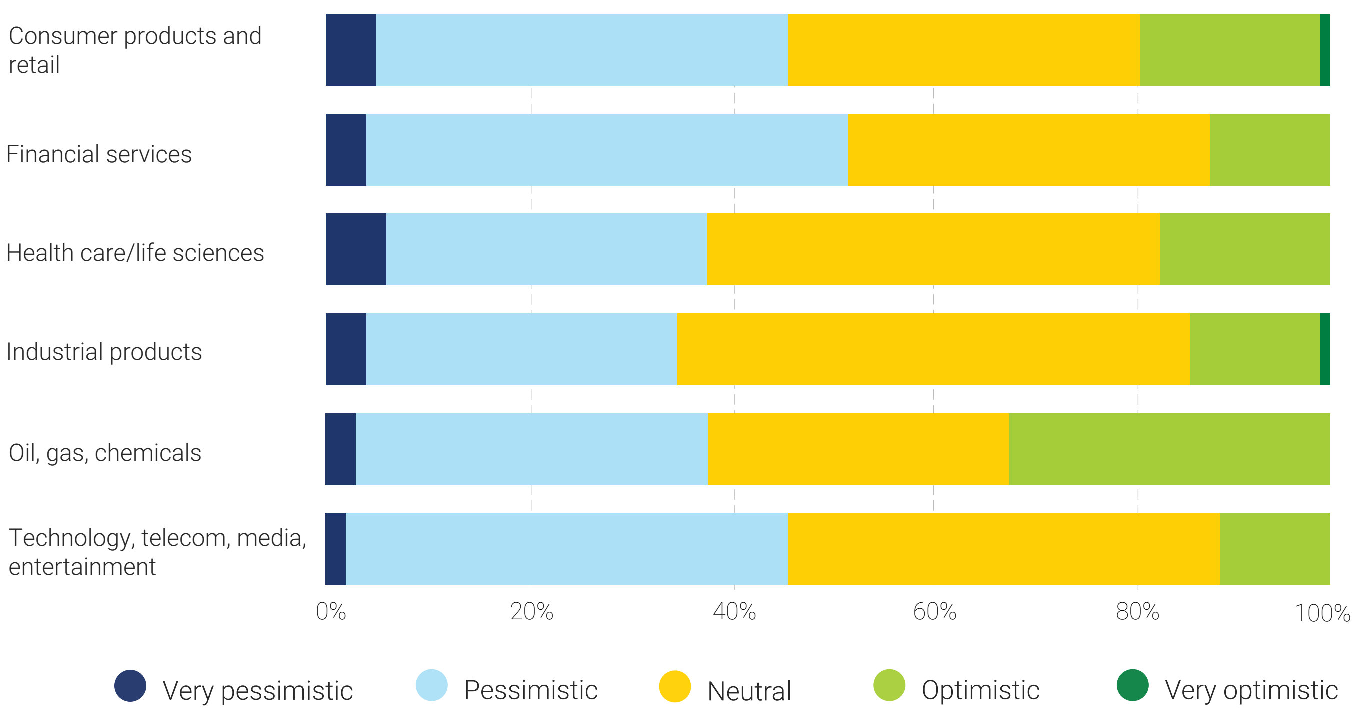
Respondents were asked how they would characterize their outlook for the U.S. economy over the next 12 months. Of the respondents, only 16% characterized their outlook as optimistic or very optimistic. The remaining 84% were either pessimistic or very pessimistic (44%) about the economy or were neutral (40%). Audit partners who work with businesses in the oil, gas, and chemicals sector were the most optimistic about the economy: 33% indicated they were optimistic. However, a slightly higher proportion (38%) indicated that they were pessimistic or very pessimistic.

Audit partners in certain industry sectors were more pessimistic than neutral in their characterization of the U.S. economy over the next 12 months. Over half (53%) of respondents who primarily audit companies in the financial services sector had a pessimistic view of the economy, compared with 36% who were neutral on the prospects for the economy. Of the respondents who work in the consumer products and retail sector, 46% were pessimistic about the economy compared with 35% who held a neutral view.

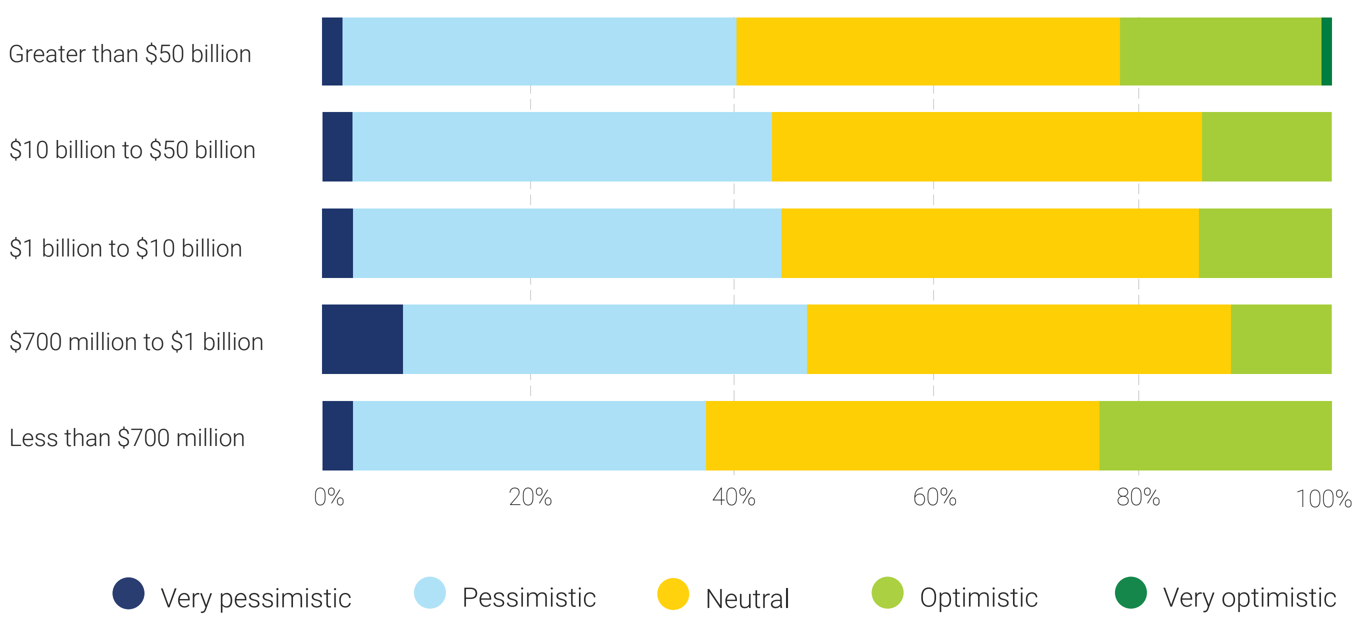
Twelve-month outlook for the US economy (% of responses)



Twelve-month outlook for the US economy, by industry sector



Twelve-month outlook for the US economy, by market capitalization



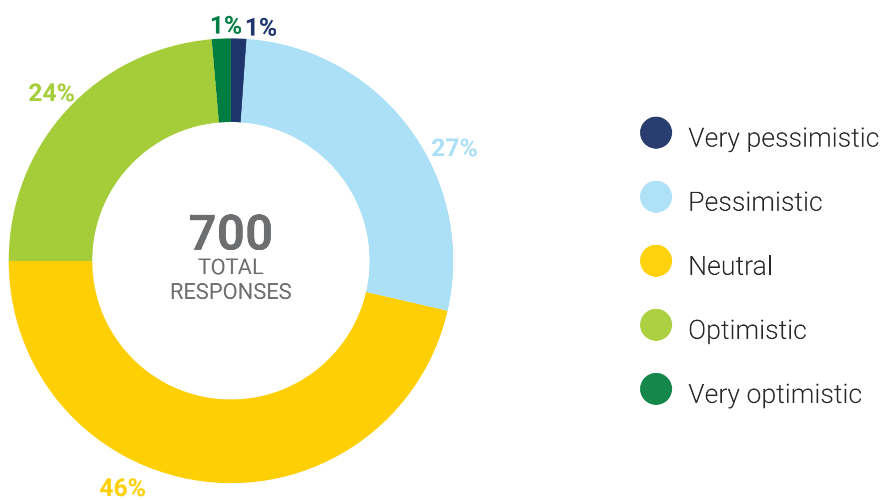
Three-Month Outlook

COMPARED TO THREE MONTHS AGO, HOW DO YOU ANTICIPATE THE FUTURE OF FINANCIAL PROSPECTS IN YOUR PRIMARY INDUSTRY SECTOR?

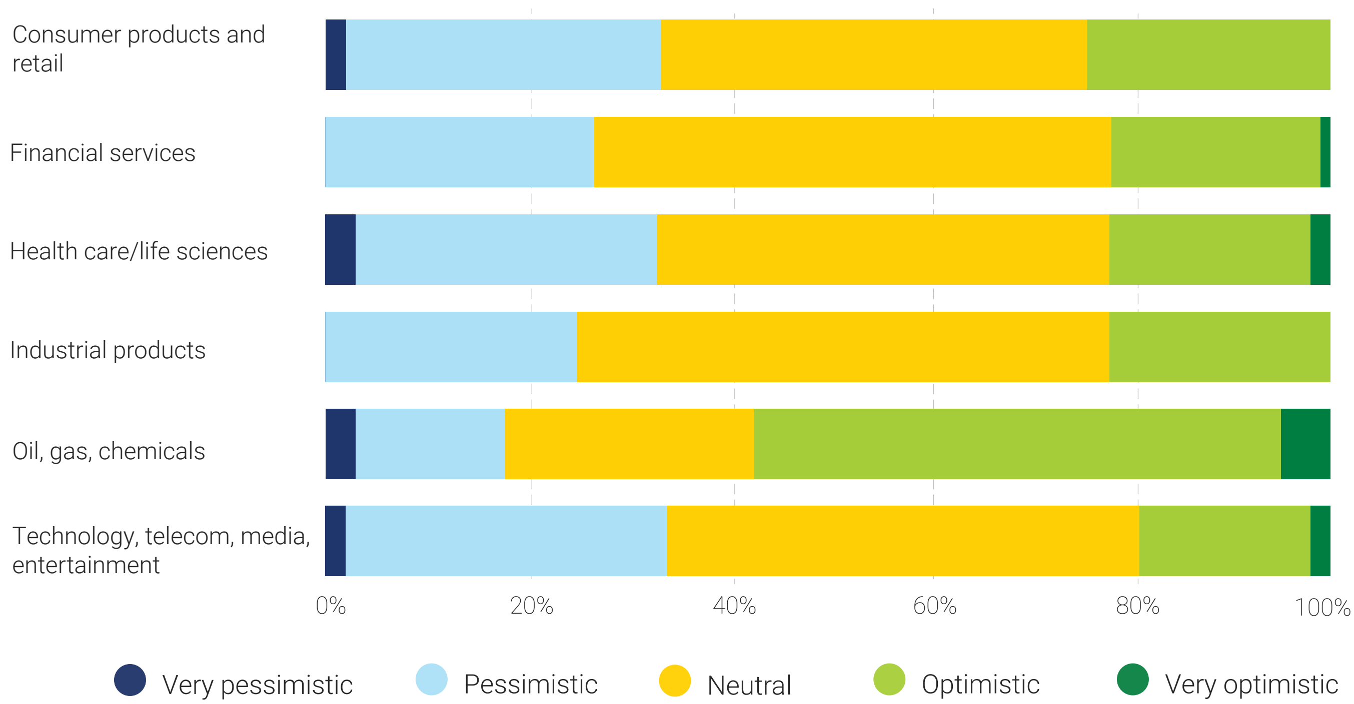
Survey respondents were asked about the financial prospects of their primary industry sector over the next three months as compared with the prior three months (February to April 2022). The results were split: 25% were either very optimistic or optimistic, while 28% were either pessimistic or very pessimistic. The remaining 46% indicated that they were neither optimistic nor pessimistic.

Partners who work with companies in the oil, gas, and chemical sector tended to have a more positive view of the financial prospects compared with the prior three months: 58% were either optimistic (53%) or very optimistic (5%). Only 18% were pessimistic or very pessimistic about the future financial prospects of companies in this sector.

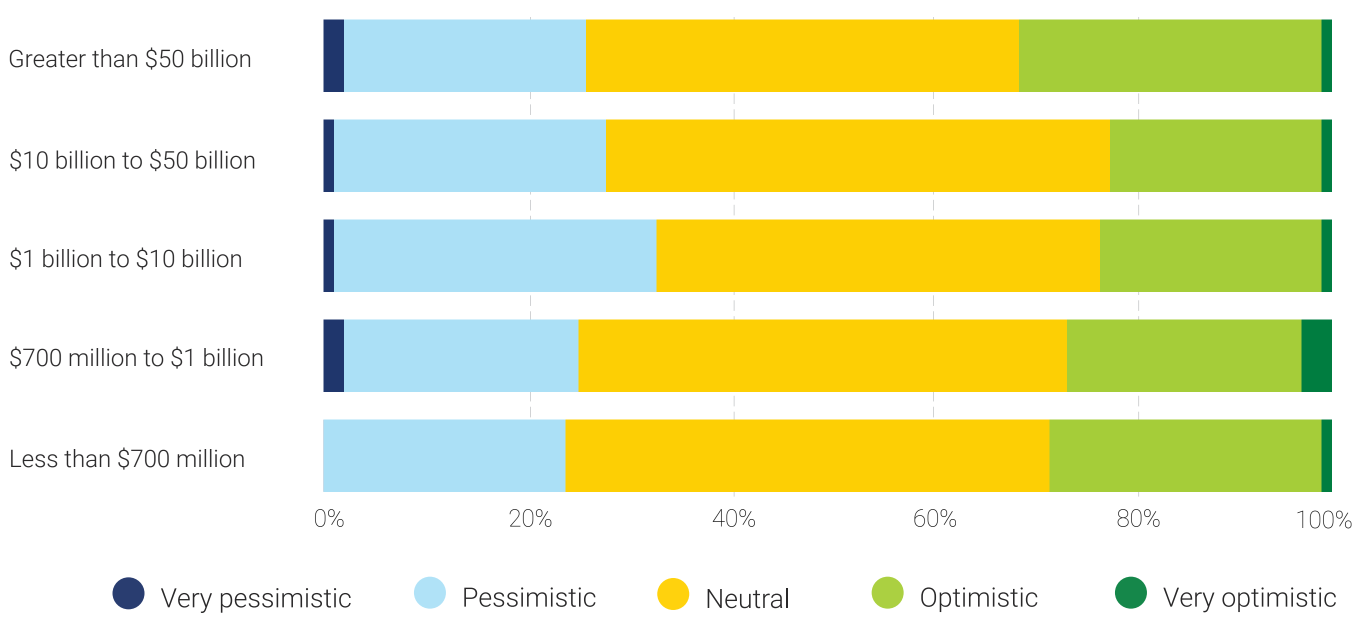
Future financial prospects compared with three months ago (% of responses)



Future financial prospects compared with three months ago, by industry sector



Future financial prospects compared with three months ago, by market capitalization



Economic Risks Facing Companies in the Next 12 Months

WHAT DO YOU BELIEVE ARE THE LARGEST ECONOMIC RISKS FACING COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR OVER THE NEXT 12 MONTHS?

The survey asked partners to choose up to three issues from a list of the largest economic risks faced by companies in their respective industry sectors. Just over six in ten respondents (62%) cited inflation as the largest risk to companies in their industry sector. Labor shortages (52%) and supply shortages and supply chain disruptions (50%) rounded out the top three economic risks. However, differences were apparent based on industry sector. Specifically:

+ Respondents whose primary industry was financial services selected inflation (67%), cybersecurity threats (57%), and regulation (54%) as the top three economic risks.

+ Respondents who audit companies in the oil, gas and chemicals sector chose supply shortages and supply chain disruption (63%), geopolitical instability (63%), and regulation (50%) as the top three economic risks.

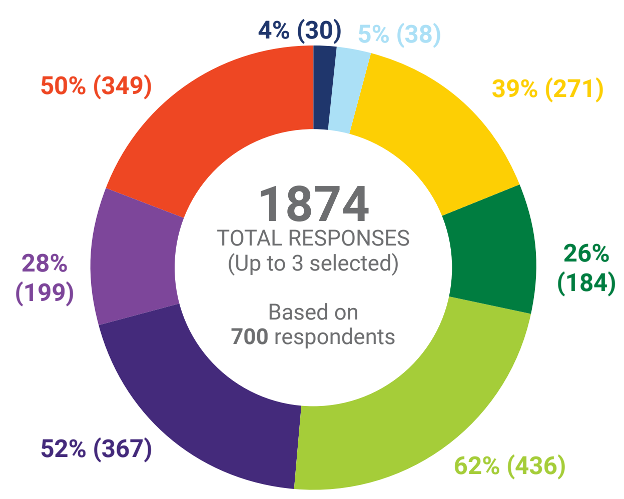
+ Audit partners in the technology, telecommunications, media and entertainment industry sector reported inflation (58%), labor shortages (50%), and cybersecurity threats (49%) as the top three economic risks in this sector.

Economic risks also varied based on company size. Responses by market capitalization are categorized based on the partners' self-reporting of the largest company that they audit. Specifically:

+ Respondents who audit companies with a market capitalization greater than $50 billion selected inflation (56%), cybersecurity threats (49%), and geopolitical instability (43%) as the top three economic risks.

+ Respondents who audit companies with a market capitalization between $10 billion and $50 billion reported that inflation (62%), supply shortages and supply chain disruptions (48%), and cybersecurity threats (43%) were the top three economic risks.

Largest economic risks facing companies (% of respondents, no. of responses)



- Climate risks
- Corporate tax uncertainty
- Cybersecurity threats
- Geopolitical instability (political unrest; international tensions)
- Inflation
- Labor shortages
- Regulation
- Supply shortages and supply chain disruptions

The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Largest economic risks facing companies, by industry sector

Most selected | 2nd most selected | 3rd most selected

Risk category	INDUSTRY					
	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Inflation	75%	67%	48%	74%	38%	58%
Corporate tax uncertainty	5%	4%	9%	3%	10%	9%
Supply shortages and supply chain disruptions	90%	9%	48%	82%	63%	42%
Labor shortages	67%	36%	62%	65%	23%	50%
Cybersecurity threats	24%	57%	48%	21%	13%	49%
Geopolitical instability (political unrest, international tensions)	17%	34%	14%	16%	63%	26%
Regulation	5%	54%	41%	8%	50%	23%
Climate risks	1%	2%	0%	3%	23%	3%

Largest economic risks facing companies, by market capitalization

Most selected | 2nd most selected | 3rd most selected

Risk category	MARKET CAPITALIZATION				
	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Inflation	56%	62%	68%	65%	54%
Corporate tax uncertainty	9%	7%	4%	5%	2%
Supply shortages and supply chain disruptions	41%	48%	53%	53%	53%
Labor shortages	39%	42%	57%	67%	66%
Cybersecurity threats	49%	43%	33%	40%	32%
Geopolitical instability (political unrest, international tensions)	43%	28%	22%	18%	18%
Regulation	31%	33%	25%	20%	34%
Climate risks	8%	5%	3%	2%	3%

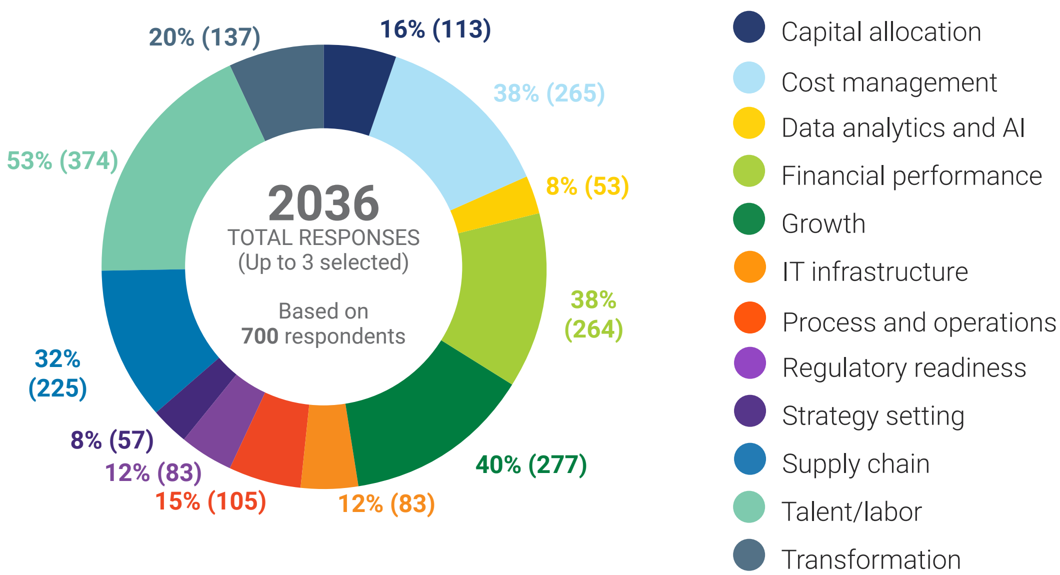
Top Three Priorities for 2022

WITH RESPECT TO COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR, WHAT ARE THEIR TOP PRIORITIES FOR 2022?

Audit partners were provided a list and asked to identify the top three priorities for 2022 for the companies in their primary industry sector. Talent/labor was named by over half of respondents (53%). This was the case regardless of company size. In addition to talent/labor, growth (40%), cost management (38%), and financial performance (38%) made up the top four priorities.

There were notable distinctions based on sector. Supply chain issues were identified as the top priority for consumer products (66%) and industrial products (74%) companies. Cost management (55%) was the top priority for the oil, gas, and chemicals sector, followed by financial performance and supply chain issues (38% each).

