



AUDIT COMMITTEE TRANSPARENCY BAROMETER 2024

November 2024

Ideagen³ Audit Analytics

CAQ

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Overview

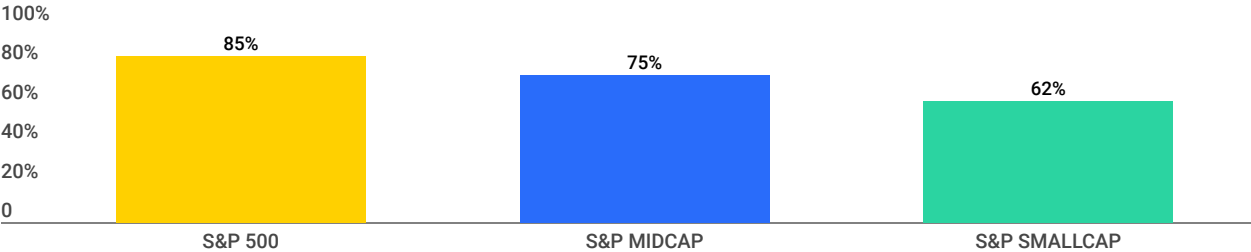
Beginning in 2014, the Center for Audit Quality (CAQ), together with Ideagen Audit Analytics, has annually analyzed public company audit committee disclosures of companies in the Standard & Poor's (S&P) Composite 1500 (S&P 1500), which is comprised of the S&P 500 large-cap companies (S&P 500), the S&P MidCap 400 (S&P MidCap), and the S&P SmallCap 600 (S&P SmallCap).

Now in our 11th year of analyzing disclosures, this publication highlights the progress that has been made in audit committee disclosures since we began tracking in 2014 and emphasizes the need for audit committees to continue to raise the bar with their disclosures each year. We encourage audit committees to build on the progress that has been made; now is not the time to settle for boilerplate disclosures. For audit committees looking to refresh and enhance disclosures, this publication provides leading disclosure examples and questions for consideration in the appendices.

New in 2024

As audit committees and boards of directors continue to face emerging risks and new areas of oversight responsibility, we have added a new question (Q13) this year about whether the board of directors discloses a skills matrix. Investors are interested in understanding the composition of the board and the expertise that each member brings. A skills matrix can be a helpful tool to evaluate if the board and committees have the right expertise and where there may be knowledge gaps that need to be filled through training, the assistance of subject matter experts, or recruitment. In 2024, we found that 85% of the S&P 500 have disclosed their skills matrix in the proxy statement. Additionally, as audit committees take on new areas of responsibility, a skills matrix combined with robust disclosures regarding the allocation of responsibilities among the committees of the board can provide useful information and demonstrate how committees, such as the audit committee, are qualified to oversee various emerging topics. We further explore board composition and responsibilities for emerging risk areas like cybersecurity and Environmental, Social and Governance (ESG) below.

Q13 | Is it disclosed that the board of directors has a skills matrix?



KEY TAKEAWAY #1

Disclosing a board skills matrix is a best practice. Whether you are small, mid or large-cap, if you do not have a skills matrix disclosed, here is an opportunity to enhance your disclosure, consistent with your peers.

Highlights of the 2024 Barometer

We have seen positive long-term disclosure trends since we began tracking disclosures in 2014. In recent years we have observed that disclosure rates across several questions measured have plateaued, providing an opportunity for audit committees to enhance disclosures on key matters to effectively tell the audit committee's story to investors. Here are the results for 2024:

Disclosure Question		S&P 500	S&P MidCap	S&P SmallCap
Q1	Is there disclosure related to a discussion of audit committee considerations in appointing or (re)appointing the external auditor?	50%	35%	29%
Q2	Is there disclosure of the length of time the auditor has been engaged?	73%	61%	57%
Q2.1	Is there disclosure related to a discussion about how the audit committee considers length of auditor tenure?	13%	5%	4%
Q3	Is there a disclosure related to a discussion of audit fees and its connection to audit quality?	6%	3%	1%
Q4	Is there disclosure related to a discussion of how non-audit services may impact independence?	85%	80%	74%
Q5	Is there a statement that the audit committee is responsible for fee negotiations?	18%	6%	5%
Q6	Is there an explanation provided for a change in fees paid to the external auditor?	24%	26%	29%
Q7	Is it stated that the evaluation of the external auditor is at least an annual event?	39%	22%	20%
Q8	Is it explicitly stated that the audit committee is involved in selection of the audit engagement partner?	53%	24%	14%
Q8.1	Is there disclosure related to a discussion of how the audit committee is involved in the selection of the audit engagement partner?	17%	9%	5%
Q9	Is it disclosed that the board of directors has a cybersecurity expert?	60%	41%	37%
Q10	Is it disclosed that the audit committee is responsible for cybersecurity risk oversight?	64%	53%	50%
Q11	Is it disclosed that the board of directors has an ESG or sustainability expert?	59%	50%	39%
Q12	Is it disclosed that the audit committee is responsible for ESG oversight?	34%	20%	15%
Q13	Is it disclosed that the board of directors has a skills matrix?	85%	75%	62%

KEY TAKEAWAY #2

While we have observed long-term improvement in disclosure rates across several questions measured, in 2024 we see a plateau (see Appendix I for data over the past 11 years). Yet, we continue to hear that investors want more, providing an opportunity for audit committees to enhance disclosures on key matters to effectively tell the audit committee's story to investors.¹

¹ For example, in the CAQ and KRC joint [Institutional Investor Research](#), investors expressed specific interest in understanding more about the communications between the audit committee and auditor.

TELLING THE AUDIT COMMITTEE'S STORY

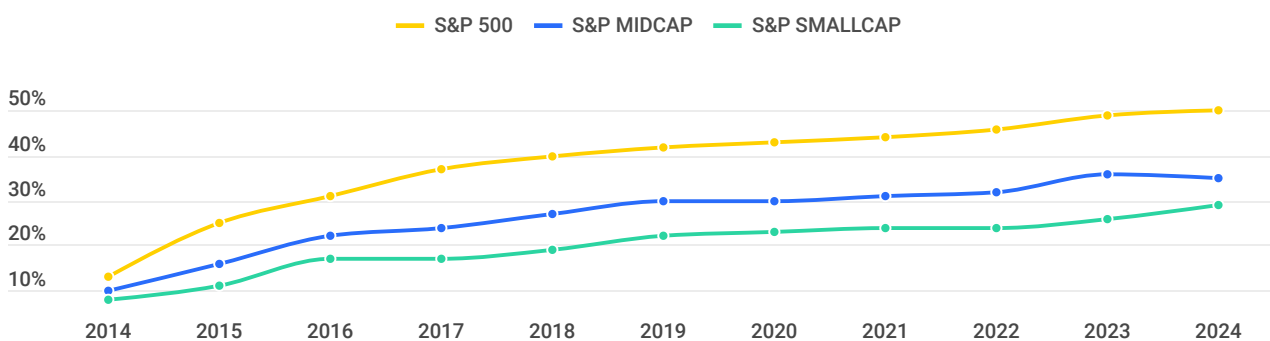
Audit committees play a crucial role in the financial reporting ecosystem through oversight of the external auditor and the company's financial reporting process and internal control over financial reporting. Extensive academic research on audit committee effectiveness demonstrates that independent, knowledgeable, and engaged audit committees directly contribute to audit quality.² In the current environment where public accounting firms are being called on to raise the bar and continuously improve audit quality, the role of the audit committee is as important as ever. It's up to the audit committee to tell their unique story each year to provide transparency to investors as to how the audit committee is fulfilling its oversight responsibilities and promoting audit quality. Audit committees can do this with detailed disclosures that focus specifically on the audit committee's oversight during the prior year, including year-over-year changes. Additionally, disclosures that describe not only the "what" but also the "how" of audit committee oversight provide valuable information to investors.