Top priorities for companies in 2022 (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top priorities for companies in 2022, by industry sector

Most selected | 2nd most selected | 3rd most selected

Top priority	INDUSTRY					
	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Talent/labor	63%	46%	56%	53%	30%	56%
Financial performance	34%	50%	26%	29%	38%	37%
Growth	33%	40%	41%	35%	23%	56%
Strategy setting	6%	7%	8%	4%	10%	11%
Cost management	39%	32%	48%	45%	55%	35%
Capital allocation	5%	24%	21%	1%	35%	13%
IT infrastructure	5%	19%	9%	13%	5%	12%
Regulatory readiness	5%	25%	17%	5%	20%	5%
Process and operations	16%	15%	17%	17%	18%	11%
Supply chain	66%	1%	18%	74%	38%	25%
Transformation	20%	30%	12%	14%	20%	17%
Data analytics and AI	6%	7%	8%	3%	3%	10%

Top priorities for companies in 2022, by market capitalization

Most selected | 2nd most selected | 3rd most selected

Risk category	MARKET CAPITALIZATION				
	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Talent/labor	47%	49%	53%	70%	58%
Financial performance	39%	35%	37%	43%	37%
Growth	31%	47%	38%	38%	43%
Strategy setting	7%	7%	9%	5%	12%
Cost management	41%	33%	39%	40%	38%
Capital allocation	20%	23%	12%	5%	18%
IT infrastructure	15%	15%	11%	12%	7%
Regulatory readiness	13%	12%	12%	5%	12%
Process and operations	17%	12%	15%	15%	16%
Supply chain	21%	31%	36%	33%	35%
Transformation	28%	22%	18%	18%	9%
Data analytics and AI	13%	7%	6%	12%	4%

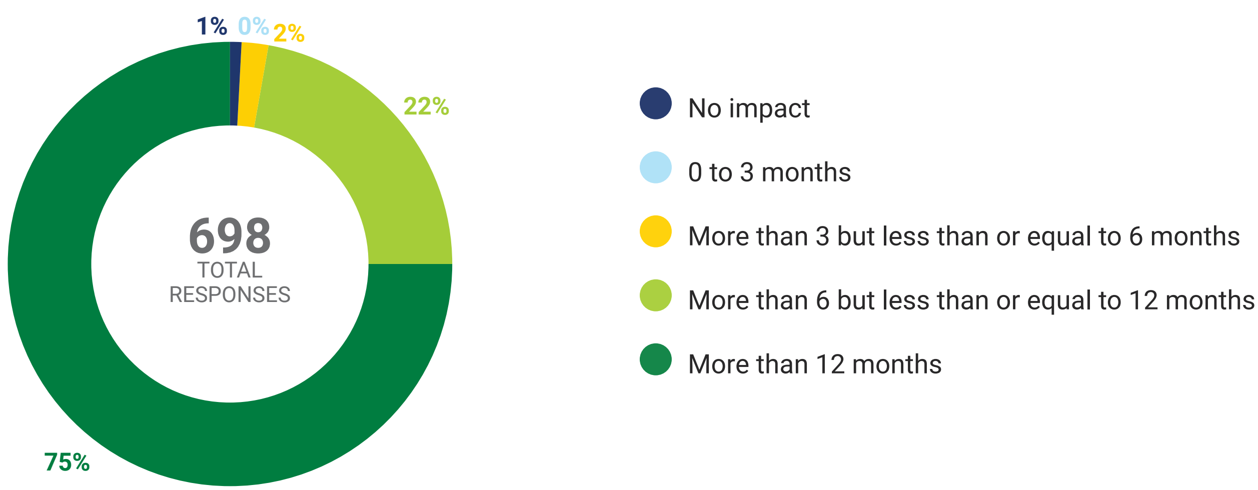
Inflation

HOW LONG, IF AT ALL, DO YOU ANTICIPATE THE CURRENT INFLATION CYCLE TO HAVE AN IMPACT IN YOUR PRIMARY INDUSTRY SECTOR?

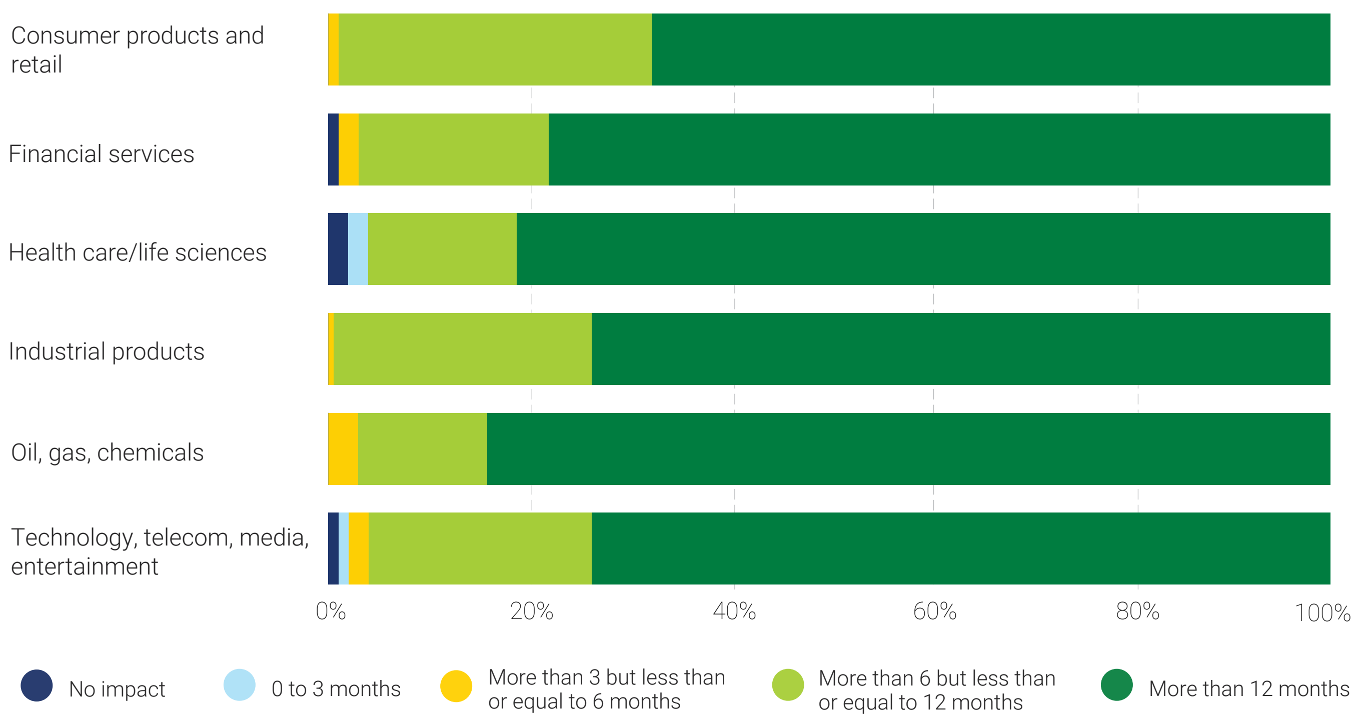
Audit partners were asked how long they anticipated the current inflationary cycle to have an impact on companies in their primary industry sector. Most (75%) expected inflation to have an impact for more than 12 months. Another 22% were more optimistic, expecting inflationary impacts to last more than 6 but less than or equal to 12 months.

This response was consistent across the top six industry classifications that made up the sample and across all company size partitions as determined by market capitalization.

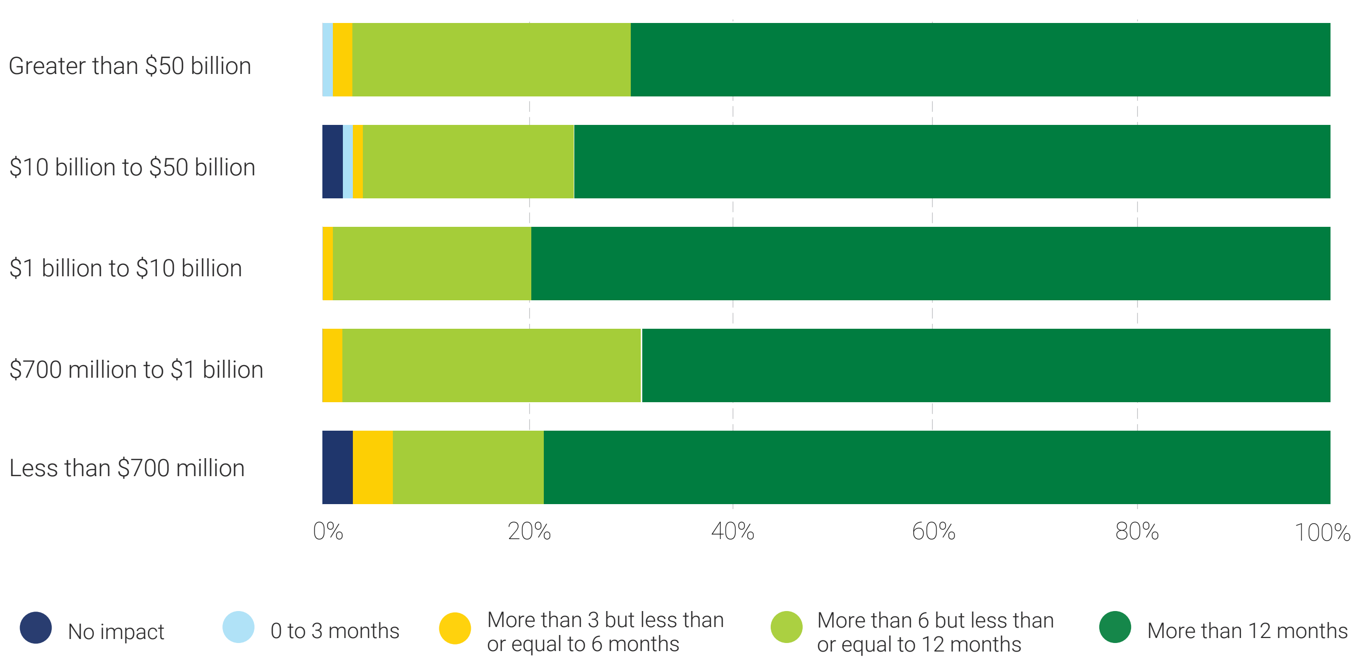
Anticipated impact of inflation (% of responses)



Anticipated impact of inflation, by industry sector



Anticipated impact of inflation, by market capitalization



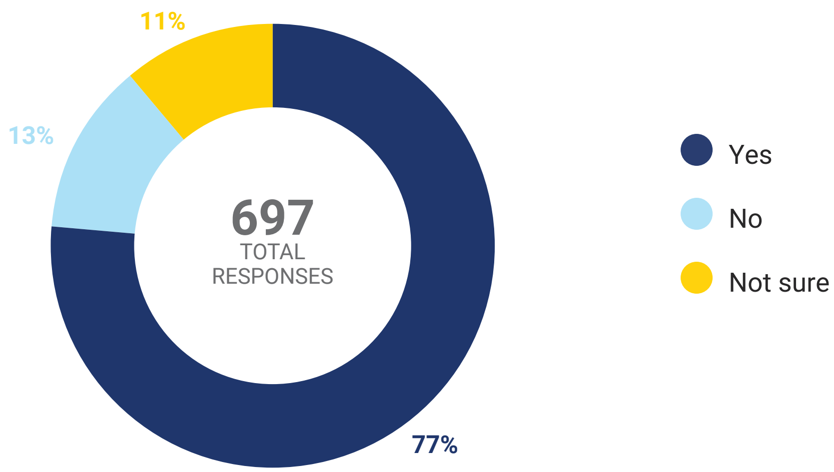
Anticipated Price Increases

DO YOU ANTICIPATE COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR TO RAISE PRICES FOR CUSTOMERS MORE THAN HISTORICAL TRENDS BECAUSE OF INFLATION?

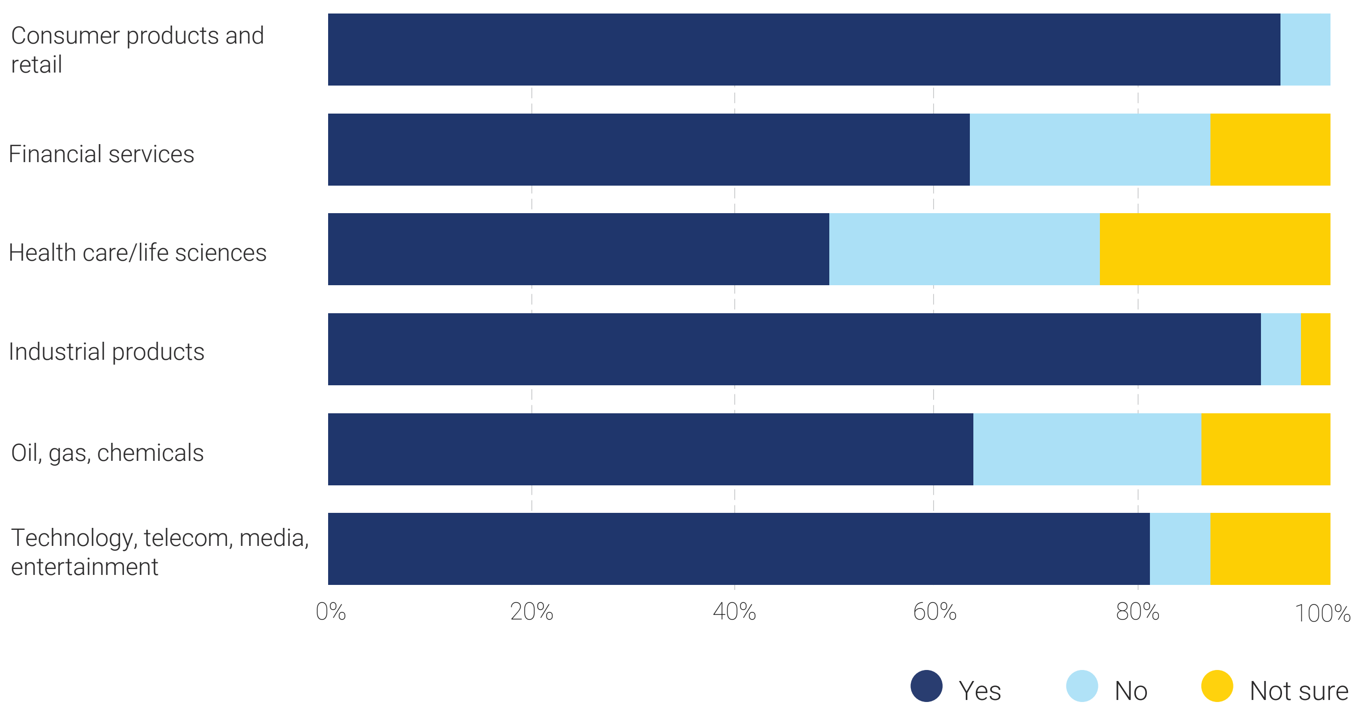
Of the 697 responses received, 77% of partners anticipate price increases for customers of companies in their primary industry sectors. Consumer and industrial products are the leading industry sectors in this regard: 95% and 94%, respectively, expect price increases.

Conversely, only 50% of partners whose primary industry is health care/life sciences expect price increases.

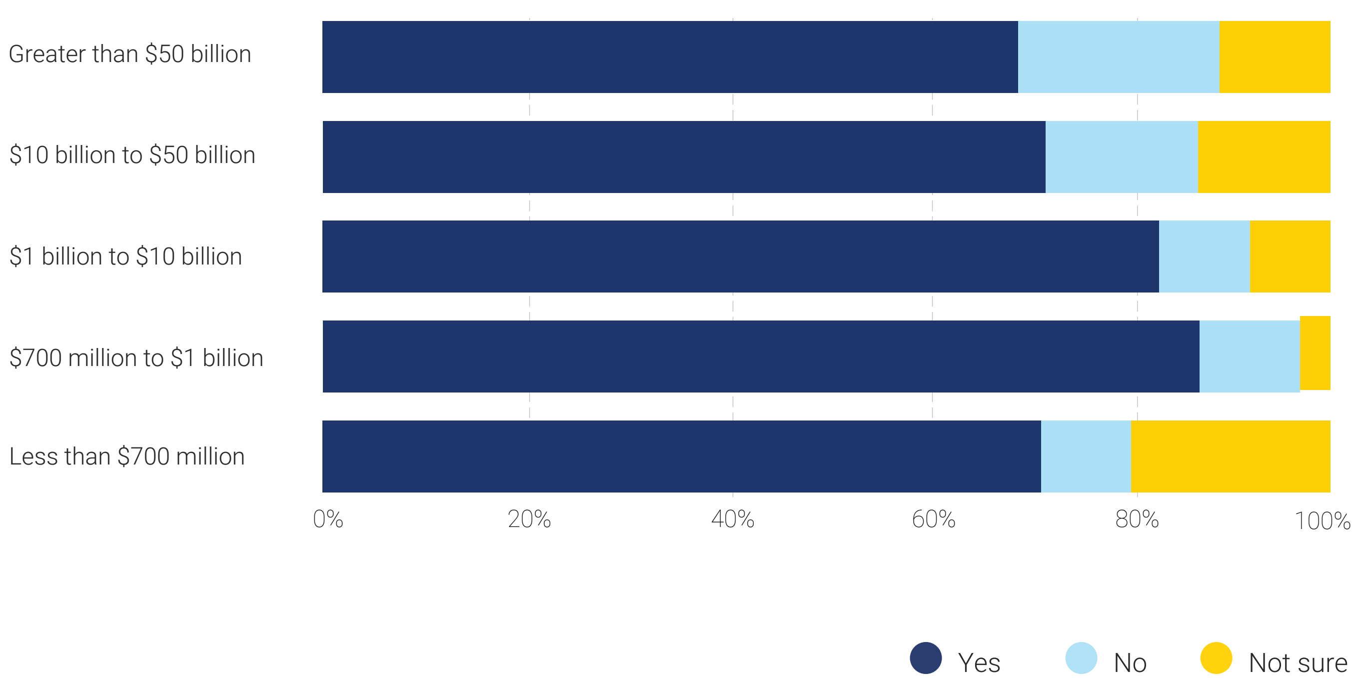
Anticipated increase in prices (% of responses)



Anticipated increase in prices, by industry sector



Anticipated increase in prices, by market capitalization



Actions to Mitigate Negative Impacts to Business Strategy

WHAT ACTIONS ARE MOST COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR TAKING TO MITIGATE NEGATIVE IMPACTS TO BUSINESS STRATEGY?

Respondents observed companies employing several actions to mitigate the negative impacts to their business strategy. Partners were asked to choose from a list of options. Reevaluating investments and decreasing spending on certain initiatives was the number one action (46%) identified by all survey respondents, and ranked first or second for nearly all the industry sectors represented in the analysis. The lone exception was the oil, gas, and chemical industry sector, where 68% of the partners indicated that those companies were increasing their focus on cash flow and liquidity to bolster cash reserves. Cash flow and liquidity was the second most cited action that the overall sample of partners observed companies taking to mitigate the negative impacts to business strategy, followed by M&A opportunities to strengthen the business (37%). These actions suggest that most companies are taking steps to weather the storm but expect a return to a baseline rather than engaging in activities that would suggest a level of permanence to current conditions (e.g., longer-term operational and/or strategic shifts).

While the overall survey results on mitigation activities were consistent across sector and company size, other departures were apparent. Specifically:

+ Respondents whose primary industry sector was oil, gas, and chemicals reported that, in addition to companies increasing their focus on cash flow and liquidity (68%), companies in that sector were also increasing investment to bolster productivity and output (40%) and changing their capital or debt structures (43%).

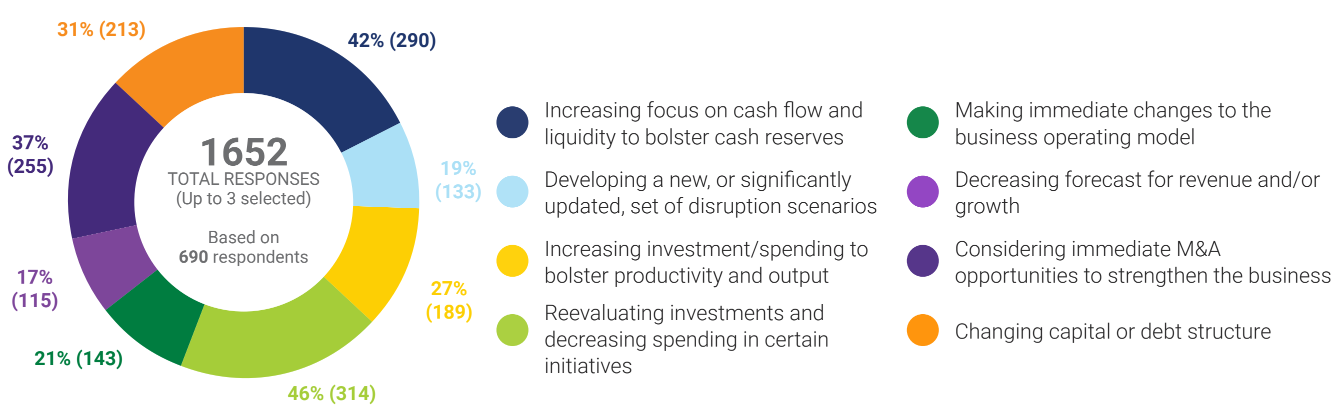
+ More than one in four respondents whose primary industry sector was financial services reported that companies are developing a new or significantly updated set of disruption scenarios and increasing investment to bolster productivity and output (28% each).

+ Respondents whose primary industry sector was consumer products and retail noted that the third most frequent action companies were taking was changing their capital or debt structures (35%) as opposed to considering immediate M&A opportunities (28%).

+ While cash flow and liquidity was the second most cited action for the overall sample of respondents (42%) as noted earlier, it was the number one action that partners said companies with market capitalization below $10 billion were taking: 60% of companies with less than $700 million, 48% of companies with market capitalization between $700 million and $1 billion, and 47% of companies with market capitalization greater than $1 billion but less than $10 billion were focusing on cash flow and liquidity.

+ Partners observed that one-third of companies with a market capitalization of over $50 billion were increasing investment to bolster productivity and output (33%) or considering immediate M&A opportunities to strengthen the business (31%). M&A opportunities was the most common action observed for companies with a market capitalization of $10 billion to $50 billion (44%), closely followed by reevaluating investments and decreasing spending in certain initiatives (42%).

Actions companies are taking to mitigate negative impacts to their business strategy (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Actions companies are taking to mitigate negative impacts to their business strategy, by industry sector

Most selected | 2nd most selected | 3rd most selected

	INDUSTRY					
DEI effort	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Increasing focus on cash flow and liquidity to bolster cash reserves	42%	19%	43%	54%	68%	47%
Developing a new, or significantly updated, set of disruption scenarios	14%	28%	15%	17%	10%	16%
Increasing investment/spending to bolster productivity and output	28%	28%	25%	28%	40%	26%
Reevaluating investments and decreasing spending in certain initiatives	42%	54%	51%	41%	28%	47%
Making immediate changes to the business operating model	27%	25%	20%	20%	18%	18%
Decreasing forecast for revenue and/or growth	17%	16%	15%	20%	0%	22%
Considering immediate M&A opportunities to strengthen the business	28%	34%	52%	39%	35%	41%
Changing capital or debt structure	35%	25%	23%	28%	43%	34%

Actions companies are taking to mitigate negative impacts to their business strategy, by market capitalization

Most selected | 2nd most selected | 3rd most selected

	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Increasing focus on cash flow and liquidity to bolster cash reserves	27%	34%	47%	48%	60%
Developing a new, or significantly updated, set of disruption scenarios	25%	24%	17%	20%	9%
Increasing investment/spending to bolster productivity and output	34%	34%	23%	25%	21%
Reevaluating investments and decreasing spending in certain initiatives	58%	43%	42%	43%	45%
Making immediate changes to the business operating model	22%	18%	21%	18%	23%
Decreasing forecast for revenue and/or growth	23%	13%	20%	8%	11%
Considering immediate M&A opportunities to strengthen the business	33%	45%	34%	45%	35%
Changing capital or debt structure	20%	24%	34%	38%	41%

Environmental, Social, and Governance Issues

An analysis of the survey questions regarding a list of environmental, social, and corporate governance (ESG) issues finds resource scarcity affecting corporate strategy most frequently; emerging technologies and climate change exert at least some influence on corporate strategy overall. Short-term ESG-related priorities include cyber risk, enhancing sustainability reporting, and building a more diverse board/leadership team, though there are exceptions based on industry sector. Over the long term, cyber risk and sustainability reporting remain a priority, and climate-related risk rounds out the top choices.

Audit partners were surveyed about what they observed companies doing in the specific ESG-related areas of cybersecurity; human capital; and diversity, equity, and inclusion (DEI). With respect to cybersecurity, respondents reported significant progress by companies in communications between management and the board. In the remaining cybersecurity-related areas of enhancing disclosure, managing cyber risk, aligning cybersecurity with company goals, and establishing a culture of cybersecurity, the respondents indicated that companies in their primary industry sector have made some progress. Further, audit partner responses indicate that companies in the industry sector they serve have a moderate level of preparedness for cyberattacks.