Oversight of the External Auditor

While many of the audit committee's activities that relate to oversight of the external auditor, including selecting the audit firm and lead engagement partner, negotiating audit fees, and regularly evaluating the audit firm's performance are routine, it is important that the audit committee provide robust disclosures about how they have fulfilled these responsibilities each year. Every year there may be changes and unique considerations that impact the audit committee's oversight. We see an opportunity for audit committees to provide more thorough and transparent disclosures in this area.

For example, as it relates to appointing (or reappointing) the external auditor, there may be a number of factors that the audit committee considers, such as interactions with the lead audit partner and senior audit team members, the audit firm's reputation including publicly available information regarding audit quality at the firm (e.g., PCAOB inspection reports and firm audit quality reports), specific knowledge, resources, and expertise of the audit firm, and the tenure of the audit firm, among others. These disclosures demonstrate the audit committee's commitment to selecting and retaining a qualified external auditor, which is critical to promoting audit quality. Providing information regarding the factors considered, including pros and cons, and the unique considerations arising during the year, provides useful information and demonstrates the extent of the audit committee's engagement. This year we observed that 50% of the S&P 500 included discussion of the audit committee considerations in appointing or reappointing the external auditor (Q1), which is up slightly from the prior year (49% of the S&P 500 in 2023). While progress has been made in the last 11 years, this is an area where disclosures can continue to be enhanced.

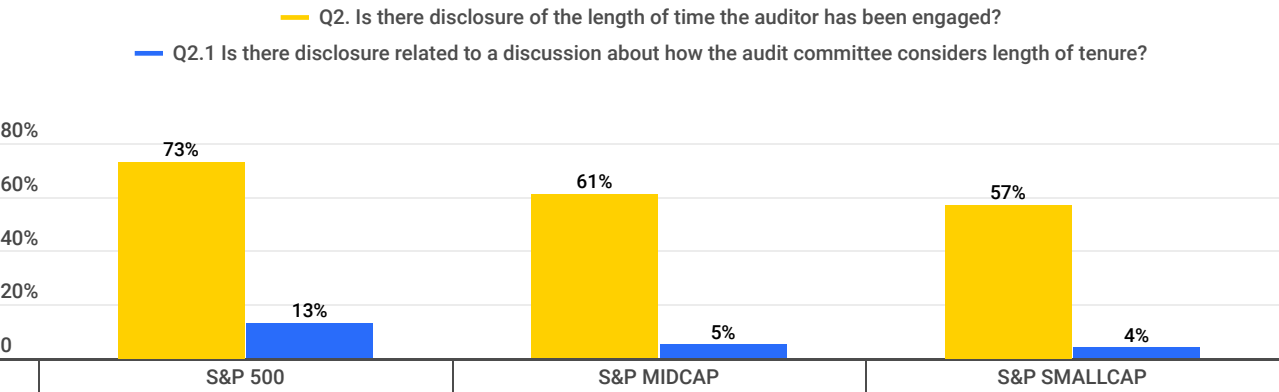
Q1 | Is there a discussion of audit committee considerations in appointing or (re)appointing the external auditor?



² Hermanson, D., Hurley, P., & Obermire, K. (2024). Audit Committee Research: Where Do We Stand, and Where Do We Go from Here? *Auditing: A Journal of Practice & Theory*, 43 (3): 165–185. <https://doi.org/10.2308/AJPT-2023-057>.

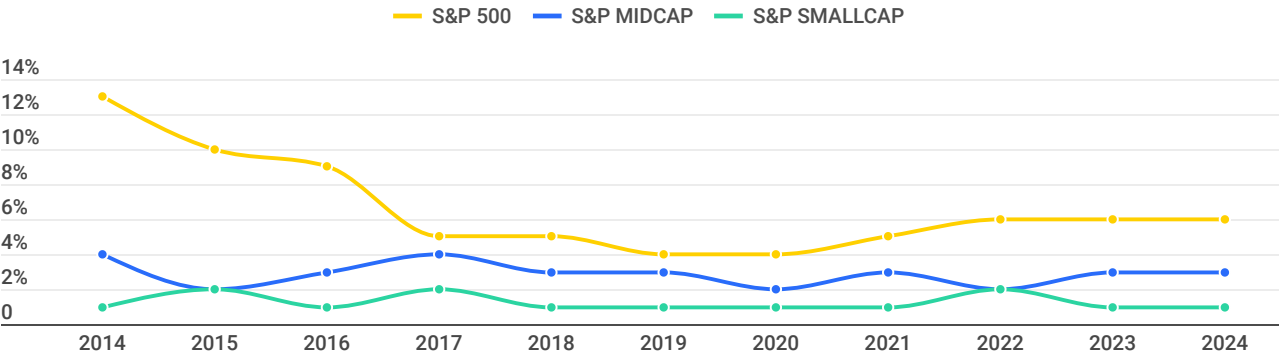
Relatedly, audit firm tenure continues to be frequently disclosed by audit committees (73% of the S&P 500 in 2024); however, fewer audit committees disclose how length of tenure has been considered when reappointing the external auditor (13% of the S&P 500 in 2024). Solely stating the tenure of the audit firm is not enough; detailed disclosures demonstrate how the audit committee has carefully evaluated the positive and negative impacts of audit firm tenure on audit quality.

Q2 and Q2.1 | Auditor tenure disclosures



Another area where we see opportunity for audit committees to enhance disclosures is related to audit firm compensation. Negotiating the audit fee is a key responsibility of the audit committee, and the audit fee can provide evidence of the quality of the audit. Audit fees that are too low may be indicative of poor audit quality, but audit fees that are too high could be the result of inefficiencies. Clear disclosures about how the audit committee evaluates audit fees in relation to audit quality highlight the audit committee’s commitment to promoting audit quality. This is also an opportunity for the audit committee to discuss how it drives efficiencies in the audit and is focused on not only the cost of the audit, but also the quality. In 2024, only 6% of the S&P 500 included disclosure related to a discussion of audit fees and its connection to audit quality (Q3).

Q3 | Is there a disclosure related to a discussion of audit fees and its connection to audit quality?