With respect to the potential options companies could take to address human capital issues, the top two responses to labor market concerns were increasing flexibility in workplace location and increasing compensation. The top three DEI actions respondents observed companies taking were addressing board diversity, establishing and tracking DEI effort metrics, and increasing transparency and disclosure around DEI progress.

Finally, regarding ESG-related disclosures overall, survey respondents noted that companies' voluntary disclosures were increasing in the areas of environment/climate, cybersecurity, and workplace diversity. Notable exceptions were apparent by industry sector and are outlined in the following specific survey responses. That said, based on responses, ESG-related disclosure does appear to present challenges for companies for several reasons, including lack of tools to support the collection, collation, and analysis of ESG-related data; the diversity of standards and frameworks; and the aggregation and control of data.

Corporate Strategy

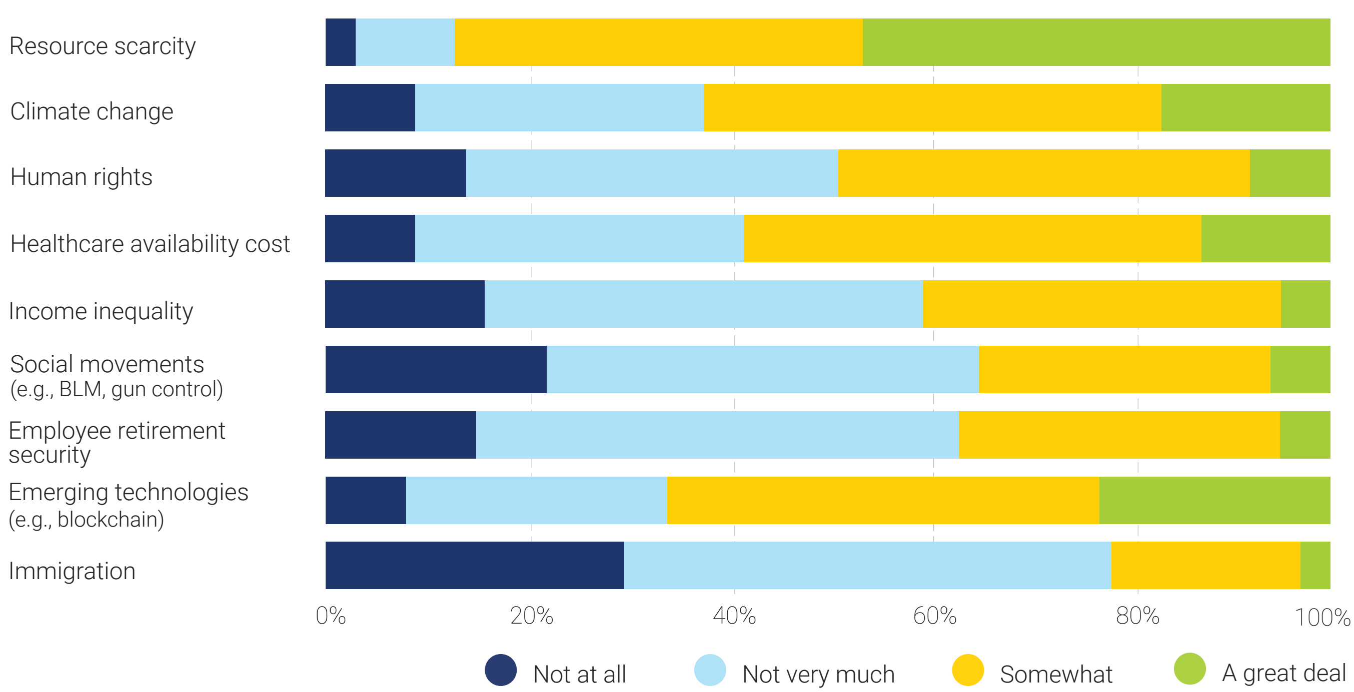
See Appendix I for additional analysis by industry and market capitalization.

TO WHAT EXTENT ARE COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR TAKING THE FOLLOWING ISSUES INTO ACCOUNT WHEN DEVELOPING THEIR CORPORATE STRATEGIES?

Companies may take several issues into account when developing their corporate strategies. According to the audit partners who participated in the survey, resource scarcity figured somewhat (41%) or a great deal (47%) into corporate strategic planning. Emerging technologies informed company strategies either somewhat (43%) or a great deal (23%). Additional issues informing corporate strategies at least somewhat were climate change (63%) and health care availability and cost (58%). The issues identified as exerting influence on corporate strategy were qualitatively similar across industries and company size, with a few exceptions:

+ Nearly all respondents (95%) whose primary industry sector was oil, gas, and chemicals reported climate change considerations are used at least somewhat or a great deal when developing corporate strategies.
+ Eighty-six percent of respondents whose primary industry sector was health care/life sciences reported that companies considered health care availability and Issues driving corporate strategy cost at least somewhat or a great deal when developing their corporate strategies.
+ Eight in ten of the respondents whose primary industry sector was financial services reported that emerging technologies figure at least somewhat (46%) or a great deal (35%) in the development of corporate strategies.
+ Nearly three out of four (74%) of respondents whose primary industry sector was technology, telecommunications, media, and entertainment reported that emerging technologies played a part at least somewhat (41%) or a great deal (33%) when developing corporate strategies.
+ Audit partners that work with companies with market capitalization of less than $700 million responded that climate change did not tend to figure very much (48%) or at all (15%) into the corporate strategy. Responses by market capitalization are categorized based on the partners' self-reporting of the largest company that they audit.

Issues driving corporate strategy



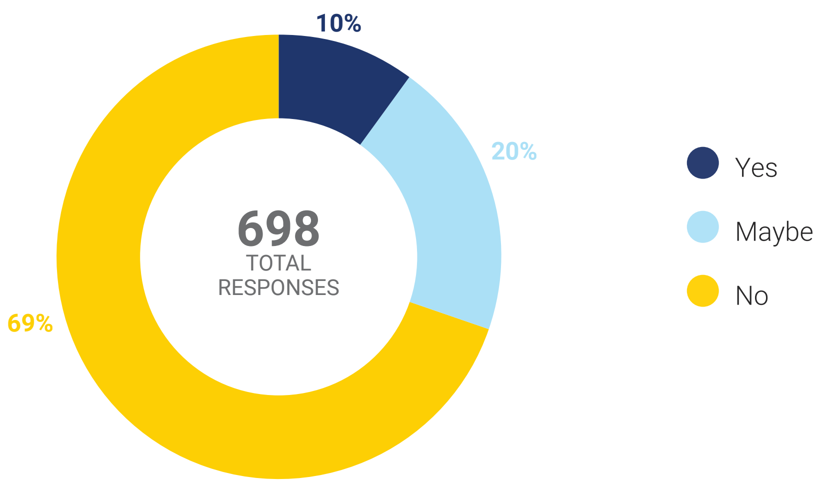
Cryptocurrency

ARE BUSINESSES IN YOUR PRIMARY INDUSTRY SECTOR INVESTING IN PROCESSES TO ACCEPT CRYPTOCURRENCY AS A FORM OF PAYMENT?

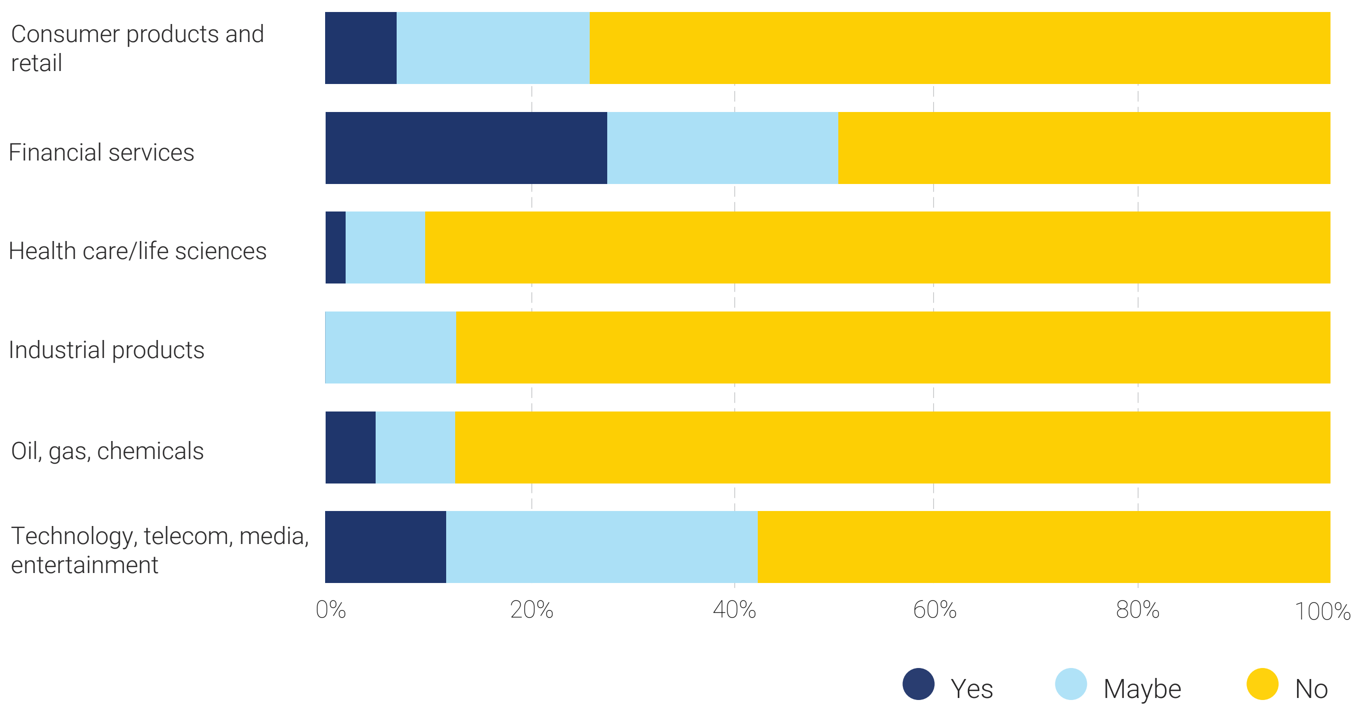
Nearly seven in ten (69%) respondents reported that most companies in their primary industry sector are not currently developing processes to accept cryptocurrency as a form of payment. This was true across sectors and market cap. To the extent preparations are being made or considered, the financial services and technology, telecommunications, media, and entertainment industries appear to be leading the way.

Just over half (51%) of audit partners with companies in the financial services industry sector reported that preparations to accept cryptocurrency payments were being made (28%) or were being considered (23%). Similarly, 12% and 31% of respondents whose primary industry sector was technology, telecommunications, media, and entertainment reported that preparations were being made or considered, respectively.

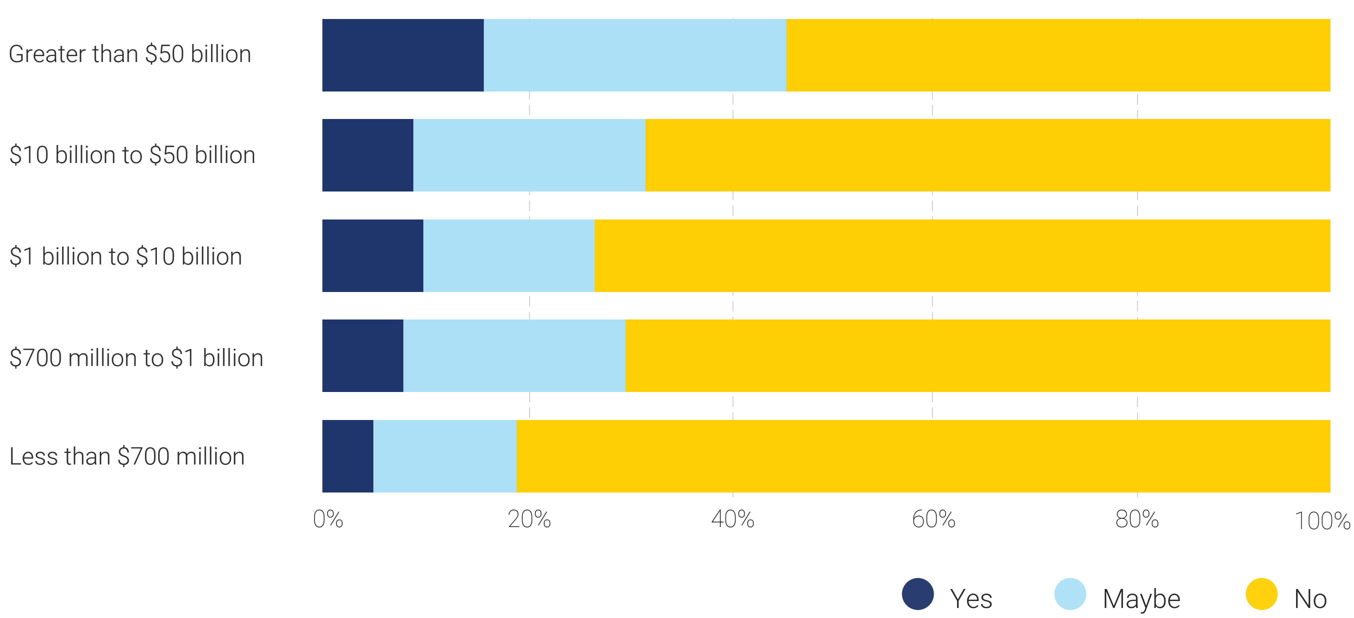
Investment in processes to accept cryptocurrency as a form of payment (% of responses)



Investment in processes to accept cryptocurrency as a form of payment, by industry sector



Investment in processes to accept cryptocurrency as a form of payment, by market capitalization



Companies' Short-Term ESG Priorities

WHAT ARE THE TOP ESG PRIORITIES OF MOST COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR OVER THE SHORT-TERM (ONE-TO-THREE YEARS)?

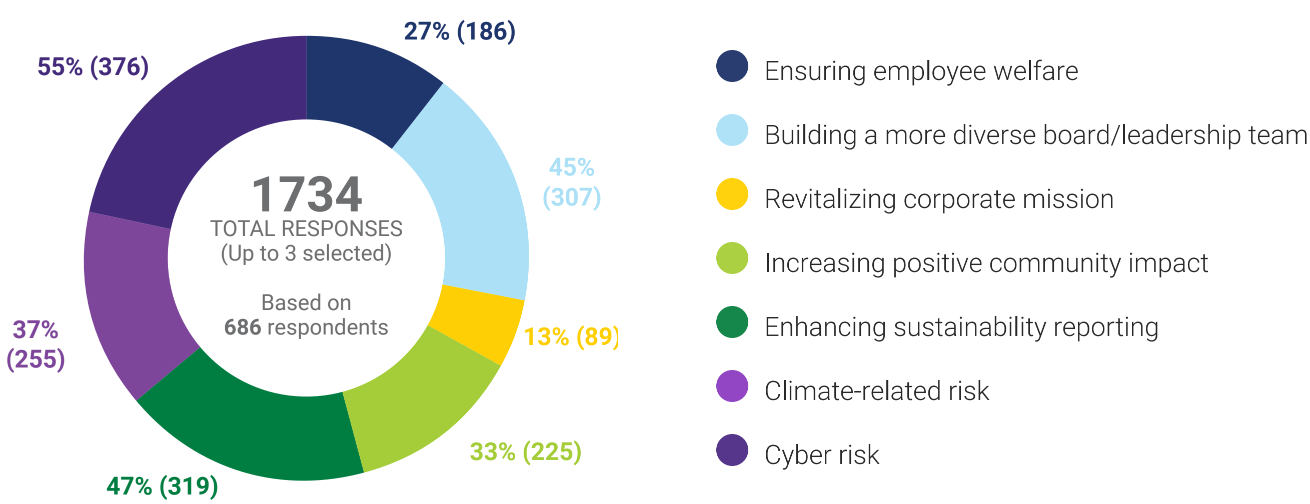
Audit partners were asked to select from a list what they saw as the short-term (in the next one to three years) and long-term (three years and beyond) ESG priorities for companies in their primary industry sector.

Among the top short-term ESG priorities identified were cyber risk (55%), enhancing sustainability reporting (47%), and building a more diverse board/leadership team (45%).

A few notable differences were apparent based on a review of the results disaggregated by industry and company size. Specifically:

+ Respondents whose primary industry sector was health care/life sciences reported that companies were more likely to prioritize increasing positive community impact (46%) over enhancing sustainability reporting (28%).
+ Respondents whose primary industry sector was oil, gas, and chemicals reported that companies were prioritizing climate-related risk (68%) over cyber risk (30%).
+ Partners that audit companies that have a market capitalization of over $50 billion observed that those companies were prioritizing enhancing sustainability reporting (60%), cyber risk (56%), and climate-related risk (54%) over building a more diverse board/leadership team (38%).
+ Partners that audit companies that have a market capitalization of less than $700 million observed that these companies tend to prioritize ensuring employee welfare (48%), building a more diverse board/leadership team (48%), and increasing positive community impact (38%) over enhancing sustainability reporting (19%) and cyber risk (10%).

Top short-term ESG priorities (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top short-term ESG priorities, by industry sector

Most selected | 2nd most selected | 3rd most selected

	INDUSTRY					
DEI Effort	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Ensuring employee welfare	30%	21%	40%	22%	23%	28%
Building a more diverse board/leadership team	40%	49%	43%	51%	33%	45%
Revitalizing corporate mission	16%	6%	15%	9%	8%	0%
Increasing positive community impact	30%	41%	46%	26%	25%	29%
Enhancing sustainability reporting	51%	47%	28%	50%	70%	45%
Climate-related risk	37%	37%	17%	38%	68%	35%
Cyber risk	46%	54%	60%	61%	30%	62%

Top short-term ESG priorities, by market capitalization

Most selected | 2nd most selected | 3rd most selected

	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Ensuring employee welfare	17%	17%	29%	35%	48%
Building a more diverse board/leadership team	38%	42%	49%	42%	48%
Revitalizing corporate mission	10%	7%	13%	15%	25%
Increasing positive community impact	36%	32%	31%	28%	38%
Enhancing sustainability reporting	60%	63%	43%	33%	19%
Climate-related risk	54%	38%	34%	40%	6%
Cyber risk	56%	54%	54%	60%	10%

Companies' Long-Term ESG Priorities

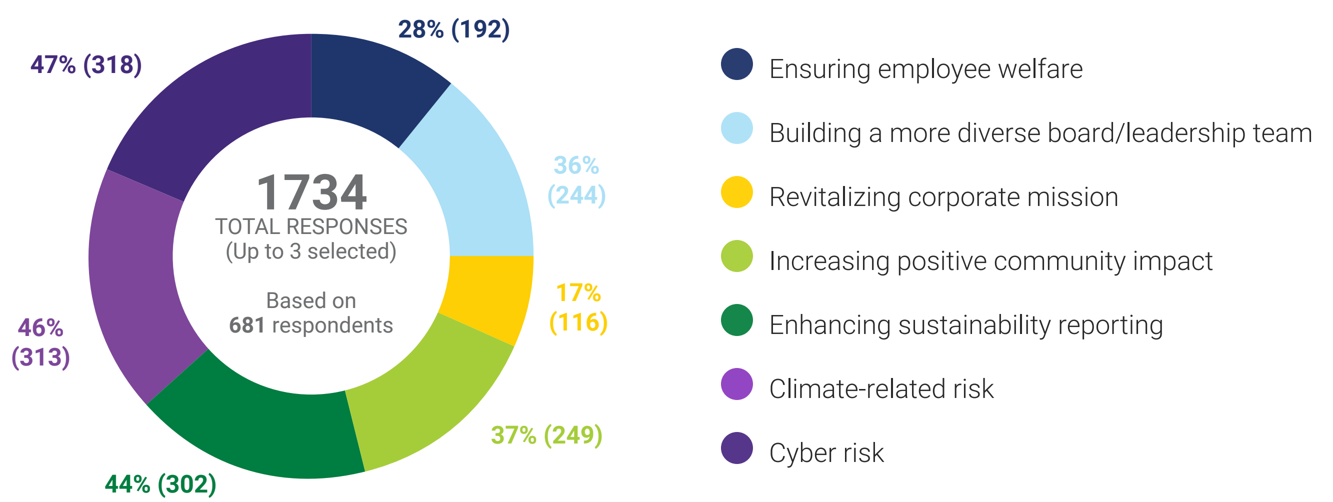
WHAT ARE THE TOP ESG PRIORITIES OF MOST COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR OVER THE LONG-TERM (GREATER THAN THREE YEARS)?

The results showed that some short-term and long-term priorities were the same. Cyber risk (47%) and enhanced sustainability reporting (44%) remained top priorities, as did climate-related risk (46%).

For many of the sectors, the top three short-term and long-term ESG priorities were the same, but there were some notable exceptions.

- Climate-related risks were identified among the top long-term priorities for five of the six largest sectors represented in the sample. The lone exception was the health care/life sciences industry.
- Respondents whose primary industry sector was financial services reported that companies in this sector planned to increase positive community impact (42%) along with climate-related risks (49%).
- According to the results, increasing positive community impact is expected to be one of the top three long-term ESG priorities for companies with a market cap over $50 billion (43%) and those with a market cap of $700 million to $1 billion (37%).

Top long-term ESG priorities (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top long-term ESG priorities, by industry sector

Most selected | 2nd most selected | 3rd most selected

	INDUSTRY					
DEI Effort	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Ensuring employee welfare	34%	26%	29%	26%	13%	28%
Building a more diverse board/leadership team	35%	38%	35%	41%	18%	40%
Revitalizing corporate mission	16%	14%	22%	19%	8%	18%
Increasing positive community impact	35%	42%	42%	28%	29%	37%
Enhancing sustainability reporting	50%	42%	40%	31%	76%	42%
Climate-related risk	45%	49%	31%	46%	74%	42%
Cyber risk	35%	50%	57%	55%	29%	51%

Top long-term ESG priorities, by market capitalization

Most selected | 2nd most selected | 3rd most selected

	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Ensuring employee welfare	29%	23%	24%	32%	47%
Building a more diverse board/leadership team	25%	36%	39%	36%	41%
Revitalizing corporate mission	13%	11%	20%	19%	23%
Increasing positive community impact	43%	34%	35%	37%	35%
Enhancing sustainability reporting	60%	48%	41%	37%	31%
Climate-related risk	61%	50%	44%	44%	26%
Cyber risk	41%	48%	47%	53%	48%

Corporate Disclosures

WHAT AREAS OF DISCLOSURE DO YOU SEE COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR VOLUNTARILY INCREASING OR ENHANCING OVER THE NEXT 12 MONTHS?

Audit partners were asked to select from a list of disclosures they believed companies in their primary industry sector would increase or enhance over the next 12 months. Survey responses suggested environment/climate (61%) disclosures were expected to increase. Rounding out the top three voluntary disclosure areas were cybersecurity (38%) and workplace diversity (35%). These areas of potential increased voluntary disclosure likely reflect investor demand and anticipated regulatory action.

Results disaggregated by industry sector show the increase in voluntary disclosure regarding environment/climate was the most frequently observed response across all six sectors that made up most of the sample. However, there were several apparent differences across industries in the composition of the other top two areas of voluntary disclosure. Specifically:

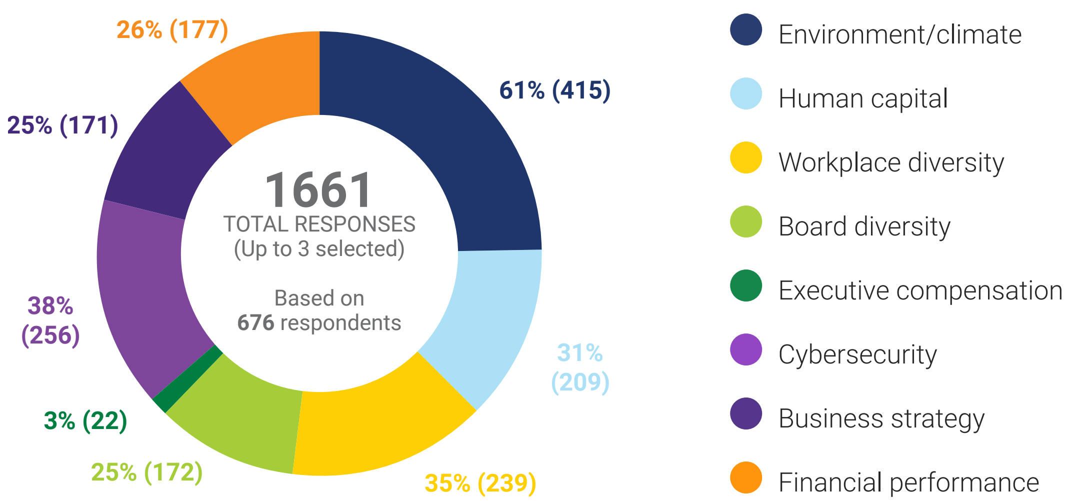
+ Respondents whose primary industry sector was consumer products and retail reported that, in addition to an anticipated increase in environment/ climate disclosures (62%), the next three areas that they expected to see companies increase disclosures in were workplace diversity (37%), and human capital and business strategy (30% each).

+ Respondents whose primary industry sector was health care/life sciences reported an expected increase in human capital (36%) and cybersecurity (42%) disclosures.

+ Respondents whose primary industry sectors were industrial products or oil, gas, and chemicals expected to see an increase in human capital (36% and 30%, respectively) and workplace diversity (34% and 35%, respectively) disclosures.

With respect to market capitalization, respondents reported that for companies with a market capitalization of less than $700 million they anticipated an increase in financial performance (45%); business strategy, and workplace diversity rounded out the top three responses (40% each).

Top areas of anticipated increase in voluntary disclosures (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top areas of anticipated increase in voluntary disclosures, by industry sector

Most selected 2nd most selected 3rd most selected

	INDUSTRY					
Voluntary disclosure area	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Environment/climate	62%	64%	52%	62%	78%	59%
Human capital	30%	31%	36%	36%	30%	25%
Workplace diversity	37%	37%	25%	34%	35%	38%
Board diversity	23%	28%	19%	25%	35%	25%
Executive compensation	2%	2%	3%	7%	5%	4%
Cybersecurity	28%	40%	42%	33%	25%	45%
Business strategy	30%	22%	30%	25%	20%	28%
Financial performance	26%	24%	25%	27%	23%	27%

Top areas of anticipated increase in voluntary disclosures, by market capitalization

Most selected 2nd most selected 3rd most selected

	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Environment/climate	74%	73%	59%	50%	38%
Human capital	40%	24%	34%	33%	19%
Workplace diversity	36%	32%	36%	30%	40%
Board diversity	20%	28%	26%	30%	24%
Executive compensation	2%	2%	4%	7%	5%
Cybersecurity	46%	43%	35%	38%	31%
Business strategy	17%	20%	27%	28%	40%
Financial performance	18%	16%	28%	32%	45%

Challenges Companies Face in the ESG Reporting Process

WHAT ARE THE TOP CHALLENGES THAT COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR HAVE FACED IN THEIR ESG REPORTING PROCESS?

Companies must take many actions into account to report on ESG issues accurately and reliably. Audit partners were provided a list of known issues and were asked to identify the challenges that companies in their primary industry sector face in their ESG reporting process. The lack of tools supporting the collection, collation, and analysis of ESG-related data presented a major challenge in ESG reporting (49%) for companies, according to the survey respondents. Rounding out the top three challenges were diversity of standards and frameworks (40% of respondents) and the lack of expertise (38% of respondents).

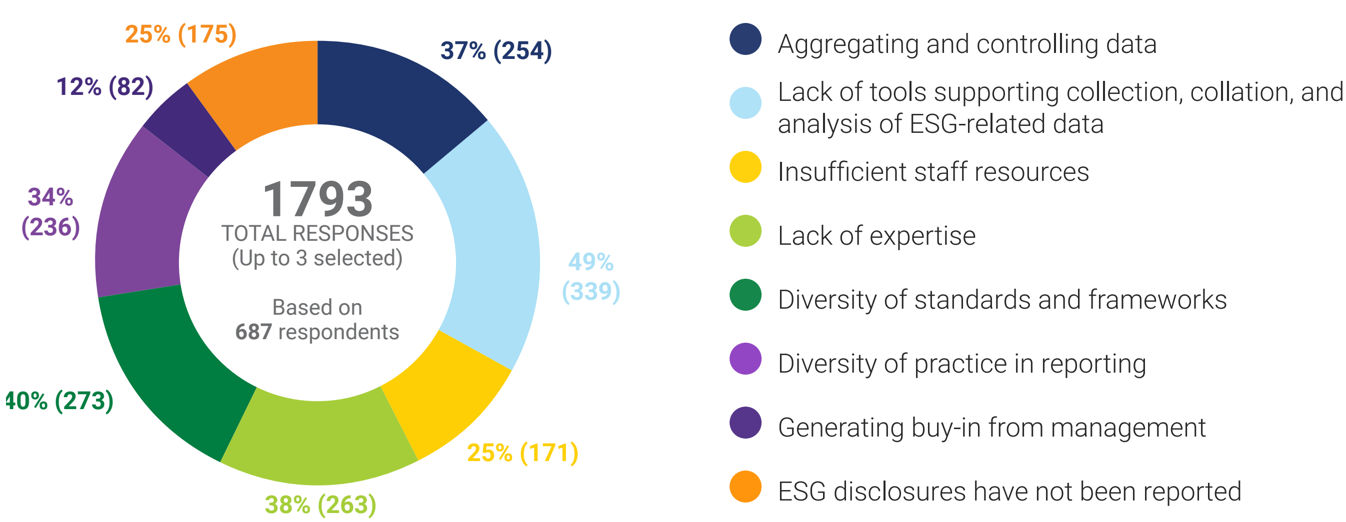
A few differences from the aggregate results become apparent from a review based on industry and company size. Specifically:

+ Aggregating and controlling ESG data (37%) was more of a challenge than the diversity of standards and frameworks (28%) for companies in the consumer products and retail sector. Audit partners also indicated that lack of expertise (40%) was one of the top three issues that companies in this industry sector face in their ESG reporting process.
+ Diversity of practice in reporting (43%) was more of a challenge than lack of expertise (33%) for companies in the financial services sector.
+ Nearly half of respondents (46%) whose primary industry sector was health care/life sciences more frequently noted that ESG disclosures had not been reported by companies in that industry.
+ Aggregating and controlling ESG data (55%) was one of the top challenges for companies in the oil, gas, and chemicals sector.

Aggregating and controlling ESG data was more of a challenge for companies with a market capitalization that exceeded $10 billion. Specifically:

+ Forty-six percent of partners who audit companies with a market cap between $10 billion and $50 billion and 55% that audit companies with a market cap exceeding $50 billion noted challenges aggregating and controlling data used in ESG reporting as an issue.
+ Respondents who audit companies with market caps below $10 billion indicated that lack of expertise was more consistently a challenge for these companies. Responses indicated that 51% of companies with a market cap less than $700 million, 49% of companies with a market cap of $700 million to $1 billion, and 44% of companies with a market cap of $1 billion to $10 billion may not have the appropriate expertise to establish and implement reliable ESG reporting processes.

Top challenges with ESG reporting processes (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top challenges with ESG reporting processes, by industry sector

Most selected   2nd most selected   3rd most selected

	INDUSTRY					
ESG reporting challenge	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Aggregating and controlling data	37%	40%	25%	34%	55%	38%
Lack of tools supporting collection, collation, and analysis of ESG-related data	59%	44%	37%	55%	53%	52%
Insufficient staff resources	32%	12%	19%	30%	30%	27%
Lack of expertise	40%	33%	51%	35%	38%	41%
Diversity of standards and frameworks	28%	54%	29%	39%	45%	40%
Diversity of practice in reporting	30%	43%	37%	34%	45%	28%
Generating buy-in from management	17%	13%	21%	6%	10%	9%
ESG disclosures have not been reported	27%	23%	46%	21%	5%	27%

Top challenges with ESG reporting processes, by market capitalization

Most selected   2nd most selected   3rd most selected

	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Aggregating and controlling data	55%	46%	31%	34%	16%
Lack of tools supporting collection, collation, and analysis of ESG-related data	56%	52%	48%	46%	42%
Insufficient staff resources	24%	19%	23%	34%	35%
Lack of expertise	26%	28%	44%	49%	51%
Diversity of standards and frameworks	51%	49%	38%	29%	23%
Diversity of practice in reporting	35%	43%	34%	27%	23%
Generating buy-in from management	13%	10%	13%	15%	9%
ESG disclosures have not been reported	19%	16%	30%	25%	37%

Cybersecurity

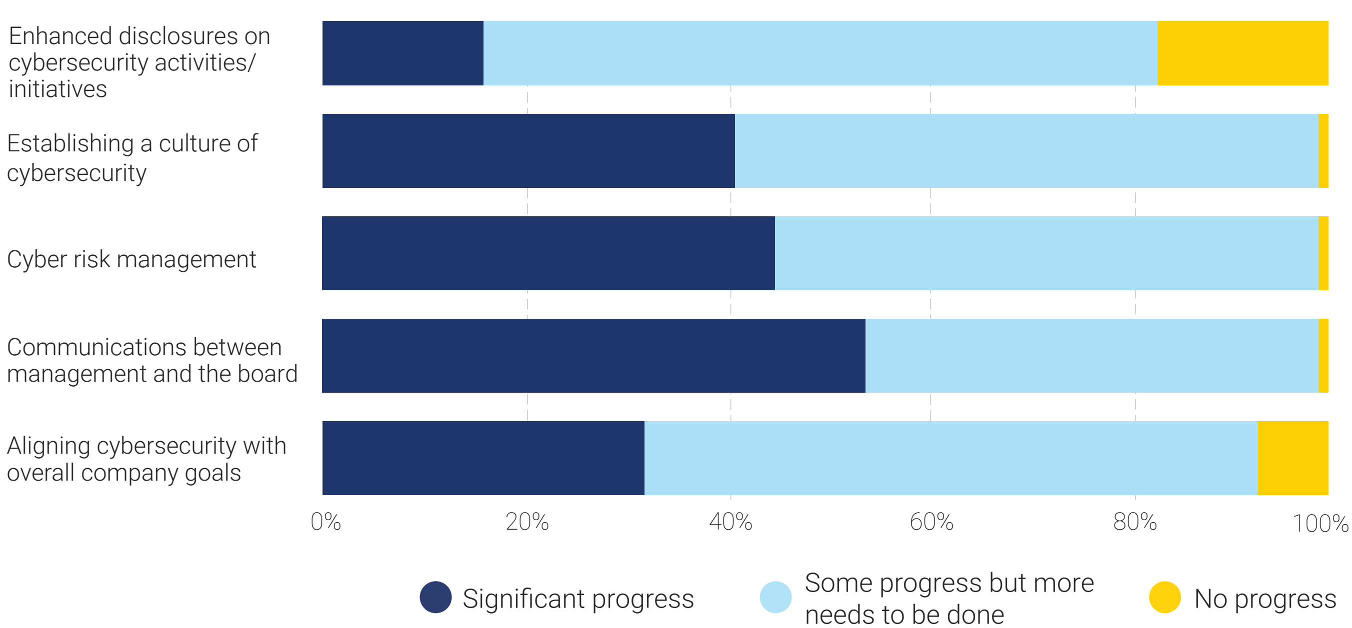
See Appendix II for additional analysis by industry and market capitalization.

HOW MUCH PROGRESS ARE COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR MAKING IN THE FOLLOWING AREAS RELATED TO CYBERSECURITY?

Survey participants were asked to characterize the amount of progress that companies in their primary industry sector were making with respect to cybersecurity. Apart from communications between management and the board, where significant progress was observed by 54% of respondents, half or more of the audit partners surveyed reported companies have made some progress, but more needed to be done across the remaining surveyed cybersecurity areas. This was true across all six industries that constituted most of the sample as well as all market capitalization categories, with the following exceptions:

+ Respondents in the oil, gas, and chemicals sector observed that these companies have made significant progress establishing a culture of cybersecurity (53%).
+ Significant progress on cyber risk management was observed by the majority of respondents whose primary industry sectors were financial services (53%) and technology, telecommunications, media, and entertainment (54%).
+ Significant progress on establishing a culture of cybersecurity was observed by 58% of partners who audit companies with a market capitalization between $10 billion and $50 billion.
+ Significant progress on cyber risk management was observed by the majority (59%) of respondents who audit companies with a market capitalization greater than $50 billion, and those with a market capitalization between $10 billion and $50 billion (57%).

Progress in addressing cybersecurity areas, by issue

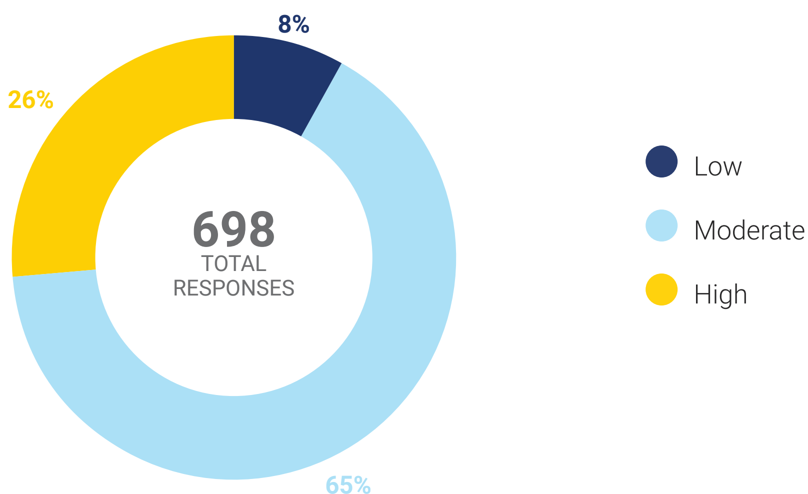


Level of Preparedness to Mitigate Cyberattacks

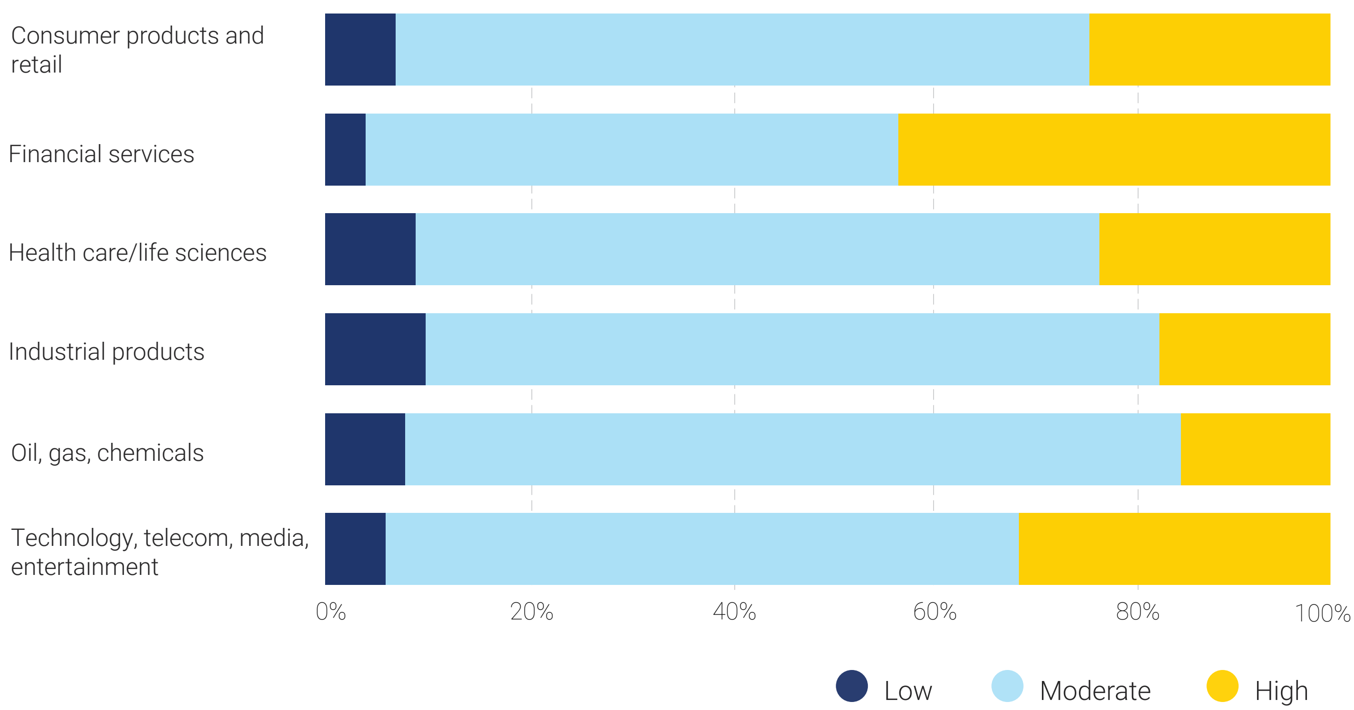
WHAT DO YOU THINK IS THE LEVEL OF PREPAREDNESS FOR IDENTIFYING AND ADDRESSING A CYBERATTACK AT COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR?

Given the increase in ransomware, phishing, and other cyber-related incidents, audit partners were asked about the level of preparedness that companies had in place to mitigate the risk of a cyberattack. Most audit partners surveyed (65%) reported a moderate level of preparedness for cyberattacks, while 26% noted that the level of preparedness was high. Four in ten audit partners in the financial services sector (43%) believed these companies were well prepared for dealing with a cyberattack. Similarly, 46% of partners who audit companies with a market cap greater than $50 billion thought that these companies were also well prepared to deal with a cyberattack.

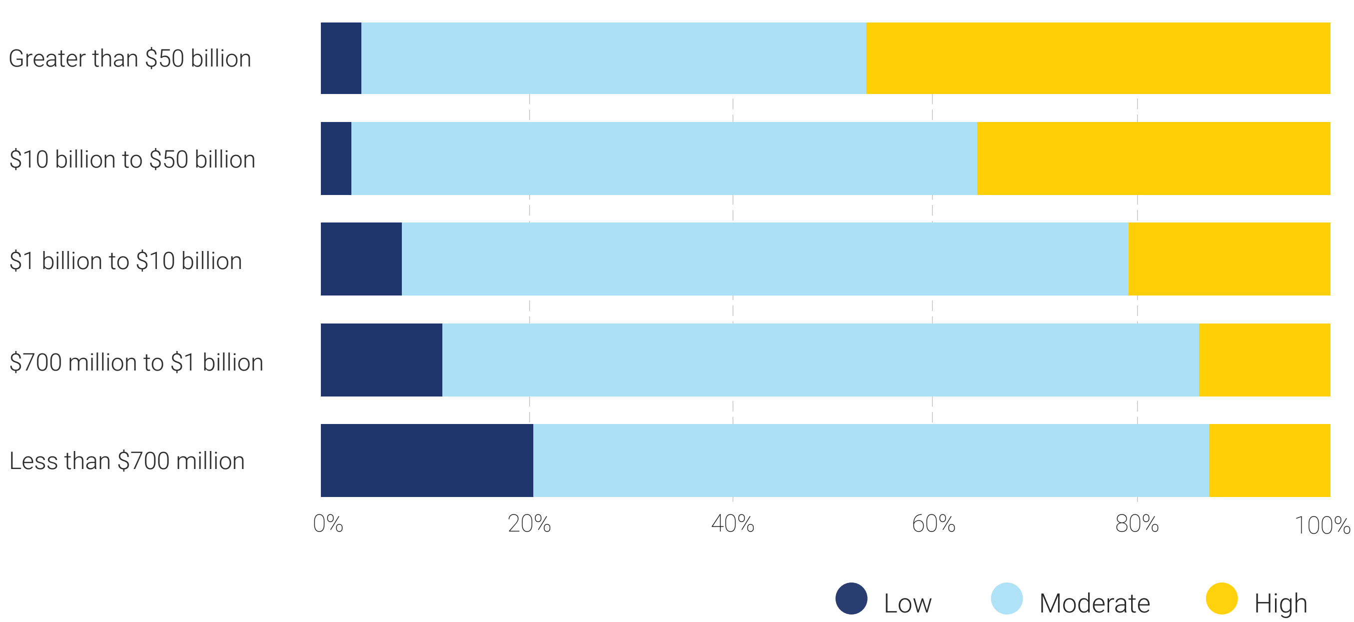
Level of preparedness for cyberattacks (% of responses)



Level of preparedness for cyberattacks, by industry sector



Level of preparedness for cyberattacks, by market capitalization

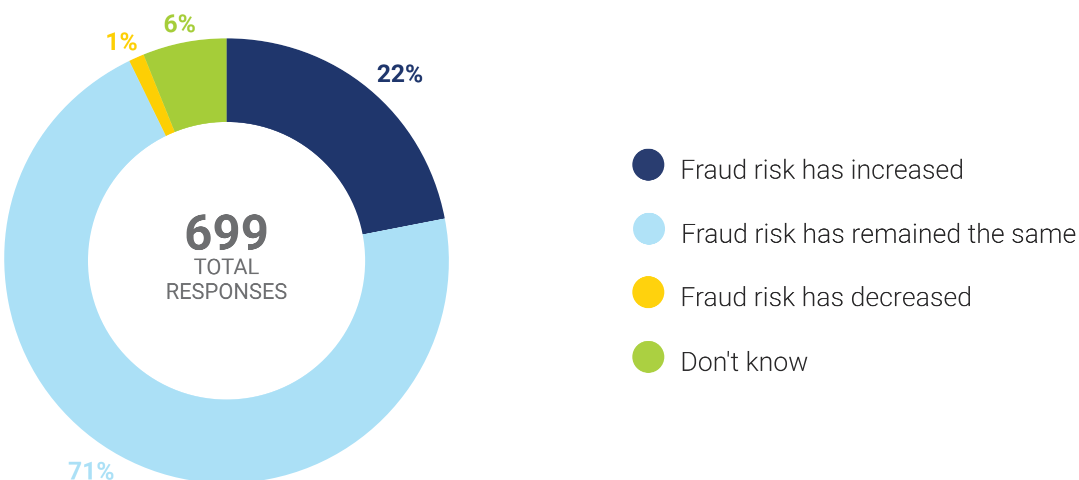


Financial Fraud Risk

HOW HAVE SHIFTS IN THE BUSINESS ENVIRONMENT RESULTING FROM COVID GENERALLY IMPACTED THE FRAUD LANDSCAPE OF THE COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR?

Over the past two years there has been concern about whether changes in business operations affected by the COVID-19 pandemic could potentially lead to increased risk of financial fraud. Most respondents (71%) reported that the fraud landscape for companies in their primary industry sector had remained the same when considering changes in the business environment stemming from COVID-19. This result was consistent across industry sectors and company size.