KEY TAKEAWAY #3

- There is an opportunity to enhance audit committee disclosures, especially related to discussion of:
- + Audit committee considerations in appointing or (re) appointing the external auditor;
 - + How length of tenure has been considered when reappointing the external auditor; and
 - + How the audit committee evaluates audit fees in relation to audit quality.

EXPANDING OVERSIGHT RESPONSIBILITIES

Expanding Oversight Responsibilities

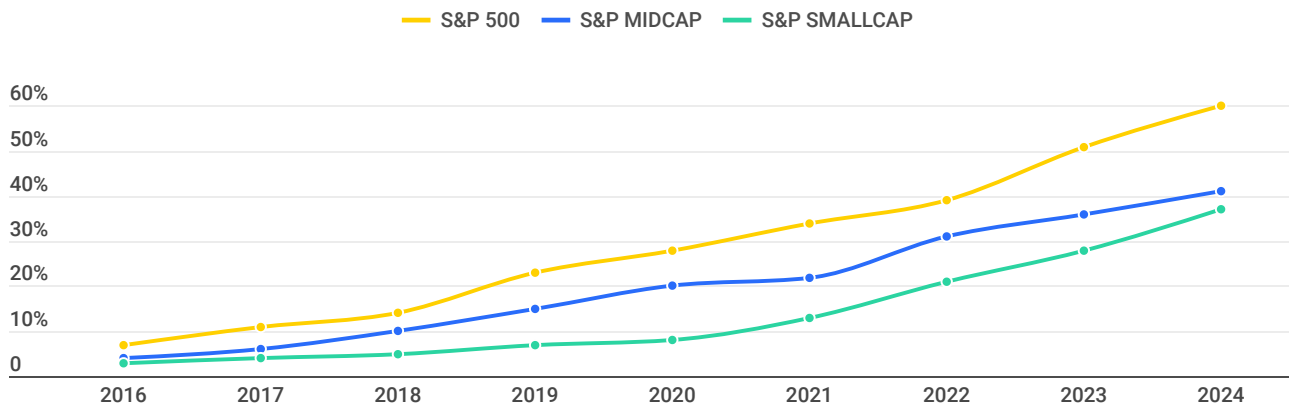
We continue to see the role of the audit committee expand to include oversight of topics like cybersecurity and ESG reporting. Leveraging their expertise and experience in oversight of financial reporting and internal controls, audit committees can play an important role in overseeing these topics. As cybersecurity, ESG, and other emerging topics are multi-faceted and evolving, how the board assigns oversight of these risks among its committees is helpful information for investors. Leading disclosure examples also clearly state the roles and responsibilities assigned to the audit committee, an explanation of why the audit committee is suited to oversee those topics, and discussion of why audit committee members are appropriate for the specific company. The 2022 *Audit Committee: The Kitchen Sink of the Board* report found that these topics, among others related to the role of the audit committee, are of high importance to investors.

Additionally, oversight of emerging topics may require expanded skillsets from board and audit committee members. Disclosures about the expertise of board members and ongoing education efforts to keep board members informed on emerging topics provide transparency about how the board and committees are adapting to these new oversight responsibilities. As discussed above, a skills matrix can be a clear way to depict the expertise of board members, and in 2024, 85% of the S&P 500 disclosed a skills matrix in the proxy statement (Q13).

Audit Committee Oversight of Cybersecurity

The cybersecurity landscape has changed dramatically in recent years. Cybersecurity incidents are on the rise and the costs associated with a cybersecurity incident are also increasing.³ In the CAQ and Deloitte joint [2024 Audit Committee Practices Report](#), 69% of audit committee respondents indicated that cybersecurity will be in the top three priority areas for the audit committee in the next 12 months, and 30% ranked cybersecurity as the number one priority for the audit committee in that period. Additionally, with the [SEC Cybersecurity Disclosure Rule](#) in full effect, certain cybersecurity information is required to be included in SEC filings.⁴ Further, per the [CAQ 2024 Audit Partner Pulse Survey](#), 47% of audit partners expect to see companies in their primary industry sector voluntarily increasing or enhancing cybersecurity disclosures over the next 12 months. Consistent with this, in 2024, we continue to see an increase in the percentage of audit committees disclosing that they are responsible for cybersecurity risk oversight (Q10, 64% of the S&P 500 in 2024, compared to 59% in 2023). Additionally, we see more boards disclosing that they have a cybersecurity expert (Q9, 60% of the S&P 500 in 2024, compared to 51% in 2023). Given the complex and evolving cybersecurity risk environment, it is important that board and audit committee members are staying current through education and training – including use of specialists - to effectively oversee the company’s approach to cybersecurity risk management.

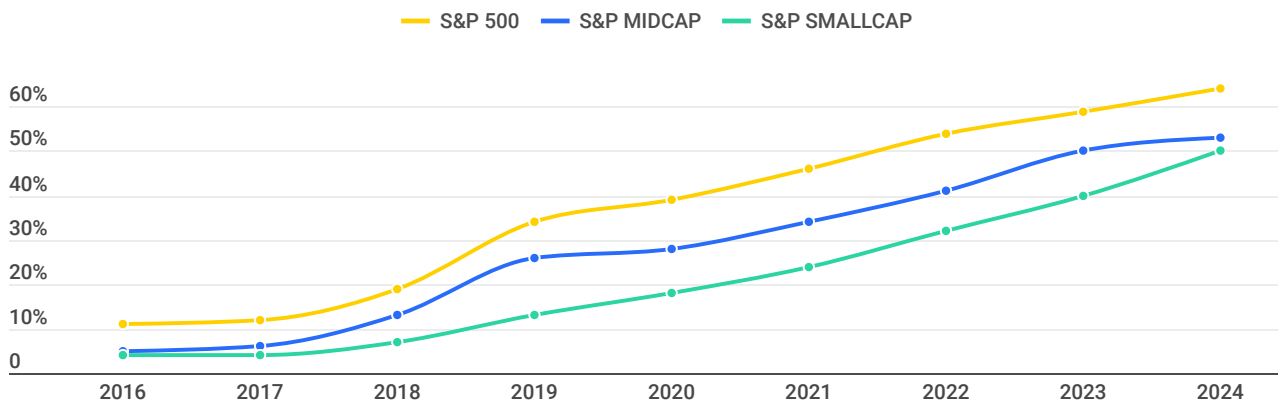
Q9 | Is it disclosed that the board of directors has a cybersecurity expert?



³ <https://www.gao.gov/cybersecurity>

⁴ The CAQ and AICPA joint resource *What Management Needs to Know About the New SEC Cybersecurity Disclosure Rules* provides key details for audit committees and company management regarding the SEC Cybersecurity Disclosure rule and how it may impact reporting and the company’s cybersecurity program.

Q10 | Is it disclosed that the audit committee is responsible for cybersecurity risk oversight?

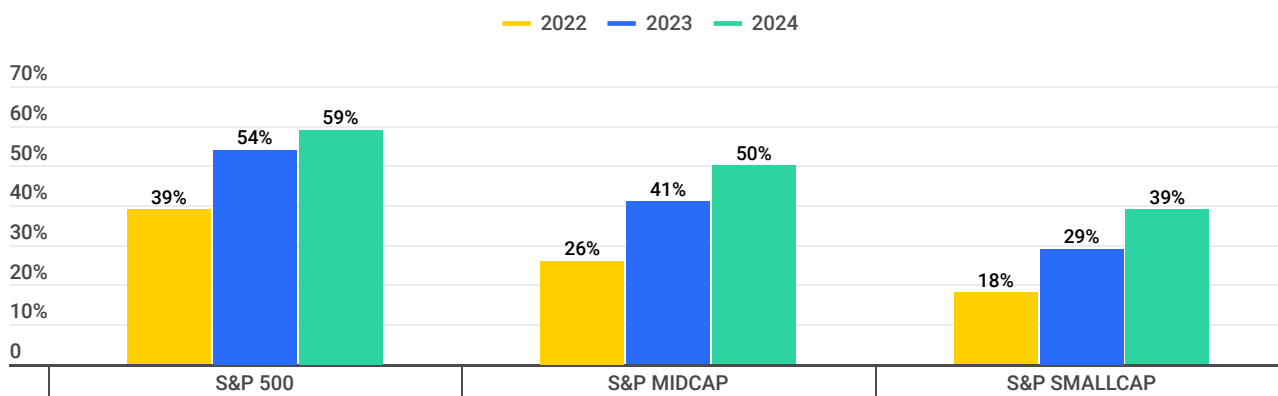


Audit Committee Oversight of ESG

In the last several years there has been an explosion of ESG reporting. Investors and other stakeholders are demanding this information, and domestic and international regulators are requiring the reporting of certain ESG information to promote consistency and comparability. While this emerging reporting area continues to evolve, we believe that ESG reporting is here to stay. A recent [CAQ analysis](#) found that 98% of S&P 500 companies reported some form of ESG-related information in 2022. Further, 70% of those companies obtained assurance over certain of that information. Additionally, the final [SEC Climate Disclosure Rule](#), which was adopted in March 2024, requires certain ESG-related information to be included in the Form 10-K.⁵

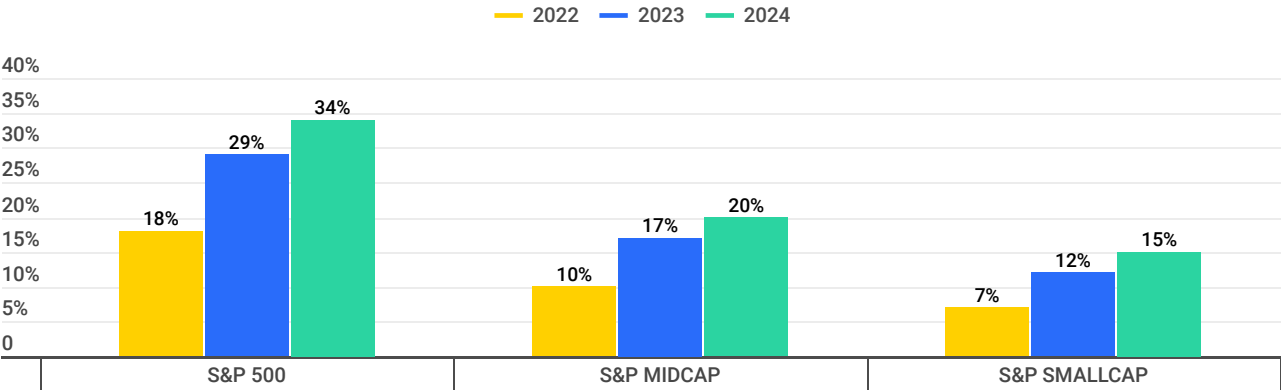
As more companies report and obtain assurance over ESG-related information, it is becoming increasingly important to have appropriate processes and controls in place to help ensure the reliability of such information. In some companies, ESG reporting is falling within the controllership structure to enhance the rigor applied to ESG reporting and leverage the controllership's expertise in internal controls and external reporting. Relatedly, audit committees are also increasingly disclosing their responsibility for oversight of ESG (Q12, 34% in 2024 as compared to 29% in 2023). The audit committee, with its expertise and experience overseeing financial reporting processes and internal controls over financial reporting is well-positioned to also oversee the external reporting of ESG-related information. Additionally, we observe the percentage of S&P 500 companies that disclose that the board of directors has an ESG or sustainability expert continues to increase (59% in 2024 as compared to 54% in 2023). As audit committees and boards take on new responsibilities, it is increasingly important to ensure that the committee members have appropriate training or expertise to exercise effective oversight.

Q11 | Is it disclosed that the board of directors has an ESG or sustainability expert?



⁵ The SEC has voluntarily stayed the Climate Disclosure Rule amid pending litigation.

Q12 | Is it disclosed that the audit committee is responsible for ESG oversight?



KEY TAKEAWAY #4

The most dramatic increase in audit committee disclosures in 2024 is in cybersecurity and ESG - board expertise and oversight.

CONCLUSION

It is crucial for audit committees to tell their stories to clearly articulate the work that they do to protect investors through their oversight of the external auditor and emerging risks. Robust disclosures provide important information to investors about how the audit committee promotes audit quality and fulfills its responsibilities. While we know that significant progress has been made, we strongly encourage audit committees to seize this opportunity to enhance their disclosures by considering where further transparency can be provided regarding not just what the audit committee does, but how it does it.

Appendix I:

Summary Table of Disclosure Rates

DISCLOSURE QUESTION		YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
Audit Firm Selection	Q1. Is there disclosure related to a discussion of audit committee considerations in appointing or (re) appointing the external auditor?	2024	50%	35%	29%
		2023	49%	36%	26%
		2022	46%	32%	24%
		2021	44%	31%	24%
		2020	43%	30%	23%
		2019	42%	30%	22%
		2018	40%	27%	19%
		2017	37%	24%	17%
		2016	31%	22%	17%
		2015	25%	16%	11%
		2014	13%	10%	8%
	Q2. Is there disclosure of the length of time the auditor has been engaged?	2024	73%	61%	57%
		2023	73%	60%	55%
		2022	71%	59%	55%
		2021	70%	59%	54%
		2020	69%	56%	54%
		2019	71%	54%	55%
		2018	70%	52%	51%
		2017	63%	47%	46%
		2016	59%	45%	48%
		2015	54%	44%	46%
		2014	47%	42%	50%
	Q2.1. Is there disclosure related to a discussion about how the audit committee considers length of auditor tenure?	2024	13%	5%	4%
		2023	11%	6%	3%
		2022	9%	5%	2%
		2021	0%	0%	0%
		2020	0%	0%	0%
		2019	0%	0%	0%
		2018	0%	0%	0%
		2017	0%	0%	0%
2016		0%	0%	0%	
2015		0%	0%	0%	
2014		0%	0%	0%	