Impact of COVID on the fraud landscape (% of responses)



Impact of COVID on the fraud landscape, by industry sector

Impact of COVID on the fraud landscape, by market capitalization

Human Capital Initiatives

WHAT ACTIONS ARE COMPANIES IN YOUR PRIMARY INDUSTRY SECTOR TAKING WITH RESPECT TO HUMAN CAPITAL?

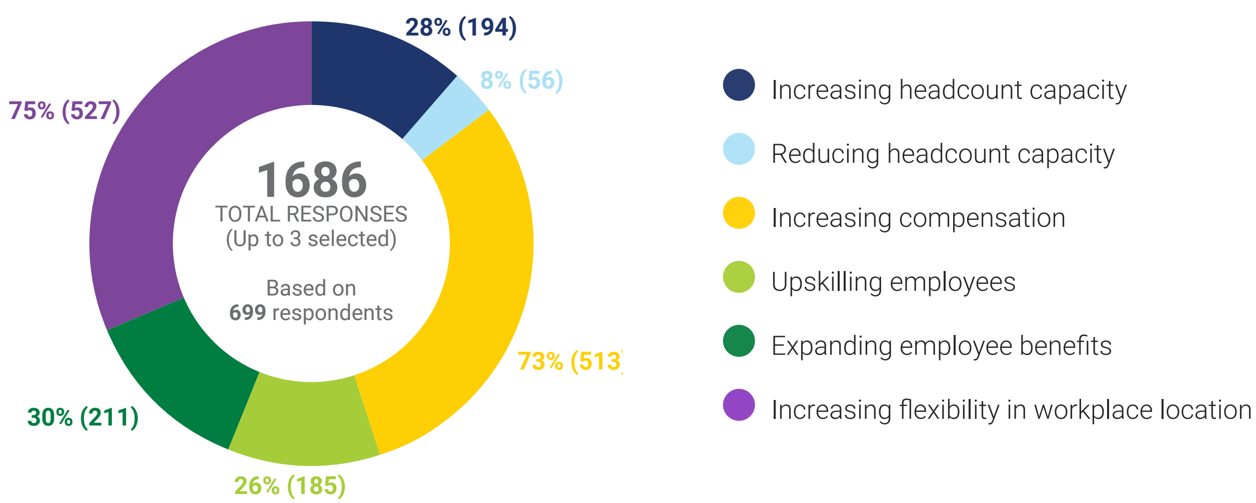
Increasing flexibility in workplace location (75% of respondents) and increasing compensation (73% of respondents) were the two most frequent actions that partners observed companies have taken with respect to human capital. These responses were consistent across all six industries that make up most of the sample as well as companies of all market cap sizes. Rounding out the top three actions based on industry sectors were:

+ Expanding employee benefits for companies in health care/life sciences (41%), consumer products and retail (34%), and financial services (30%), according to partners in those industry sectors.
+ Increasing headcount capacity was observed for companies in technology, telecommunications, media, and entertainment as well as industrial products, 30% and 32%, respectively.
+ Upskilling employees was among the top actions taken in companies in the oil, gas, and chemical industry sector (33%).

Analysis of human capital actions by size of company suggest the following:

+ Audit partners whose largest audited company has a market capitalization exceeding $50 billion more frequently reported upskilling employees as one of the top three human capital actions (36%).
+ Audit partners whose largest audited company has a market capitalization of $700 million to $10 billion more frequently reported increasing headcount capacity as one of the top three human capital actions. Thirty-five percent of companies with $700 million - $1 billion in market cap, and 32% of those with market cap between $1 billion and $10 billion are expected to increase their headcount.
+ Respondents whose largest audited company either has a market capitalization of $10 billion to $50 billion or less than $700 million more frequently reported expanding employee benefits as the third most common human capital action they observed companies making (28% for both).

Top actions companies are taking to address human capital issues (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top actions companies are taking to address human capital issues, by industry sector

Most selected | 2nd most selected | 3rd most selected

	INDUSTRY					
Top priority	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Increasing headcount capacity	28%	27%	18%	32%	28%	30%
Reducing headcount capacity	8%	7%	14%	4%	8%	9%
Increasing compensation	81%	68%	82%	83%	60%	74%
Upskilling employees	23%	30%	21%	22%	33%	25%
Expanding employee benefits	34%	30%	41%	25%	30%	24%
Increasing flexibility in workplace location	65%	82%	64%	70%	70%	87%

Top actions companies are taking to address human capital issues, by market capitalization

Most selected | 2nd most selected | 3rd most selected

	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Increasing headcount capacity	24%	22%	32%	35%	24%
Reducing headcount capacity	9%	8%	6%	8%	12%
Increasing compensation	69%	73%	73%	80%	76%
Upskilling employees	36%	27%	22%	25%	25%
Expanding employee benefits	30%	28%	32%	32%	28%
Increasing flexibility in workplace location	81%	77%	74%	78%	67%

Diversity, Equity, and Inclusion Efforts Companies Are Making

WHAT ARE THE TOP DEI EFFORTS THAT YOU ARE CURRENTLY SEEING AMONG COMPANIES IN YOUR PRIMARY SECTOR?

Audit partners were asked to select from a list the efforts that they are seeing companies make with respect to diversity, equity, and inclusion (DEI).

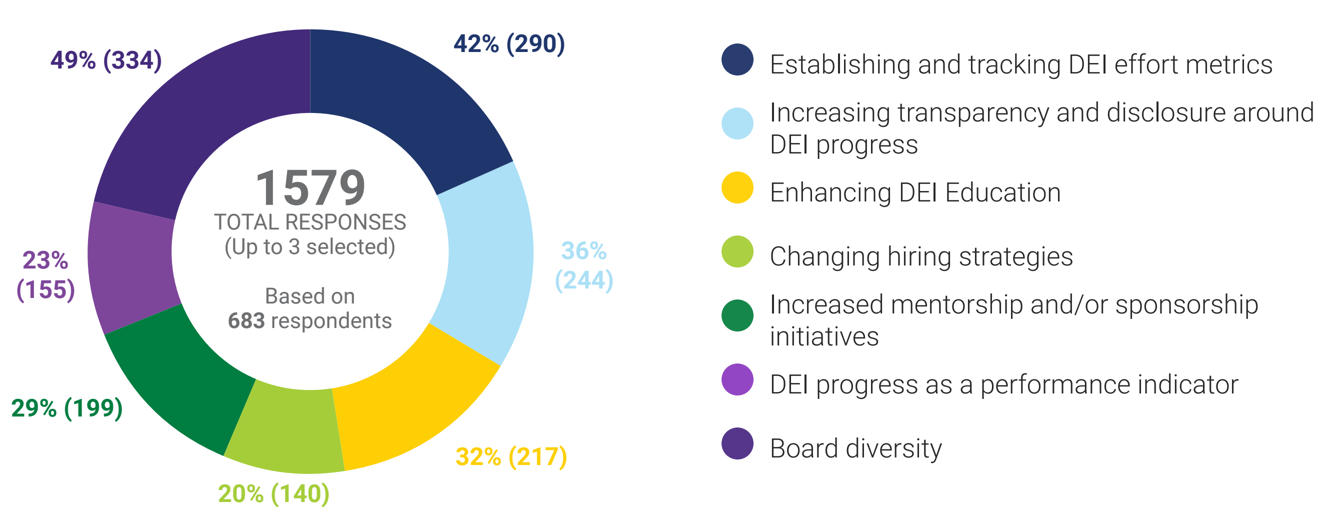
Top DEI efforts observed overall included addressing board diversity (49%), establishing and tracking DEI effort metrics (42%) and increasing transparency and disclosure around DEI progress (36%). Few differences were apparent based on disaggregated industry analysis.

+ Audit partners whose primary industry sector was financial services (42%) and the health care/life sciences sector (39%) more frequently observed increased mentorship and/or sponsorship initiatives.
+ Respondents whose primary industry sector was technology, telecommunications, media, and entertainment and industrial products noted that enhancing DEI education was one of the top three initiatives undertaken (36% and 32%, respectively).

Analysis based on company size suggested the following:

+ Companies with a market capitalization that exceeds $50 billion increased mentorship and/or sponsorship initiatives (40%) as one of the top three DEI efforts according to survey respondents.
+ Increasing DEI education was one of the top three initiatives undertaken by companies with $700 million - $1 billion in market cap (42%) and less than $700 million in market cap (38%), according to respondents.

Top DEI efforts companies taking (% of respondents, no. of responses)



The % reflects the no. of respondents selecting a particular response. Respondents were given the opportunity to select up to 3 responses, so the sum of the percentages exceeds 100%.

Top DEI efforts companies taking, by industry sector

Most selected · 2nd most selected · 3rd most selected

	INDUSTRY					
DEI Effort	Consumer products and retail	Financial services	Health care/life sciences	Industrial products	Oil, gas, chemicals	Technology, telecom, media, entertainment
Establishing and tracking DEI effort metrics	45%	43%	34%	47%	39%	41%
Increasing transparency and disclosure around DEI progress	41%	33%	39%	24%	47%	31%
Enhancing DEI Education	23%	30%	33%	32%	32%	36%
Changing hiring strategies	22%	24%	25%	15%	18%	22%
Increased mentorship and/or sponsorship initiatives	17%	42%	39%	24%	24%	31%
DEI progress as a performance indicator	19%	22%	22%	20%	18%	30%
Board diversity	57%	48%	44%	54%	47%	50%

Top DEI efforts companies taking, by market capitalization

Most selected · 2nd most selected · 3rd most selected

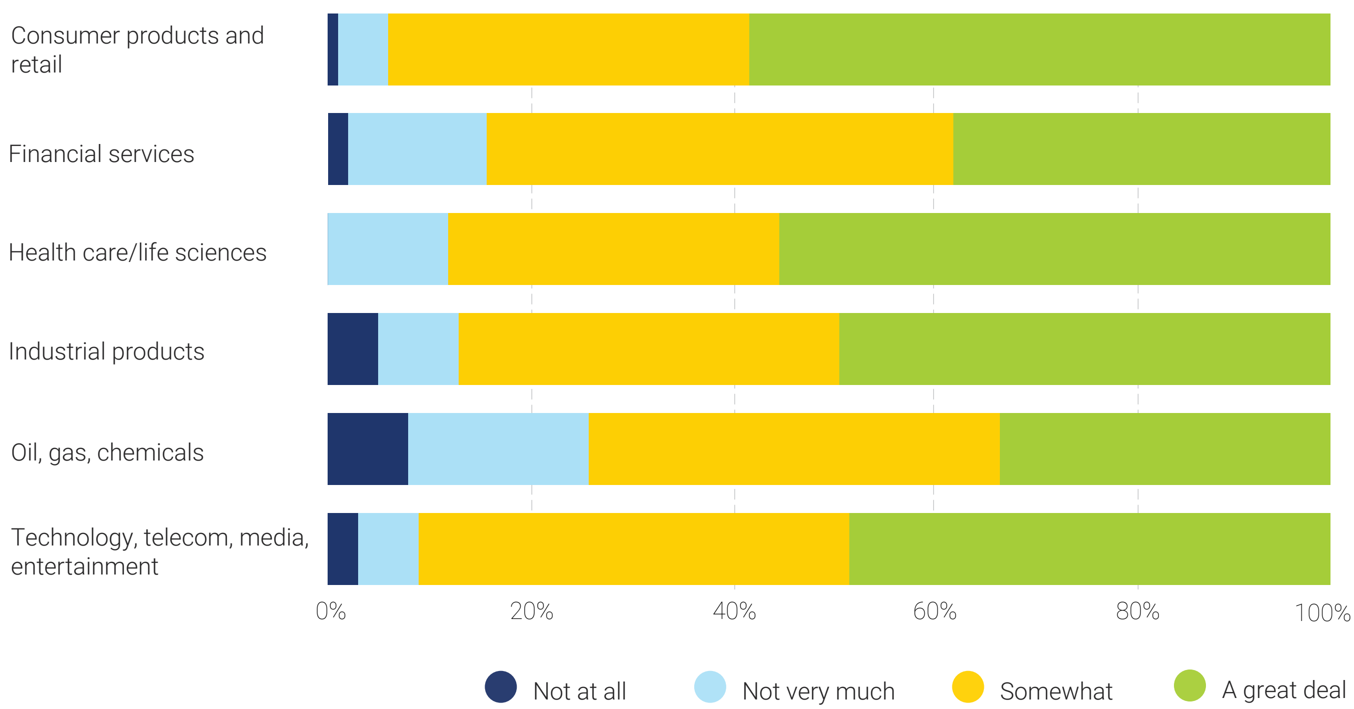
	MARKET CAPITALIZATION				
Risk category	Greater than $50 billion	$10 billion to $50 billion	$1 billion to $10 billion	$700 million to $1 billion	Less than $700 million
Establishing and tracking DEI effort metrics	44%	43%	45%	38%	34%
Increasing transparency and disclosure around DEI progress	42%	37%	32%	40%	32%
Enhancing DEI Education	38%	22%	30%	42%	38%
Changing hiring strategies	13%	18%	20%	27%	31%
Increased mentorship and/or sponsorship initiatives	40%	36%	25%	33%	13%
DEI progress as a performance indicator	39%	27%	18%	15%	10%
Board diversity	37%	49%	53%	47%	52%

Appendix I: Corporate Strategy

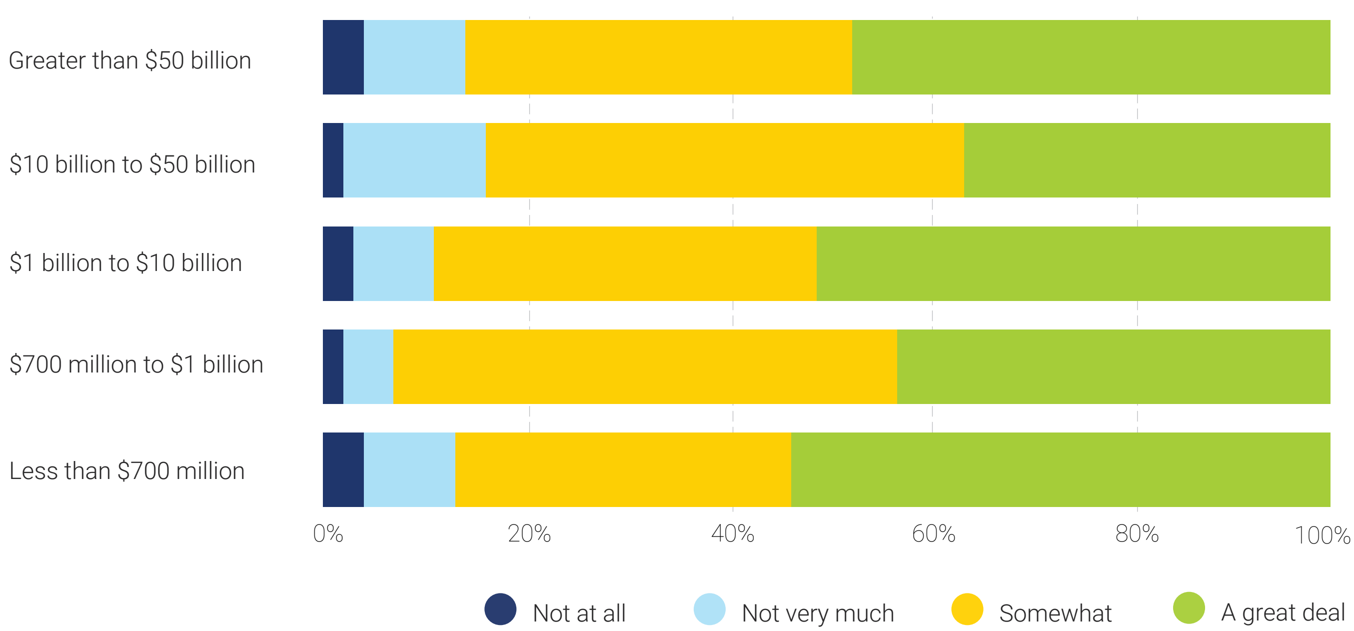
To what extent are companies in your primary industry sector taking the following issues into account when developing their corporate strategies?

Additional information per issue separated by industry and market capitalization.

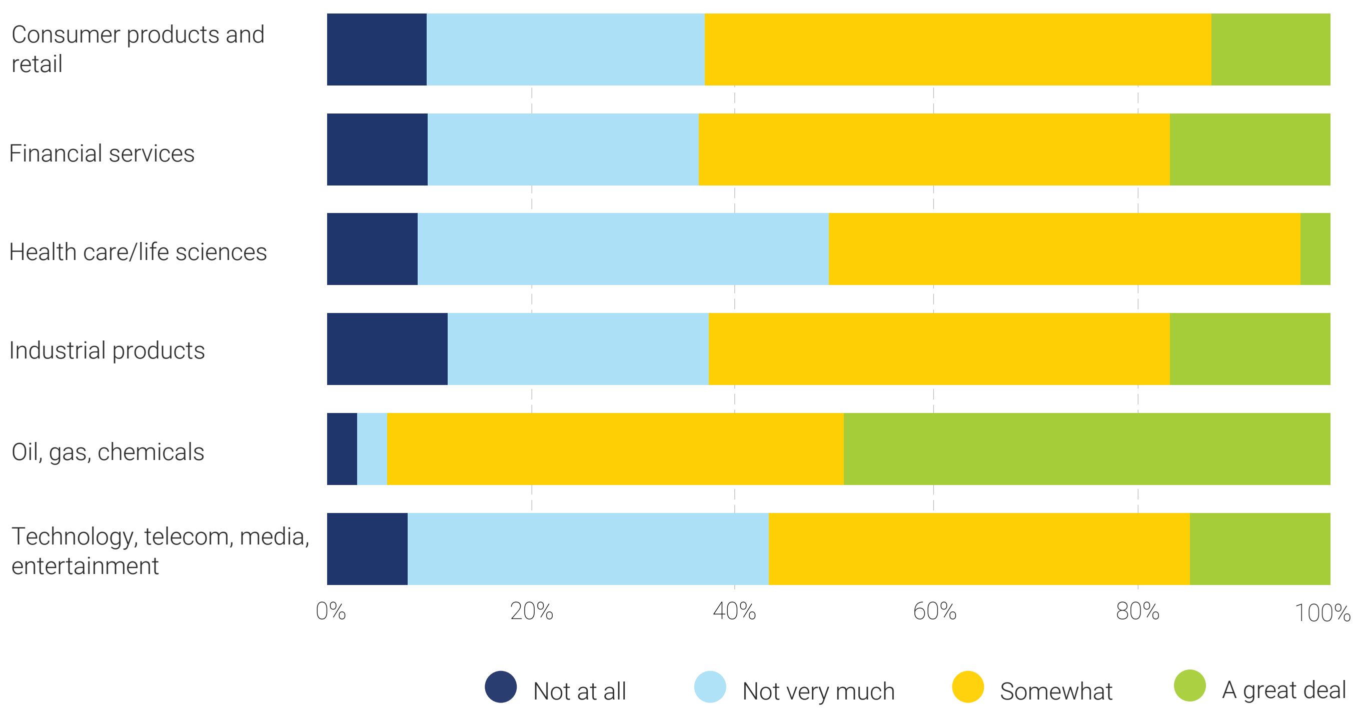
Impact of resource scarcity on corporate strategy, by industry sector



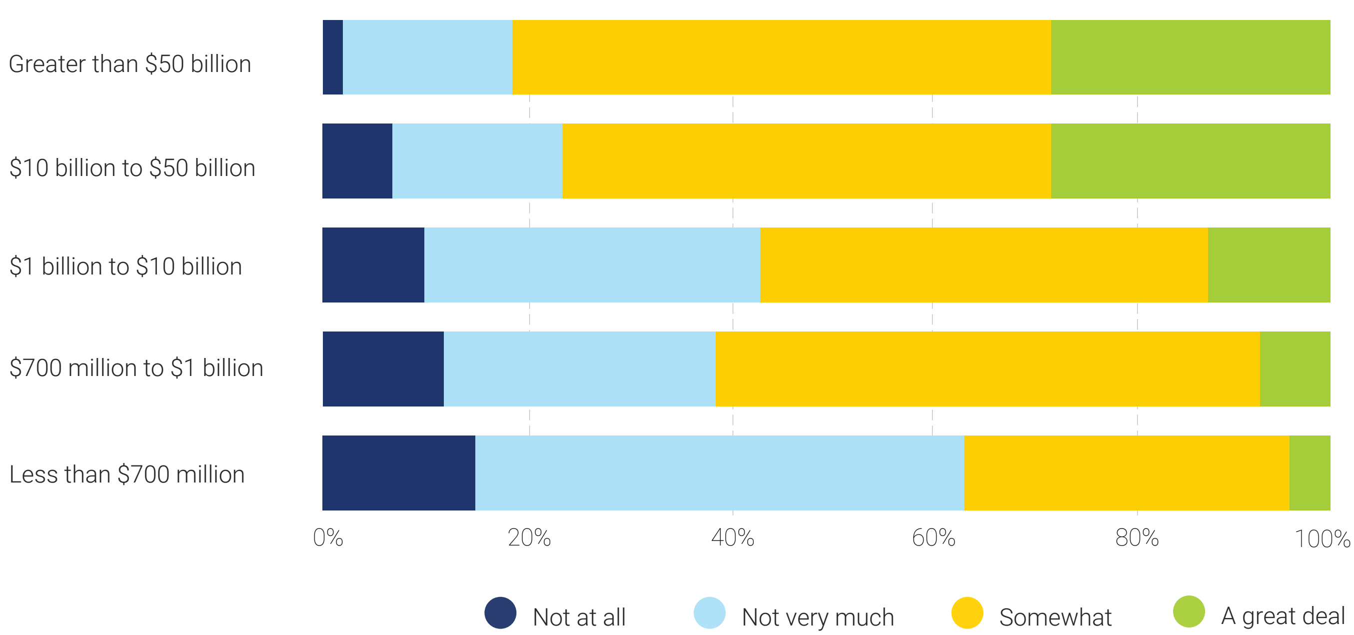
Impact of resource scarcity on corporate strategy, by market capitalization



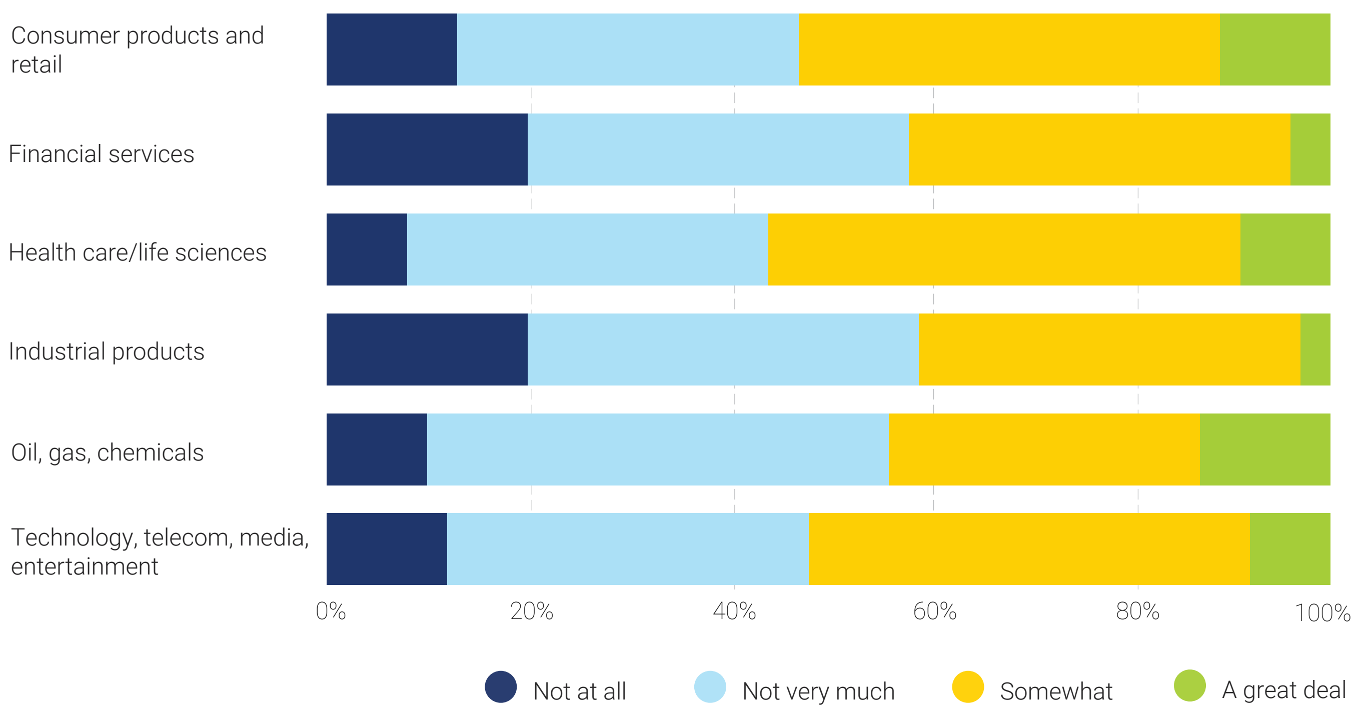
Impact of climate change on corporate strategy, by industry sector