DISCLOSURE QUESTION		YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
Audit Firm Compensation	Q3. Is there disclosure related to a discussion of audit fees and its connection to audit quality?	2024	6%	3%	1%
		2023	6%	3%	1%
		2022	6%	2%	2%
		2021	5%	3%	1%
		2020	4%	2%	1%
		2019	4%	3%	1%
		2018	5%	3%	1%
		2017	5%	4%	2%
		2016	9%	3%	1%
		2015	10%	2%	2%
		2014	13%	4%	1%
	Q4. Is there disclosure related to a discussion of how non-audit services may impact independence?	2024	85%	80%	74%
		2023	85%	82%	75%
		2022	84%	82%	76%
		2021	83%	80%	76%
		2020	84%	80%	76%
		2019	84%	79%	77%
		2018	83%	78%	75%
		2017	80%	75%	72%
		2016	81%	73%	69%
		2015	78%	67%	63%
		2014	83%	69%	58%
	Q5. Is there a statement that the audit committee is responsible for fee negotiations?	2024	18%	6%	5%
		2023	17%	7%	6%
		2022	17%	8%	6%
		2021	18%	8%	5%
		2020	18%	7%	4%
		2019	19%	6%	4%
		2018	20%	5%	4%
		2017	20%	4%	4%
		2016	17%	3%	5%
		2015	16%	3%	5%
		2014	8%	1%	1%

DISCLOSURE QUESTION		YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
Audit Firm Compensation (cont.)	Q6. Is there an explanation provided for a change in fees paid to the external auditor?	2024	24%	26%	29%
		2023	25%	25%	28%
		2022	23%	23%	26%
		2021	17%	20%	24%
		2020	19%	14%	21%
		2019	23%	18%	22%
		2018	28%	26%	30%
		2017	31%	32%	35%
		2016	34%	32%	36%
		2015	25%	24%	28%
		2014	28%	30%	24%
Audit Firm Evaluation / Supervision	Q7. Is it stated that the evaluation of the external auditor is at least an annual event?	2024	39%	22%	20%
		2023	38%	24%	19%
		2022	35%	20%	19%
		2021	32%	20%	17%
		2020	31%	19%	16%
		2019	29%	19%	14%
		2018	26%	17%	12%
		2017	21%	11%	8%
		2016	19%	10%	9%
		2015	15%	7%	7%
		2014	4%	3%	4%
Audit Partner Selection	Q8. Is it explicitly stated that the audit committee is involved in selection of the audit engagement partner?	2024	53%	24%	14%
		2023	53%	24%	12%
		2022	51%	24%	12%
		2021	50%	22%	12%
		2020	50%	23%	12%
		2019	50%	22%	10%
		2018	52%	20%	10%
		2017	49%	14%	7%
		2016	43%	10%	6%
		2015	31%	5%	3%
		2014	13%	1%	1%

DISCLOSURE QUESTION		YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
Audit Partner Selection (cont.)	Q8.1. Is there disclosure related to a discussion of how the audit committee is involved in the selection of the audit engagement partner?	2024	17%	9%	5%
		2023	16%	9%	5%
		2022	15%	9%	3%
		2021	0%	0%	0%
		2020	0%	0%	0%
		2019	0%	0%	0%
		2018	0%	0%	0%
		2017	0%	0%	0%
		2016	0%	0%	0%
		2015	0%	0%	0%
		2014	0%	0%	0%
Cybersecurity	Q9. Is it disclosed that the board of directors has a cybersecurity expert?	2024	60%	41%	37%
		2023	51%	36%	28%
		2022	39%	31%	21%
		2021	34%	22%	13%
		2020	28%	20%	8%
		2019	23%	15%	7%
		2018	14%	10%	5%
		2017	11%	6%	4%
		2016	7%	4%	3%
		2015	0%	0%	0%
		2014	0%	0%	0%
	Q10. Is it disclosed that the audit committee is responsible for cybersecurity risk oversight?	2024	64%	53%	50%
		2023	59%	50%	40%
		2022	54%	41%	32%
		2021	46%	34%	24%
		2020	39%	28%	18%
		2019	34%	26%	13%
		2018	19%	13%	7%
		2017	12%	6%	4%
		2016	11%	5%	4%
2015	0%	0%	0%		
2014	0%	0%	0%		

DISCLOSURE QUESTION		YEAR	S&P 500	S&P MIDCAP	S&P SMALLCAP
ESG	Q11. Is it disclosed that the board of directors has an ESG or sustainability expert?	2024	59%	50%	39%
		2023	54%	41%	29%
		2022	39%	26%	18%
	Q12. Is it disclosed that the audit committee is responsible for ESG oversight?	2024	34%	20%	15%
		2023	29%	17%	12%
		2022	18%	10%	7%
		2021	0%	0%	0%
		2020	0%	0%	0%
		2019	0%	0%	0%
		2018	0%	0%	0%
		2017	0%	0%	0%
		2016	0%	0%	0%
		2015	0%	0%	0%
		2014	0%	0%	0%
Skills Matrix	Q13. Is it disclosed that the board of directors has a skills matrix?	2024	85%	75%	62%

Appendix II:

Examples of Effective Disclosure

Individual examples do not necessarily include disclosures related to all questions presented.

A. AUDIT FIRM SELECTION

- Q1. Is there disclosure related to a discussion of audit committee considerations in appointing or (re) appointing the external auditor?
- Q2. Is there disclosure of the length of time the auditor has been engaged?
- Q2.1. Is there disclosure related to a discussion about how the audit committee considers length of auditor tenure?
- Q7. Is it stated that the evaluation of the external auditor is at least an annual event?

EXAMPLE 1

Source: Centene Corp (S&P 500), Proposal 3: Ratification of Appointment of Independent Registered Public Accounting Firm

KPMG LLP audited our financial statements for the fiscal year ended December 31, 2023. The Audit and Compliance Committee is directly responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit our financial statements. The Audit and Compliance Committee has appointed KPMG LLP to serve as our independent registered public accounting firm for the current fiscal year, and we are asking stockholders to ratify this appointment.

KPMG LLP has been retained as our external auditor continuously since 2005. The Audit and Compliance Committee believes the continued retention of KPMG LLP to serve as our independent registered public accounting firm is in the best interests of the Company and our stockholders, because of the quality of accounting firm, the level of service provided by the firm, its efficient and innovative audit processes and competitive fee structure.

Evaluation of the Independent Auditor

The Audit and Compliance Committee regularly considers the independence, qualifications, compensation and performance of its independent auditor. The Audit and Compliance Committee considered the following factors in its annual review and determination of whether to retain KPMG LLP as the Company's independent auditor during 2024.

Quality of the Independent Audit Firm and Audit Process

- The risks associated with the independent audit firm based on their financial stability, compliance with applicable laws and professional standards, pending litigation or judgments against the independent audit firm and results of applicable independent audit firm inspections.

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- Results of the most recent PCAOB inspection report.

Alignment with Centene's Core Values

- The extent to which the independent audit firm's team servicing our account demonstrates a commitment to diversity, equity and inclusion aligned with Centene's core values.
- Annual DEI assessment of third-party finance vendors by management.

Level of Service Provided by the Independent Audit Firm

- Results of annual satisfaction surveys distributed to management with high interactions with the independent audit firm as well as the Audit and Compliance Committee.
- Open access and engagement with KPMG subject matter experts providing valuable insights on matters important to the Company.

Good Faith Negotiation of Fees

- Robust fee negotiation process resulting in rationalization of fees through identification of areas of opportunity and improvement, including the use of technology.
- Review of fees incurred for reasonableness against the annually approved fees and reported current fee estimates provided to the Committee.

Independence and Tenure

The committee engaged in an assessment of KPMG's independence controls through the provision of its required communications. Representatives of KPMG will participate in the annual meeting to answer questions and will have the opportunity to make a statement.

KPMG LLP has served as the Company's independent auditor since 2005. In considering the independence and tenure of KPMG as our independent auditor, the Audit and Compliance Committee carefully considers the benefits of auditor experience in light of the robust controls in place to safeguard independence.

Benefits of Tenure

- Enhanced Audit Quality. KPMG's deep familiarity with the healthcare insurance industry and Centene's business and operations, accounting policies and practices and internal controls over financial reporting is valuable to the Company and its stockholders. Their institutional knowledge and experience is balanced by the fresh perspective delivered by changes in the audit team resulting from mandatory audit partner rotation and routine turnover with the team that provides for new perspectives while still keeping the historic understanding of the Company.
- Continuity. Changing independent auditors, without reasonable cause, would require management to devote significant resources and time to educating a new independent auditor to reach a comparable level of familiarity with our business and control framework, potentially distracting from management's focus on financial reporting and controls.

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- **Efficient Audit Plans.** KPMG’s knowledge of our business and control framework allows them to develop and implement efficient and innovative audit processes, enabling the provision of services for fees considered by the committee to be competitive.

Key Independence Controls

- **Committee Oversight.** The Audit and Compliance Committee and its Chair hold regular private sessions with the independent auditor; the Audit and Compliance Committee regularly discusses with the independent auditor the scope of their audit; the Committee reviews with the independent auditor any problems or difficulties they may have encountered. Additionally, on at least an annual basis, KPMG provides the Committee reports regarding their independence.
- **Lead Partner Rotation.** Under current legal requirements, the lead engagement partner for the independent audit firm may not service in that role for more than five consecutive fiscal years, and the Audit and Compliance Committee ensures the regular rotation of the audit engagement team partner as required by law. The Audit and Compliance Committee is directly involved in the consideration of a new lead engagement partner for 2025 and is planning ahead to ensure a smooth transition.
- **Limits on Non-audit Services.** The Audit and Compliance Committee has exclusive authority to pre-approve non-audit services and determine whether such services are consistent with auditor independence.
- **Independence Assessment.** On at least an annual basis, KPMG provides the Audit and Compliance Committee reports regarding independence, conducts periodic internal reviews of its audit and other work and assesses the adequacy of partners and other staff serving the Company’s account consistent with independence requirements.

EXAMPLE 2

Source: Morgan Stanley (S&P 500), Item 2 - Ratification of Appointment of Morgan Stanley’s Independent Auditor

Our Board unanimously recommends that you vote “FOR” the ratification of Deloitte & Touche’s appointment as our independent auditor.

The Audit Committee has the sole authority and responsibility to appoint, compensate, retain, oversee, evaluate and, when appropriate, replace the independent registered public accounting firm (independent auditor) engaged to audit the Firm’s consolidated financial statements. The Audit Committee reviews and assesses annually the qualifications and performance of the independent auditor. The Audit Committee also evaluates whether it is appropriate to rotate the independent auditor and assures the mandatory, regular rotation of the lead audit partner and other senior engagement partners of the independent auditor. In connection with such rotations, the Audit Committee is actively involved in the selection of key engagement partners of the independent auditor, including the lead audit partner, who may provide services to the Firm for a maximum of five consecutive years. In approving the selection of the current lead audit partner from Deloitte & Touche LLP (Deloitte), who is expected to serve in this capacity through the end

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of the 2025 audit, Deloitte selected candidates to be considered for the lead audit partner role, who were then interviewed by Firm management. After considering the candidates recommended by Deloitte, Firm management recommended a proposed candidate to be interviewed by the Audit Committee. The Audit Committee then discussed the desired qualifications of the lead audit partner, interviewed the proposed candidate for lead audit partner recommended by management, and approved the selection of the current lead audit partner of the Firm.

As part of the Audit Committee’s annual review of Deloitte and consideration to re-appoint Deloitte as the Firm’s independent auditor, the Audit Committee reviewed and considered, among other factors:

Best Interest of Morgan Stanley and its Shareholders	Performance	Professional Qualifications	Audit Quality	Global Capabilities	Tenure
Institutional Knowledge	Potential Impact of Changing Independent Auditor	Independence	Succession Planning	Appropriateness of Fees	External Data on Audit Quality and Performance

In particular, the Audit Committee reviewed and considered:

- Whether retaining Deloitte is in the best interest of the Firm and its shareholders.
- The results of management’s assessment that includes the results of a global management survey and interviews regarding overall historic and recent performance of Deloitte.
- The professional qualifications of Deloitte and the lead audit and other senior engagement partners.
- The historic and current audit quality of service of Deloitte and the lead audit and other senior engagement partners, including the candidness of the communications and interactions with the Audit Committee, as well as their independent judgment and professional integrity and objectivity.
- Deloitte’s global capabilities and expertise in handling the breadth and complexity of the Firm’s global operations and businesses, accounting policies and internal control over financial reporting, including Deloitte’s use of technology, specialists and subject matter experts and the sharing of industry insights, trends and emerging practices.
- Deloitte’s tenure as independent auditor, including the benefits of its institutional knowledge of the Firm and its history and familiarity with the Firm’s businesses, which enhances Deloitte’s audit efficiency and effectiveness and provides cost efficiencies.
- The potential challenges, impact and advisability of selecting a different independent auditor, including the time and expense of transitioning to a new independent auditor.
- Deloitte’s independence from the Firm, noting that (i) Deloitte does not provide any non-audit services to

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the Firm other than those deemed permissible, as described under “Independent Auditor Fees,” and (ii) both the Firm and Deloitte have controls and policies in place, including related to the applicable auditor independence rules and the mandatory rotation of the lead audit and other senior engagement partners, which helps ensure the continued independence and fresh perspectives of Deloitte.

- Deloitte’s succession planning for rotation of key engagement partners.
- The appropriateness of Deloitte’s fees relative to both audit quality and efficiency.
- External data on audit quality and performance, including recent Public Company Accounting Oversight Board (PCAOB) reports on Deloitte and peer firms.