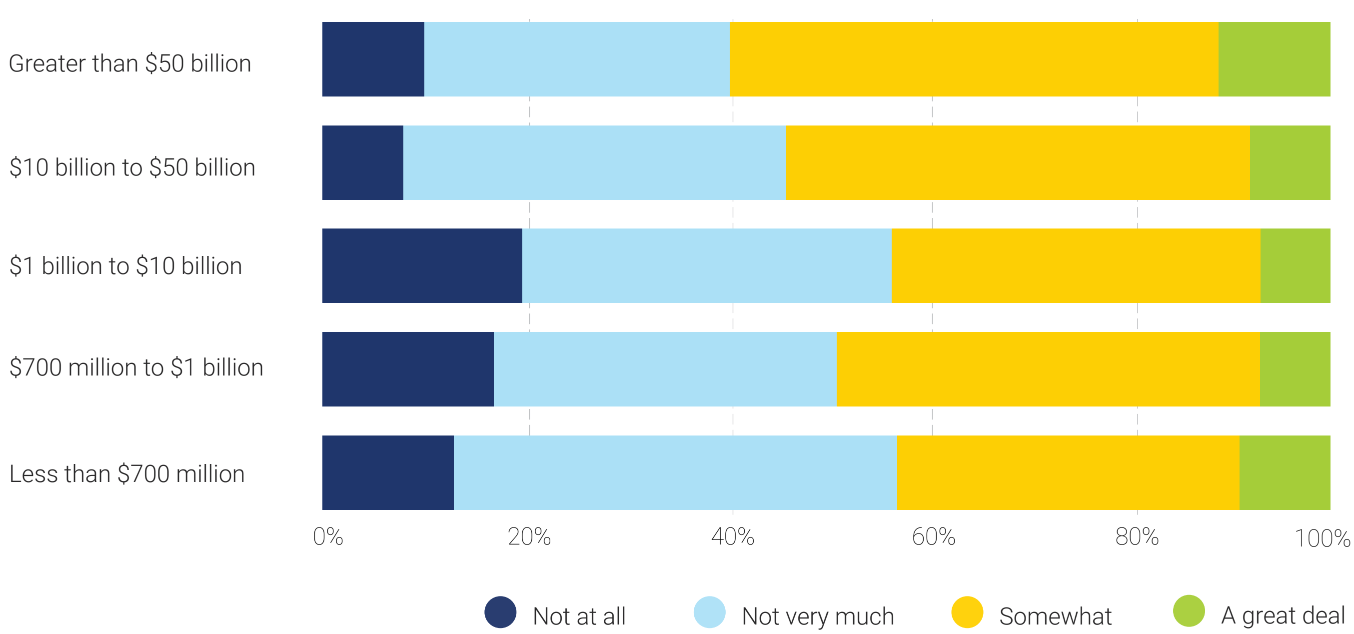
Impact of climate change on corporate strategy, by market capitalization



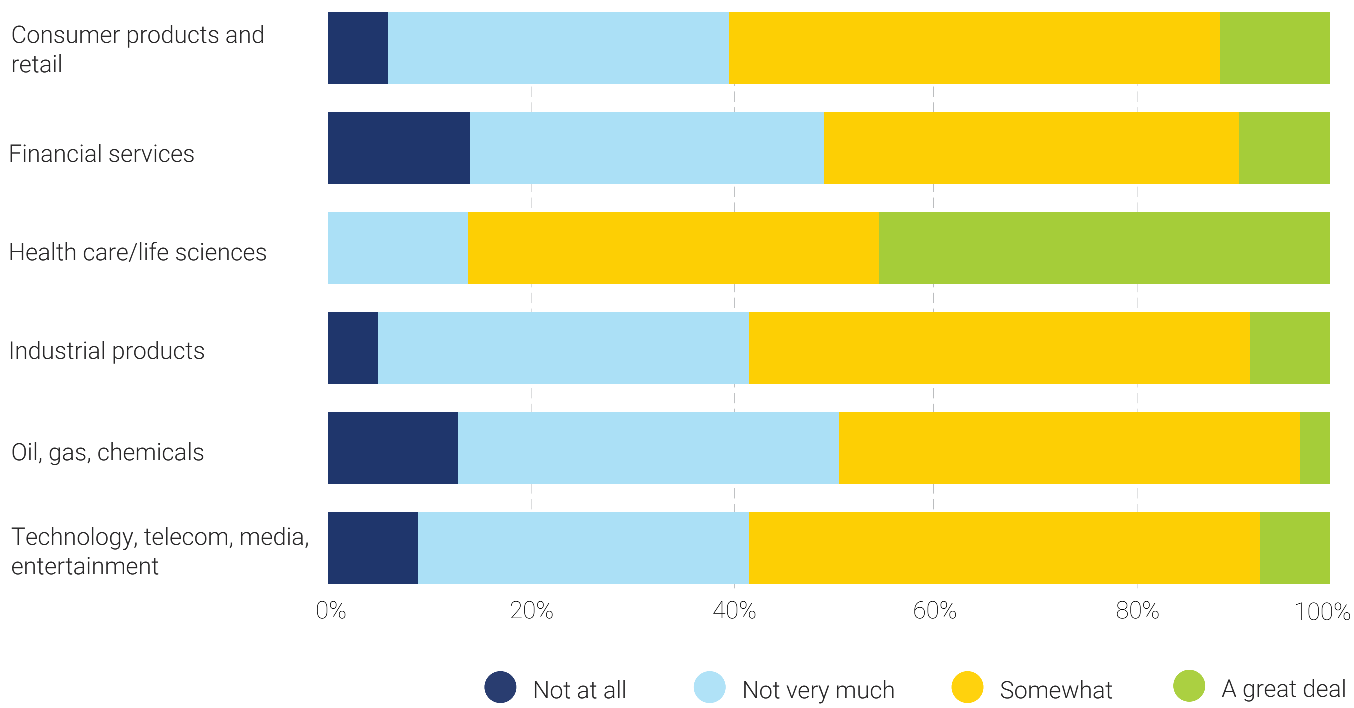
Impact of human rights issues on corporate strategy, by industry sector



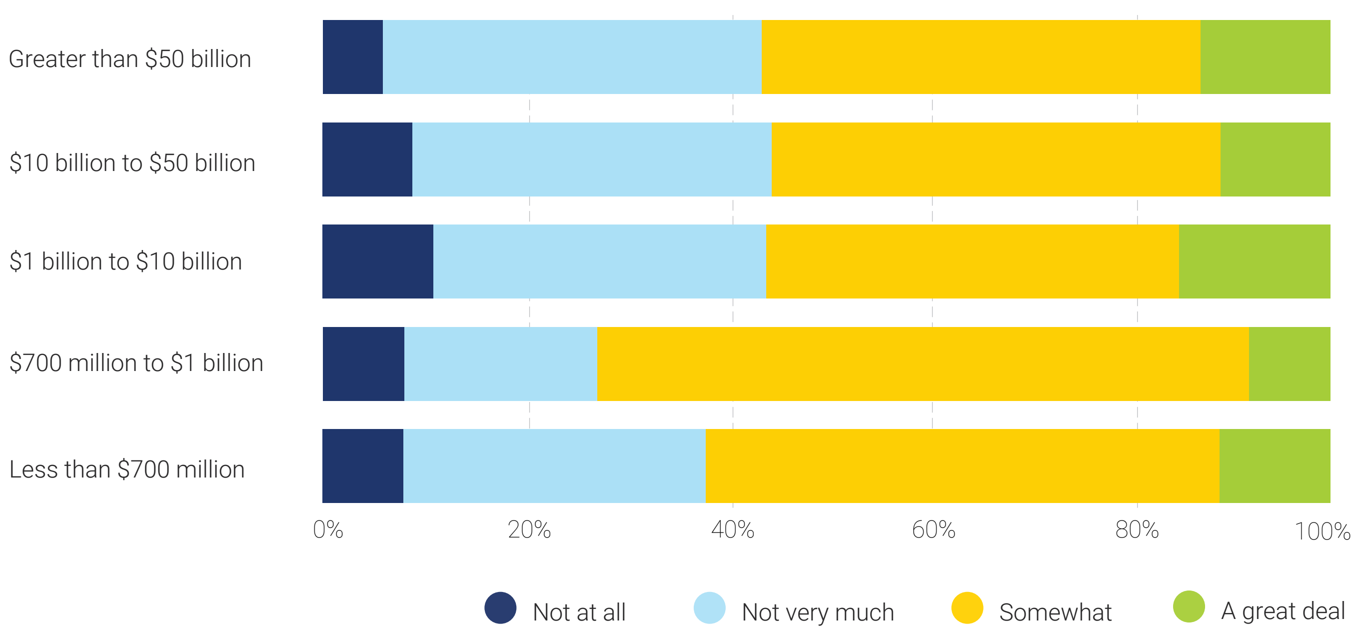
Impact of human rights issues on corporate strategy, by market capitalization



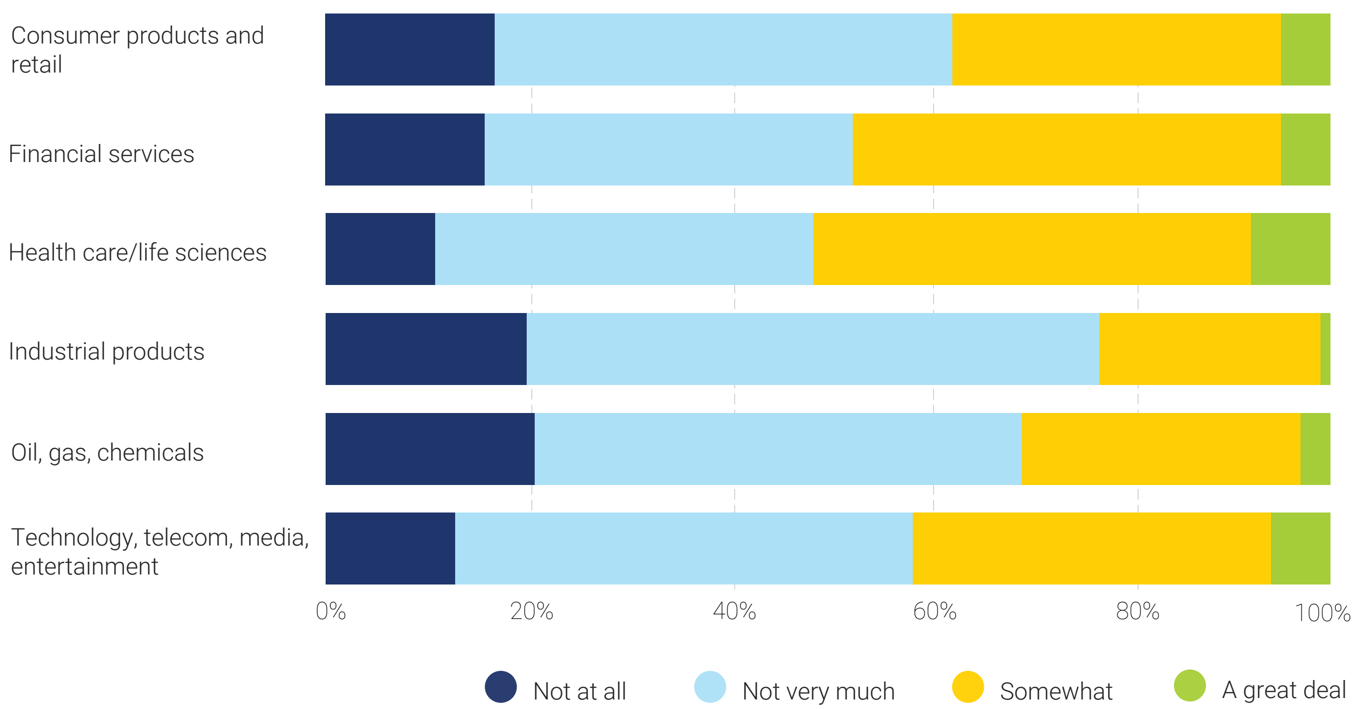
Impact of healthcare availability/cost on corporate strategy, by industry sector



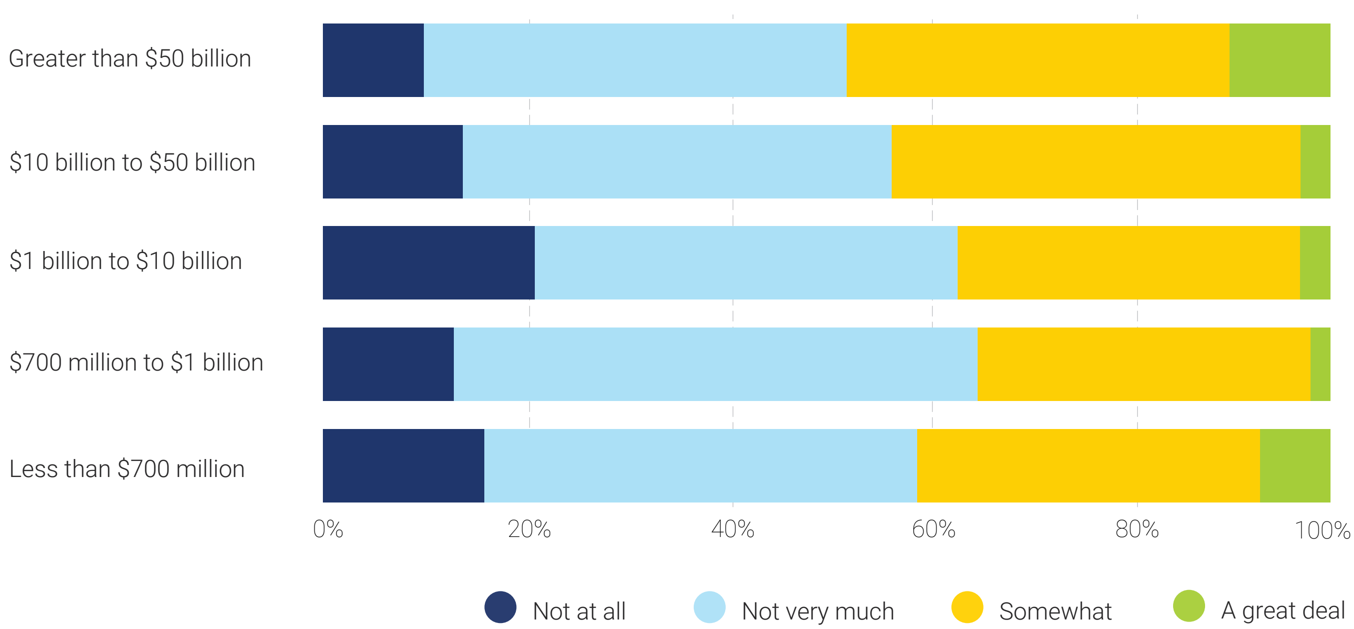
Impact of healthcare availability/cost on corporate strategy, by market capitalization



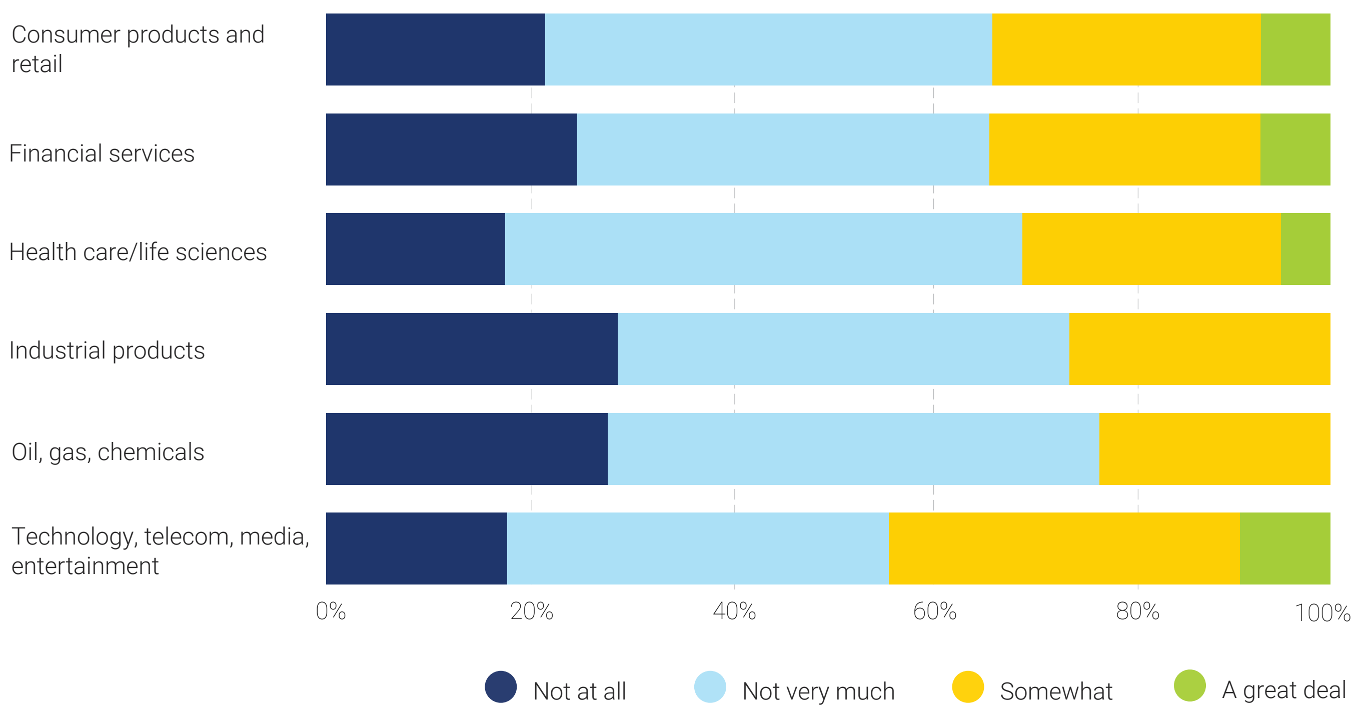
Impact of income inequality on corporate strategy, by industry sector



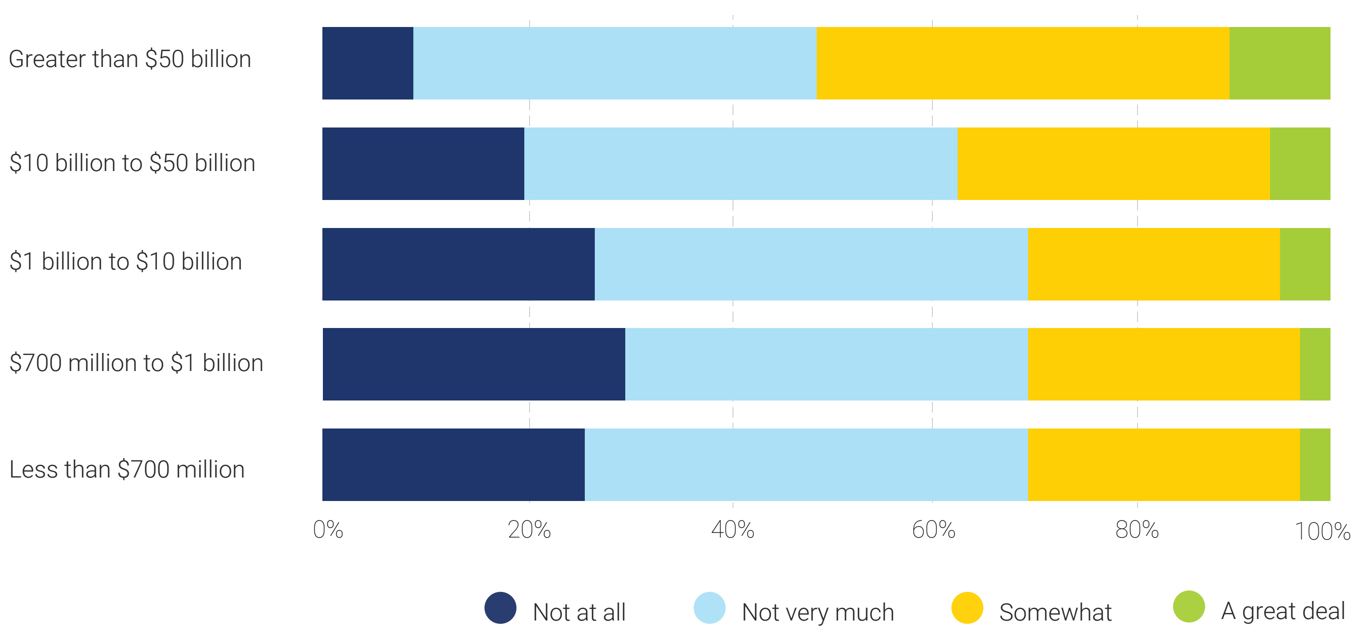
Impact of income inequality on corporate strategy, by market capitalization