Based on this review, the Audit Committee has appointed Deloitte as independent auditor for the year ending December 31, 2024, and, although not legally required to do so, presents this selection to the shareholders for ratification as a matter of governance best practices. The Audit Committee believes that the continued retention of Deloitte is in the best interest of the Firm and its shareholders. Deloitte was selected as independent auditor upon the merger creating the current Firm in 1997 and has served continuously as independent auditor since that time. Deloitte will audit the Firm’s consolidated financial statements included in the Annual Report on Form 10-K for the year ending December 31, 2024, and will perform other permissible, pre-approved services. If shareholders do not ratify the appointment of Deloitte, the Audit Committee will consider this in determining whether to appoint Deloitte as independent auditor for the year ending December 31, 2025. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in the best interest of the Firm and its shareholders.

B. AUDIT FIRM COMPENSATION

- Q3. Is there a disclosure related to a discussion of audit fees and its connection to audit quality?
- Q4. Is there disclosure related to a discussion of how non-audit services may impact independence?
- Q5. Is there a statement that the audit committee is responsible for fee negotiations?
- Q6. Is there an explanation provided for a change in fees paid to the external auditor?

EXAMPLE 3

Source: The J.M. Smucker Co. (S&P 500), Proposal 1 – Election of Directors

SERVICE FEES PAID TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table summarizes the aggregate fees, including out of pocket expenses, paid to the Independent Auditors for the fiscal years ended April 30, 2024 and April 30, 2023:

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...

Audit fees consist of (i) the audit of our consolidated financial statements as of and for the fiscal years ended April 30, 2024 and April 30, 2023; (ii) the audit of the effectiveness of internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002; and (iii) the reviews of our unaudited condensed consolidated interim financial statements as of July 31, October 31, and January 31 for fiscal years 2024 and 2023. Audit fees for fiscal year 2024 increased over fiscal year 2023 primarily due to the acquisition of Hostess Brands, Inc. (“Hostess Brands”) The total amount of audit fees for fiscal year 2023 decreased slightly after the filing of our 2023 Proxy Statement.

Fees for services that are related to the performance of the audit or review of financial statements and are not included in “Audit Fees,” including financial reporting advisory services, acquisition-related due diligence, audits of financial statements of divested businesses, subscription to on-line research services, and other attest services. The decrease in audit-related fees in fiscal year 2024 was primarily attributable to the audit of the abbreviated financial statements of the divested pet foods business in fiscal year 2023, of which \$225,000 was reimbursed to the Company by the buyer. The total amount of audit-related fees for fiscal year 2023 increased slightly after the filing of our 2023 Proxy Statement.

Tax fees are primarily for tax work in connection with strategic transactions and for tax compliance, preparation, and planning services. The increase in tax fees in fiscal year 2024 was primarily due to an increased amount of tax work for mergers and acquisitions tax advisory services and domestic tax advisory services during such fiscal year.

Fees for services that are not included in the above categories. The all other fees in fiscal year 2023 relate to an internal audit assessment.

EXAMPLE 4

Source: Adtalem Global Education Inc. (S&P Small Cap), Proposal No. 2 Ratify Selection of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm

AUDIT FEES AND OTHER FEES

During the 2023 and 2022 fiscal years, Adtalem was billed by PwC for audit and other professional services, respectively, in the following amounts:

AUDIT FEES – Includes all services performed to comply with generally accepted accounting principles in conjunction with the annual audit of Adtalem’s financial statements and the audit of internal controls over financial reporting. In addition, this category includes fees for services in connection with Adtalem’s statutory and regulatory filings, consents, and review of filings with the SEC such as the annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. Also included are services rendered in connection with the required annual audits of Adtalem’s compliance with the rules and procedures promulgated for the administration of federal and state student financial aid programs. The higher audit fees for fiscal year 2022 were primarily due to work related to the acquisition of Walden University and the disposition of our Financial Services segment.

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AUDIT-RELATED FEES – Audit-related fees of \$2,500,000 were billed to us by PwC for fiscal year 2022, which included services performed related to carve-out financial statement audits prepared related to the sale of our Financial Services segment.

TAX FEES – Includes all services related to tax compliance, tax planning, tax advice, assistance with tax audits, and responding to requests from Adtalem’s tax department regarding technical interpretations, applicable laws and regulations, and tax accounting. Adtalem’s Audit and Finance Committee has considered the nature of these services and concluded that these services may be provided by the independent registered public accounting firm without impairing its independence. The higher tax fees for fiscal year 2022 were primarily due to work related to the acquisition of Walden University and the disposition of our Financial Services segment.

ALL OTHER FEES – Includes subscriptions for PwC’s online accounting research services and its disclosure checklist.

C. AUDIT PARTNER SELECTION

- Q8. Is it explicitly stated that the audit committee is involved in selection of the audit engagement partner?
- Q8.1. Is there disclosure related to a discussion of how the audit committee is involved in the selection of the audit engagement partner?

EXAMPLE 5

Source: Chipotle Mexican Grill Inc. (S&P 500), Proposal 3 - Ratification of Ernst & Young LLP as our Independent Registered Public Accounting Firm

The Audit & Risk Committee also oversees the process for, and ultimately approves, the selection of our independent registered public accounting firm’s lead engagement partner at the end of each five-year mandatory rotation period. Our current lead engagement partner was appointed beginning with the 2022 audit. In selecting the lead engagement partner, Ernst & Young identified candidates for consideration and the candidates were interviewed by members of our management. After considering the candidates recommended by Ernst & Young, management made a recommendation to the Committee regarding the lead engagement partner. The Committee discussed the qualifications of the proposed lead engagement partner with the current lead engagement partner and then, individually and as a group, interviewed the leading candidate and approved the appointment of the lead engagement partner as a Committee.

EXAMPLE 6

Source: CNO Financial Group, Inc. (S&P MidCap), Proposal 3 - Ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for 2024

Evaluation of the Independent Registered Public Accounting Firm

... Annually, the Audit Committee meets in executive session, without the independent auditors present, to evaluate the performance of the Company's independent auditor, including the senior members of the audit engagement team, and determines whether to reengage PwC or to consider other audit firms. In doing so, the Audit Committee considers several factors, including the following:

- » The experience and professional qualifications of the firm and the lead audit partner assigned to CNO, including both industry experience and technical expertise in accounting, auditing and tax;
- » The quality and candor of the firm's communications with the Audit Committee and the Company during the prior audit;
- » The firm's quality control procedures;
- » Evidence supporting the firm's independence, objectivity, and professional skepticism and information publicly available in the Public Company Accounting Oversight Board (United States) ("PCAOB") inspection reports;
- » The appropriateness of the proposed audit fee in comparison to the fees reported by the CNO peer group;
- » The quality and efficiency of the services provided by the firm during prior audits;
- » The firm's capability, technical expertise, and knowledge of the Company and its operations, processes, personnel, industry, accounting systems and risk profile;
- » If reappointment is considered, the length of time the firm has been engaged as the Company's independent auditor;
- » Use of technology and data analytics in the firm's audit process; and
- » Other potential accounting firms with comparable professional qualifications.