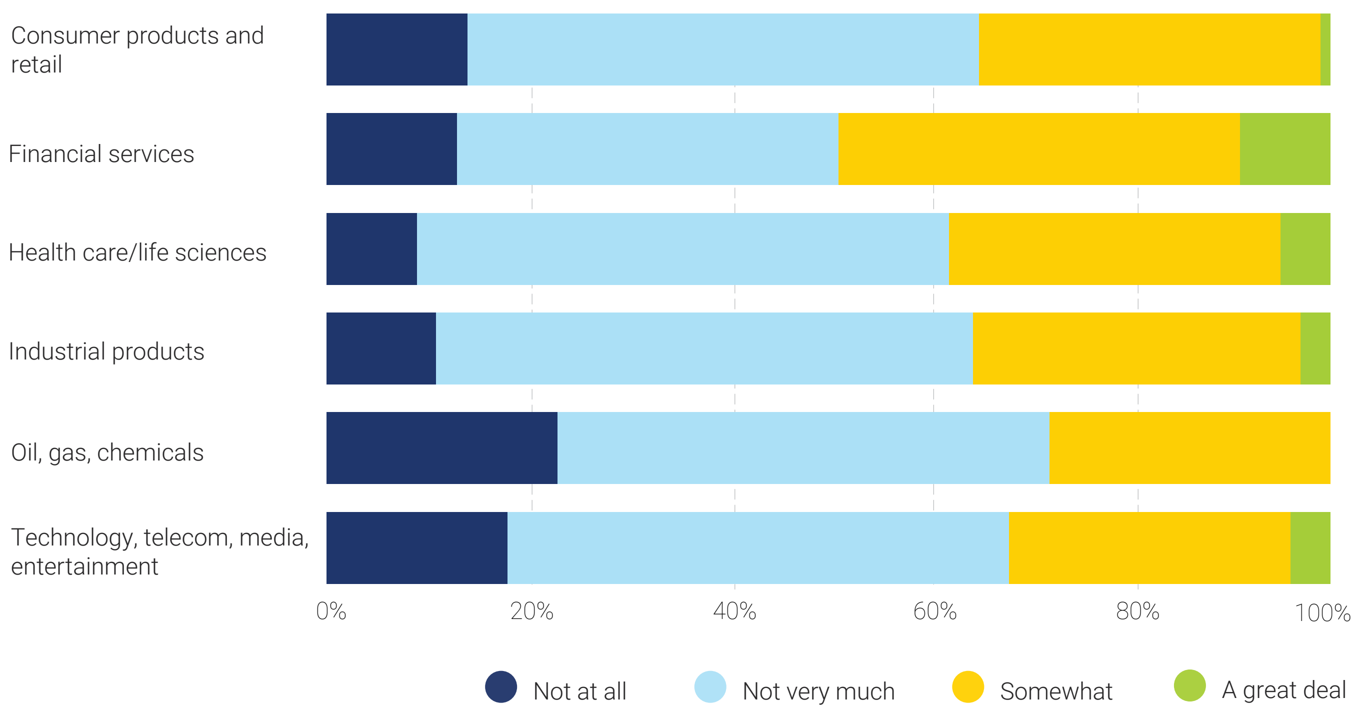
Impact of social movements on corporate strategy, by industry sector



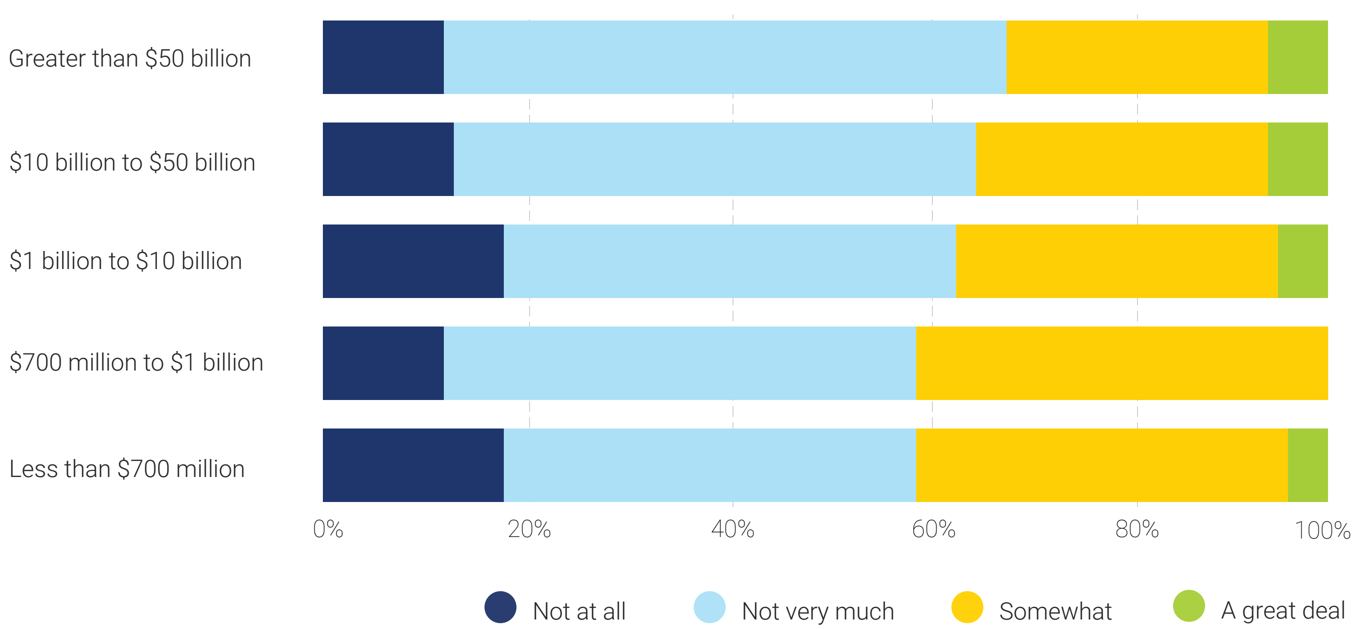
Impact of social movements on corporate strategy, by market capitalization



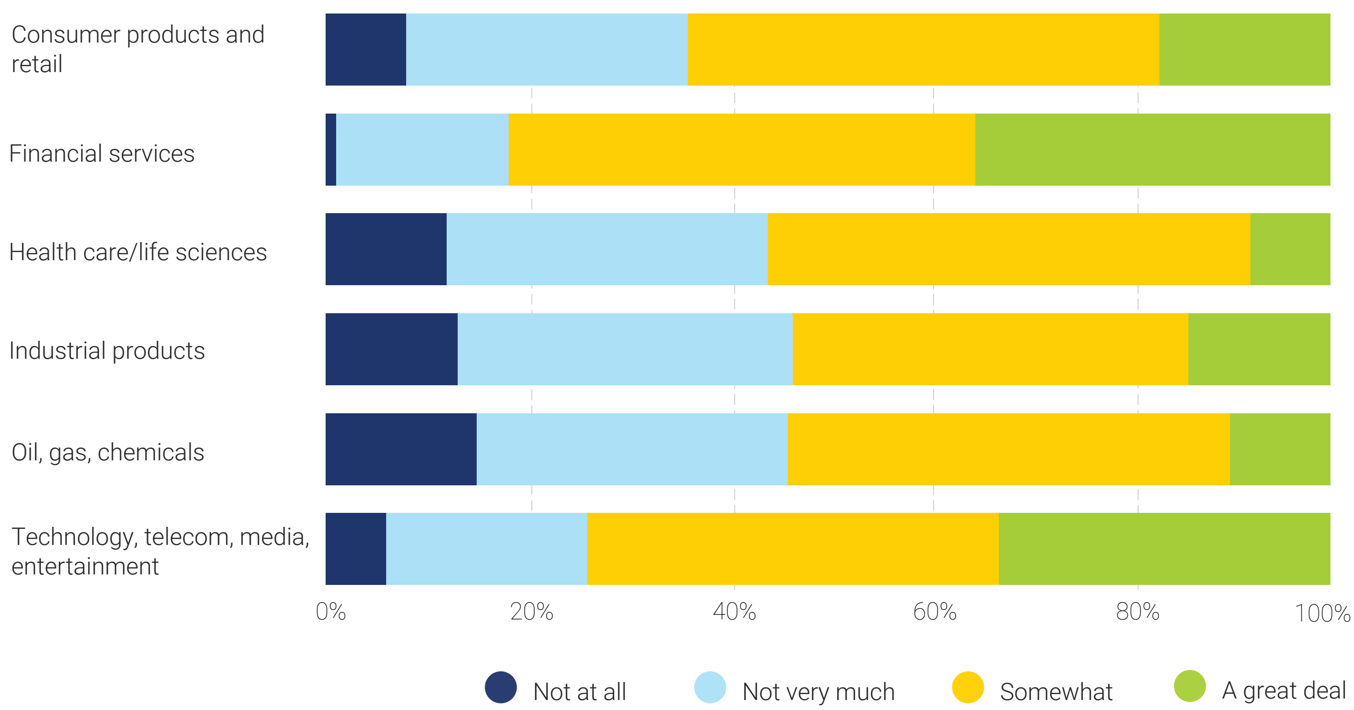
Impact of employee retirement security on corporate strategy, by industry sector



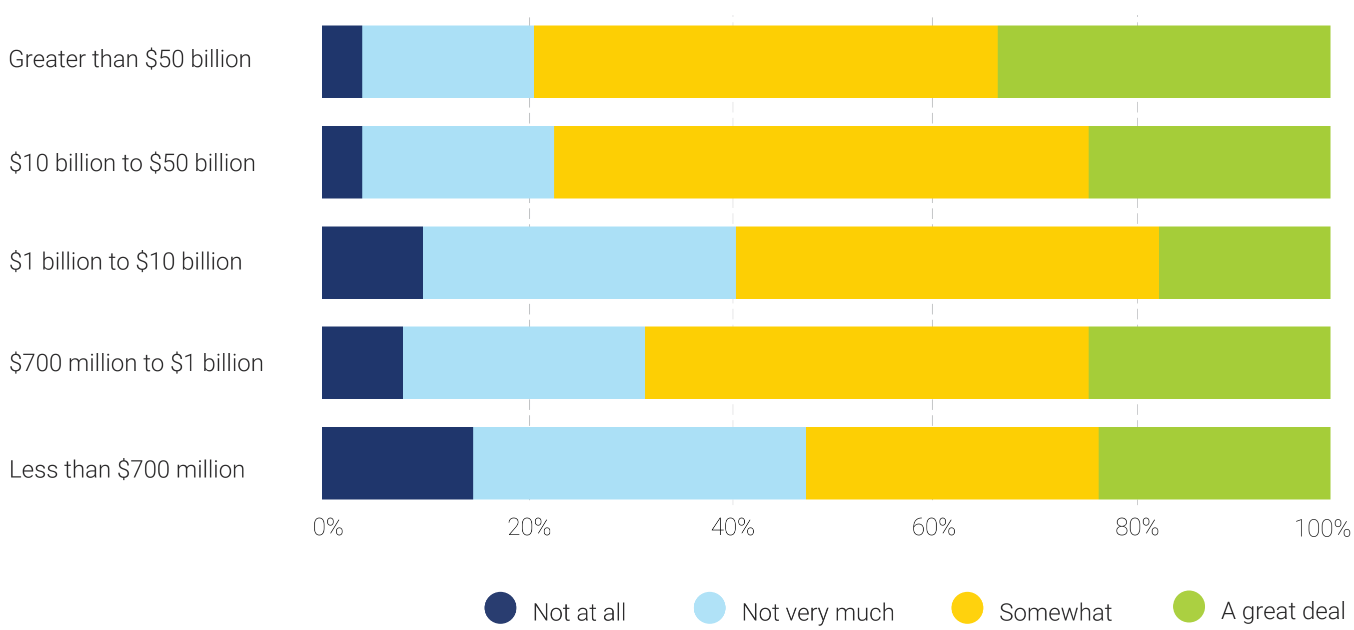
Impact of employee retirement security on corporate strategy, by market capitalization



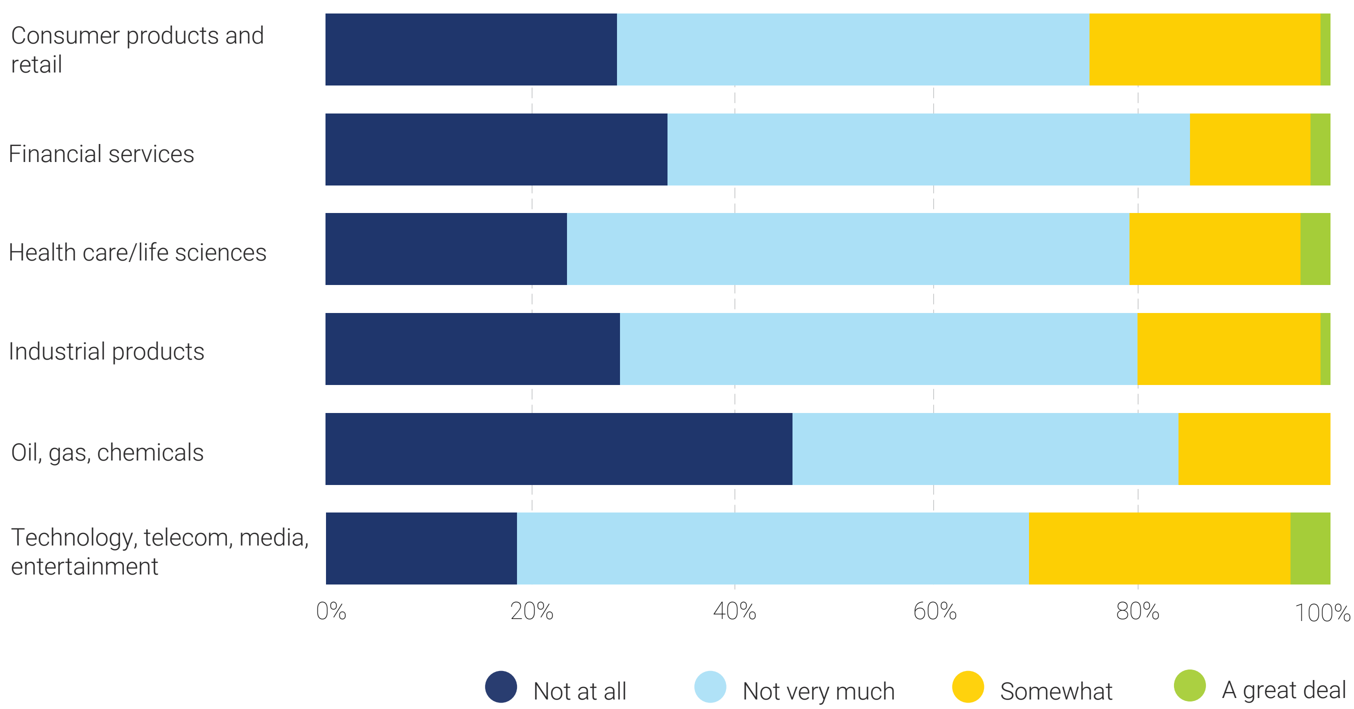
Impact of emerging technologies on corporate strategy, by industry sector



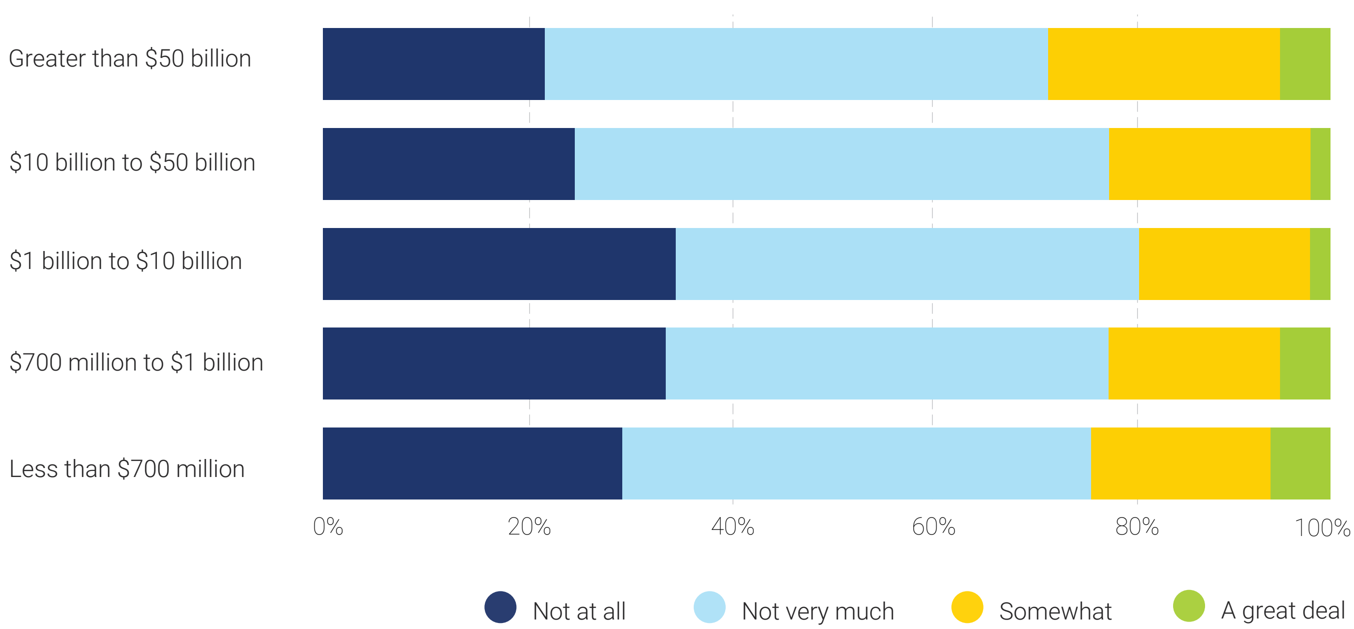
Impact of emerging technologies on corporate strategy, by market capitalization



Impact of immigration on corporate strategy, by industry sector



Impact of immigration on corporate strategy, by market capitalization

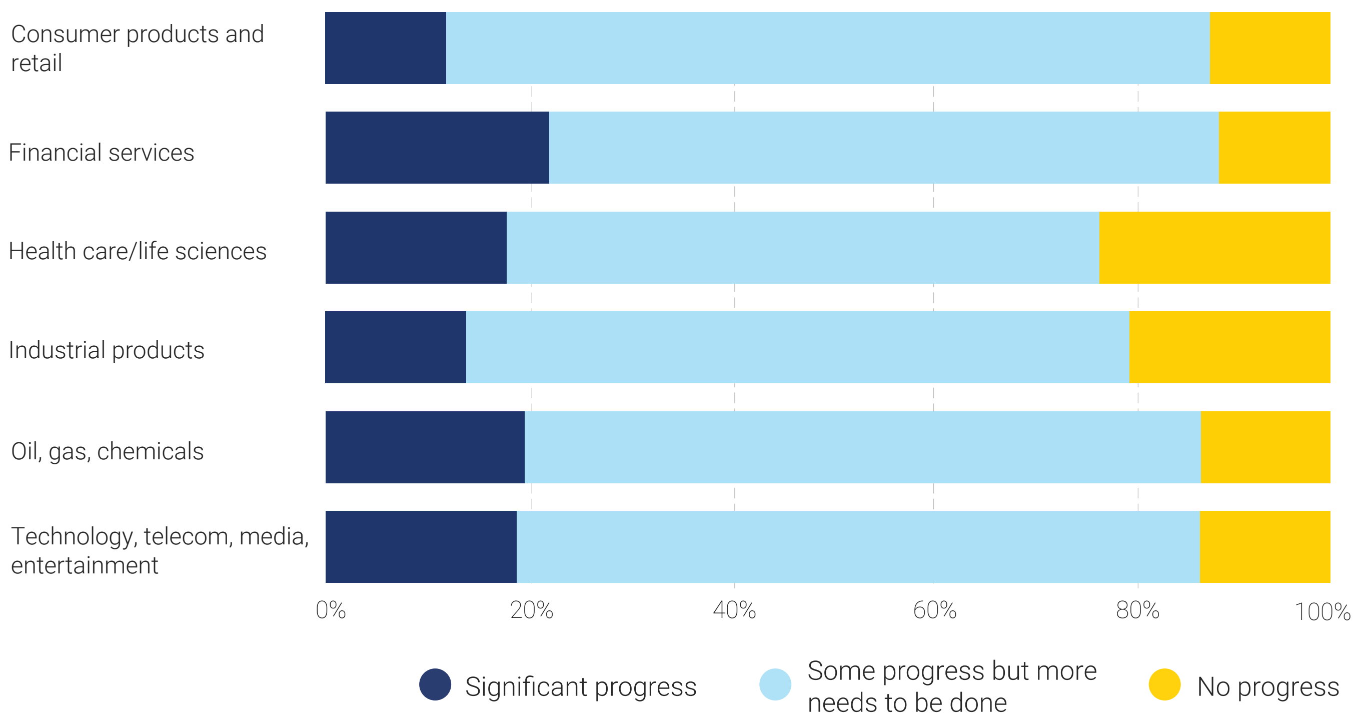


Appendix II: Cybersecurity

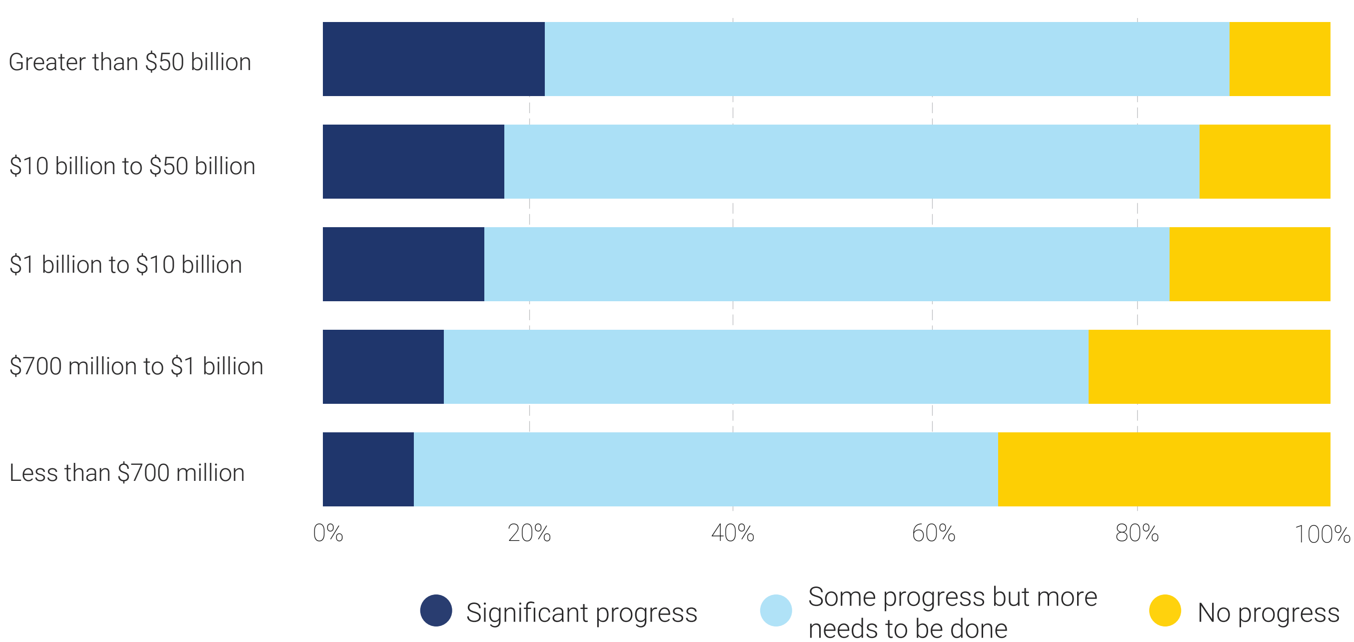
How much progress are companies in your primary industry sector making in the following areas related to cybersecurity?

Additional information per area separated by industry and market capitalization.

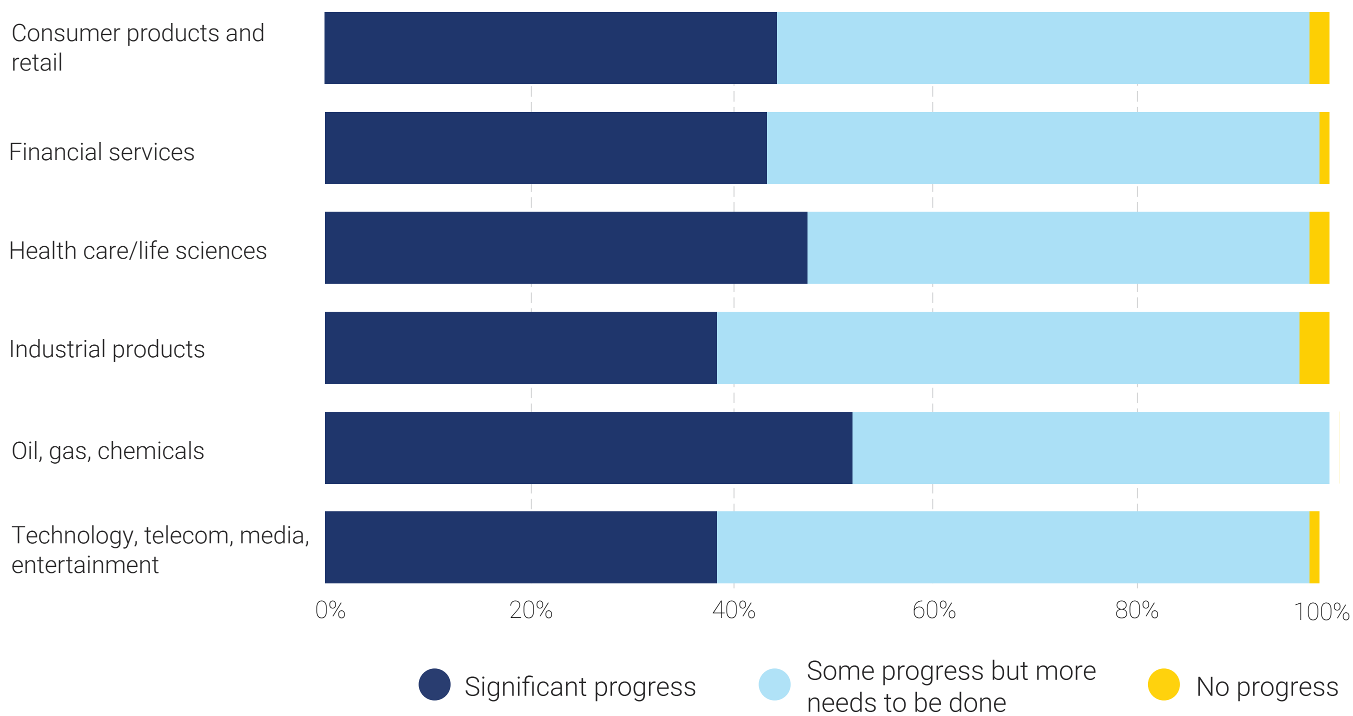
Amount of progress companies are making in enhancing disclosures on cybersecurity activities/initiatives, by industry sector



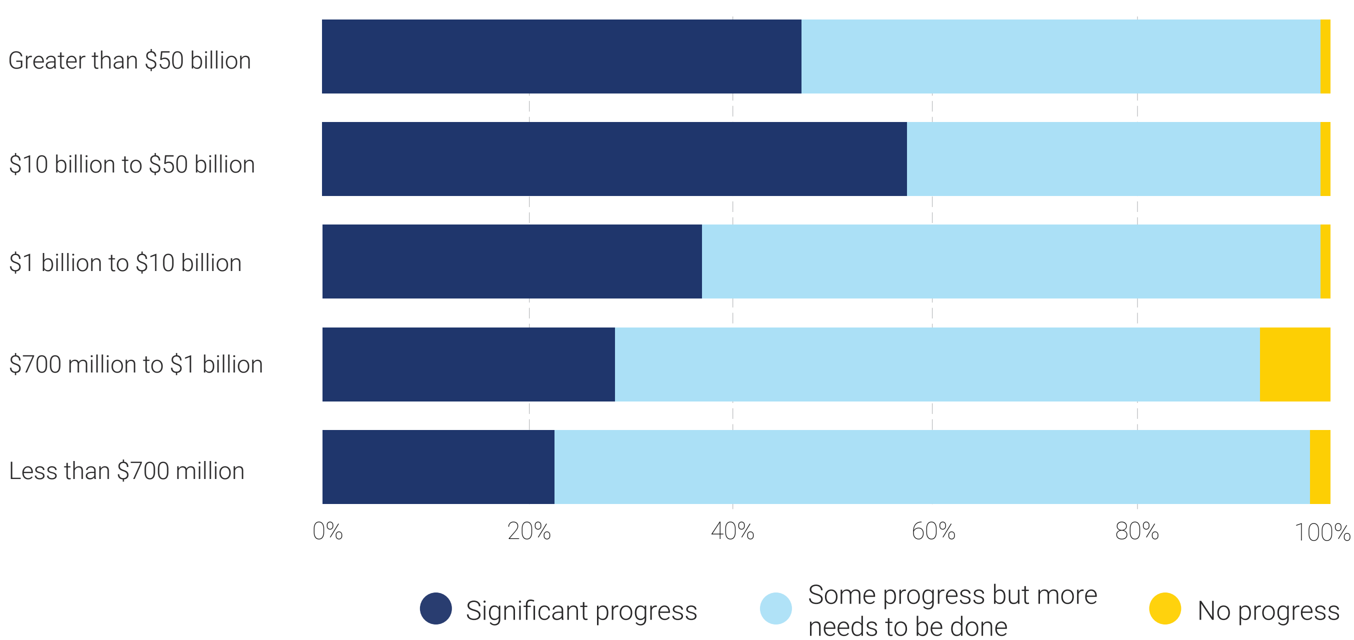
Amount of progress companies are making in enhancing disclosures on cybersecurity activities/initiatives, by market capitalization



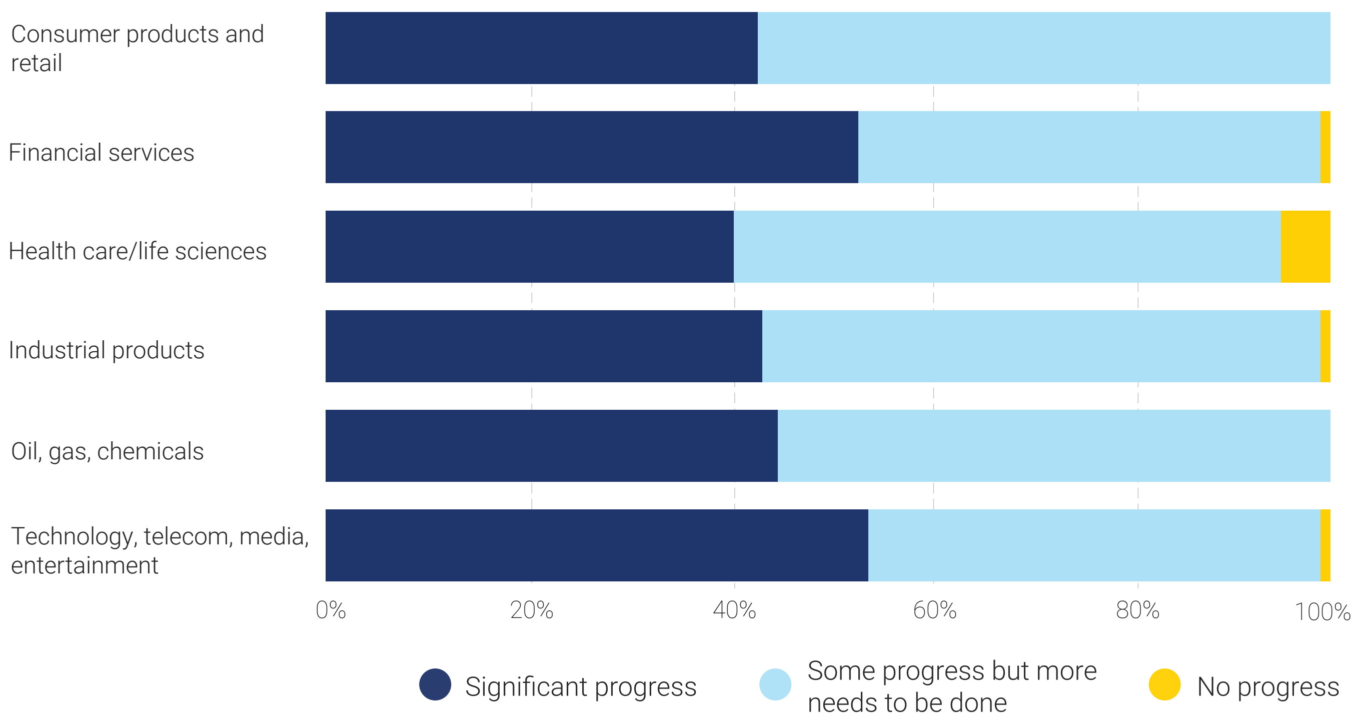
Amount of progress companies are making in establishing a culture of cybersecurity, by industry sector



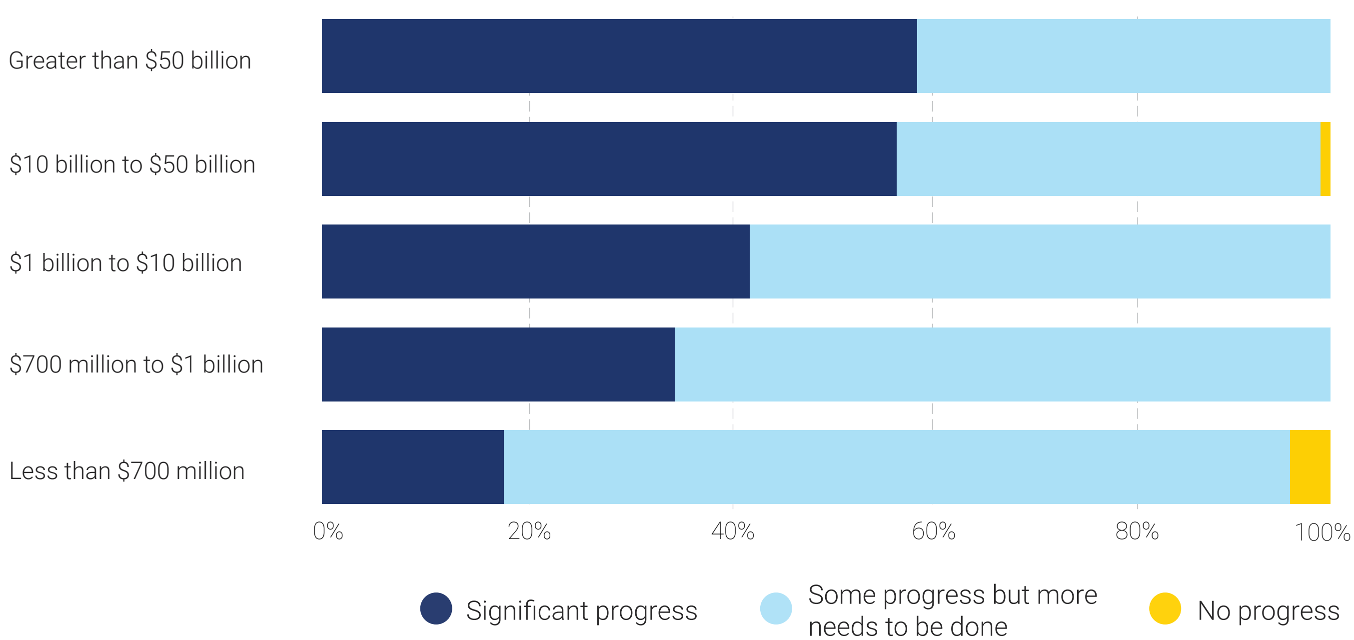
Amount of progress companies are making in establishing a culture of cybersecurity, by market capitalization



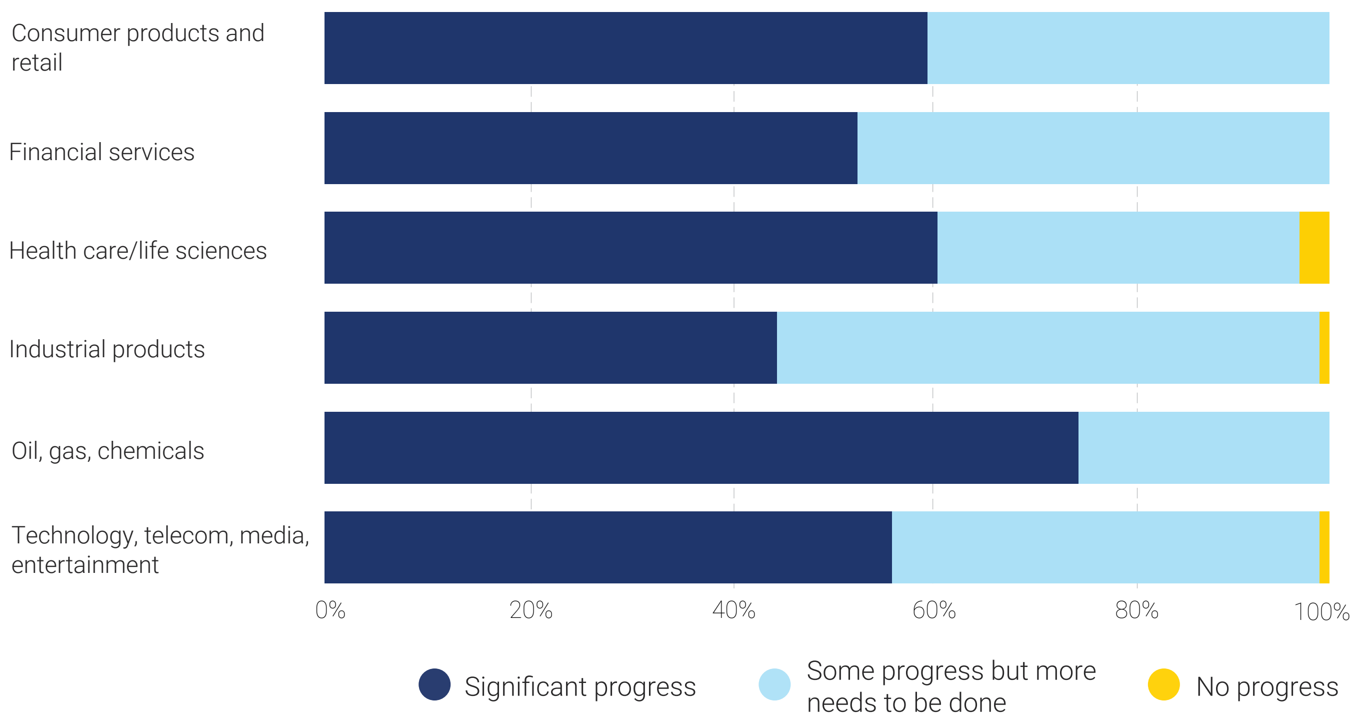
Amount of progress companies are making in cyber risk management, by industry sector



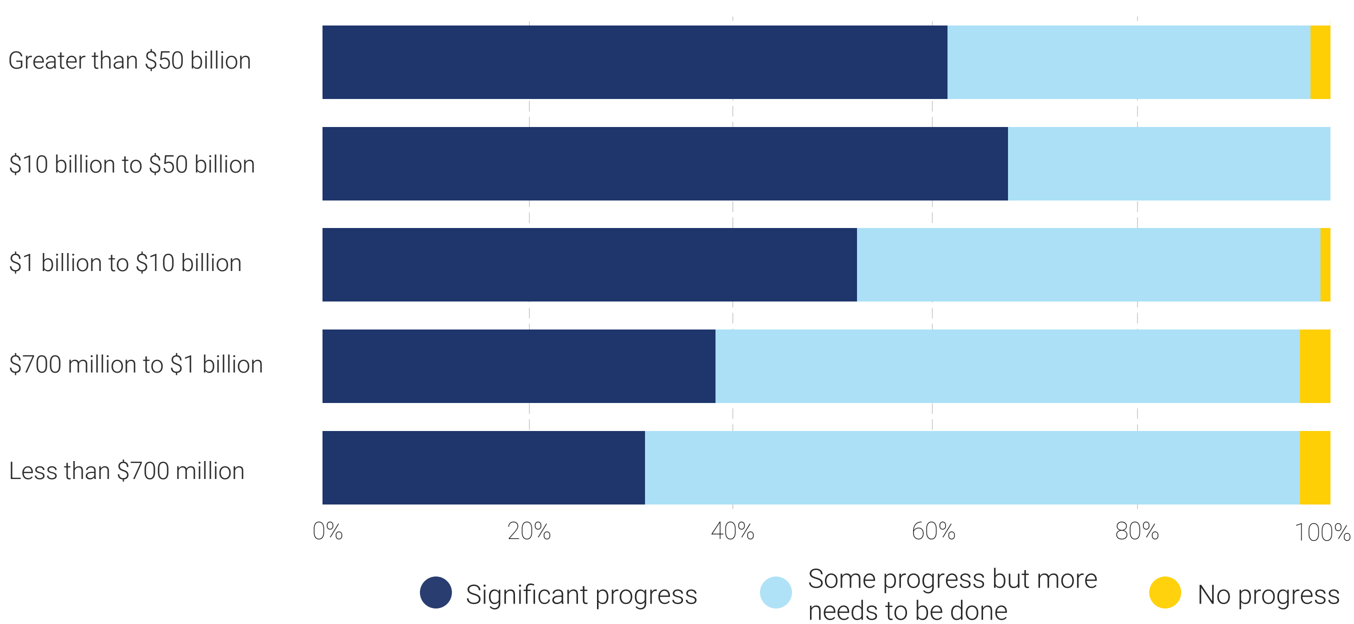
Amount of progress companies are making in cyber risk management, by market capitalization



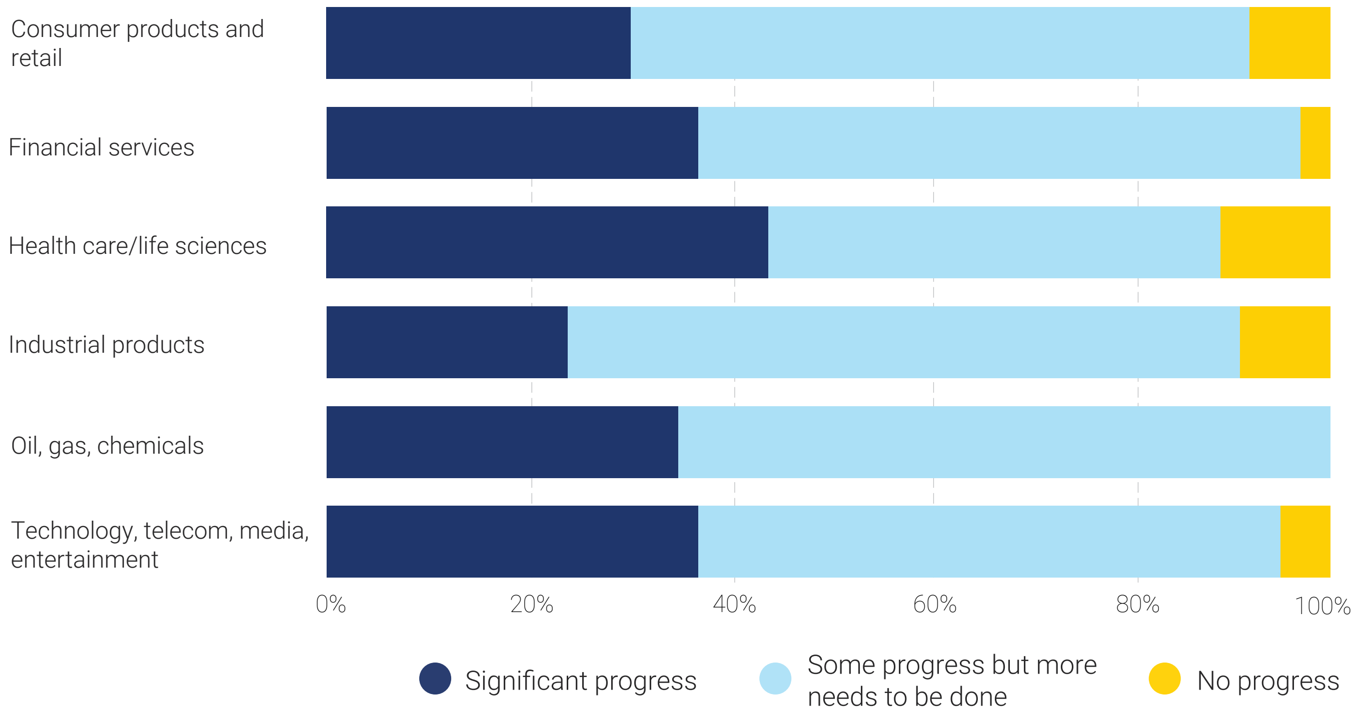
Amount of progress companies are making in communications between management and the board, by industry sector



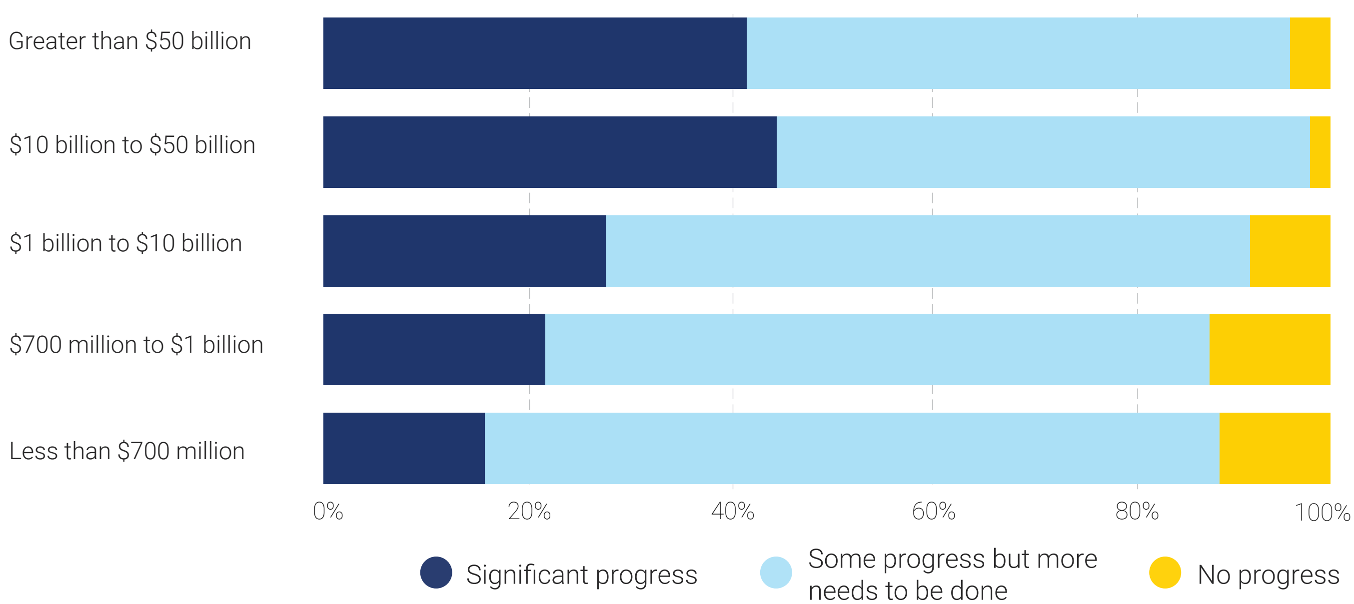
Amount of progress companies are making in communications between management and the board, by market capitalization



Amount of progress companies are making in aligning cybersecurity with overall company goals, by industry sector



Amount of progress companies are making in aligning cybersecurity with overall company goals, by market capitalization



CAQ

www.thecaq.org

We welcome your feedback!

Please send your comments or questions to info@thecaq.org