In accordance with SEC rules and PwC's policies, audit partners are subject to rotation requirements to limit the number of consecutive years an individual partner may provide service to the Company. For the lead audit partner, the maximum number of consecutive years of service in that capacity is five years. In conjunction with the mandated rotation of the independent auditor's lead audit partner, the Audit Committee and its then Chair were directly involved in the selection of the independent auditor's current lead audit partner, who assumed this role in 2020 after meeting with the Audit Committee and management during which his qualifications were discussed. As part of the lead audit partner selection process, the Audit Committee considered candidates who meet professional, industry, personal and other criteria consistent with the factors specified above.

D. CYBERSECURITY

- Q9. Is it disclosed that the board of directors has a cybersecurity expert?
- Q10. Is it disclosed that the audit committee is responsible for cybersecurity risk oversight?

EXAMPLE 7

Source: Bighthouse Financial, Inc. (S&P MidCap), Risk Oversight

Cybersecurity Risk – the Audit Committee is primarily responsible for overseeing information technology and cybersecurity risks (as part of its oversight of operational risk), and the Board continues to be actively engaged with respect to these risks. The Audit Committee and/or the Board generally meet with our Chief Technology Officer (“CTO”) and Chief Information Security Officer (“CISO”) on a quarterly basis to review our information technology and cybersecurity risk profile and to discuss our activities to manage the related risks, including risk assessments, mitigation strategies, areas of emerging risks, incidents and industry trends, tabletop exercises, and other areas of importance. In addition to these regular meetings, we have an escalation process in place to timely inform the Board of any significant cybersecurity incidents, including any updates relating thereto, to ensure that the Board’s oversight is proactive and responsive. Our Chief Compliance Officer also regularly reports to the Audit Committee regarding the Company’s compliance with applicable regulations relating to cybersecurity. Our CTO has overall responsibility for our information technology program, which includes the Company’s cybersecurity program. Our CISO is directly responsible for the Company’s cybersecurity program, which is designed to protect and preserve the integrity, confidentiality, and continued availability of the information owned by, or in the care of, the Company. The Company’s cybersecurity team has also established company-wide policies and procedures that cover cybersecurity matters, which are designed to enable the Company to effectively identify, evaluate, and respond to events that have the potential to impact our business.

EXAMPLE 8

Source: MKS Instruments Inc. (S&P MidCap), Board’s Role in Risk Oversight

... Additionally, our three standing Board committees assist the Board of Directors in fulfilling its oversight responsibilities in certain areas of risk. Pursuant to its charter, the Audit Committee coordinates the Board of Directors’ oversight of the Company’s internal controls over financial reporting, disclosure controls and procedures, and code of business conduct and ethics. The Audit Committee also is responsible for discussing the Company’s policies with respect to financial risk assessment and financial risk management and overseeing the steps management has taken with respect to data privacy and cybersecurity risk exposure. Management regularly reports to the Audit Committee on these areas. The Compensation Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to the management of risks arising from our compensation policies and programs as well as succession planning for our senior management...

In addition, from time to time, the Board of Directors may constitute a special committee to focus on a particular matter or risk. As previously disclosed, in February 2023, we identified that we had become

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subject to a ransomware event and took immediate action to activate our incident response and business continuity protocols to contain the incident. Our Board of Directors responded quickly and constituted a special committee of the Board of Directors for cybersecurity, which included Mr. Colella, the Chair of our Board, Ms. Mora, the Chair of our Audit Committee, and Mr. Cannone and Mr. Donahue, each a member of our Audit Committee, to oversee the investigation, recovery, and restoration phases following the incident. The special committee held 21 meetings during the first three months following the identification of the incident. At these meetings, our Chief Executive Officer, our Chief Financial Officer, our General Counsel, our Executive Vice President of Operations and Corporate Marketing, and our then-Chief Information Officer reported to the special committee on various aspects of the incident, including the IT forensic investigation, business restoration and recovery activities, and the impact of the incident on our annual audit and assessment of internal controls as well as the filing of our Annual Report on Form 10-K for the year ended December 31, 2022. In May 2023, the special committee for cybersecurity was dissolved and the Audit Committee assumed responsibility for overseeing our response to the incident.

When any of the committees receives a report related to material risk oversight, the chair of the relevant committee reports on the discussion to the full Board of Directors.

EXAMPLE 9

Source: Marriott Vacations Worldwide (S&P MidCap), Report on the Board of Directors and Its Committees

Mary E. Galligan

...

Experience

Ms. Galligan served as Managing Director in the Cyber and Strategic Risk practice from September 2013 to October 2023 of Deloitte LLP, a multinational accounting firm, and led the response to several high-profile cyber breaches at Deloitte's clients. She also served as an advisor to Fortune 500 boards of directors and senior executives in how to address global cyber incidents. Ms. Galligan started her cyber and crisis management career in 1988 as a special agent of the Federal Bureau of Investigation ("FBI"). She assumed positions of increasing responsibility and most recently served as Special Agent in Charge of Cyber and Special Operations, a 500-person division of the New York Office of the FBI. Ms. Galligan is also a director on the Intermediate Holding Company Board of Barclays, US LLC, a non-publicly traded company.

Skills and Experience

Ms. Galligan provides the Board with the benefit of her significant cyber security experience working for the U.S. government and advising multinational companies. Ms. Galligan is also an experienced leader, decision maker and problem solver.

E. ESG

Q11. Is it disclosed that the board of directors has an ESG or sustainability expert?

Q12. Is it disclosed that the audit committee is responsible for ESG oversight?

EXAMPLE 10

Source: Knife River Corp (S&P MidCap), Governance of Environmental and Social Responsibility & Corporate Governance and the Board of Directors (respectively)

Governance of Environmental and Social Responsibility

Audit Committee of the Board

The audit committee assists the board in fulfilling its oversight responsibilities with respect to environmental, social, and other sustainability matters, including climate change risks and opportunities, health, safety, and other social sustainability matters.

...

Oversight of Sustainability

Audit Committee of the Board. The audit committee is a standing committee of the board with focus that includes our environmental, workplace health, safety, and other social sustainability programs and performance. The audit committee assists the board in fulfilling its oversight responsibilities with respect to environmental and social sustainability matters, including oversight and review of:

- Employee, customer, and contractor safety;
- Climate change risks;
- Compliance with environmental, health, and safety laws;
- Integration of environmental and social principles into company strategy; and
- Significant public disclosures of environmental and sustainability matters.

EXAMPLE 11

Source: EXP Worldwide Holdings, Inc. (S&P Small Cap), Proposal 1 – Election of Directors

Peggie Pelosi

...

Peggie Pelosi, 68, has more than 20 years of experience as a sales and network development professional and 15 years of experience as a corporate social responsibility and sustainability practitioner. Ms. Pelosi serves as the founding partner and strategic advisor of Orenda Social Purpose, positions she has held since September 2005. Until March 2023, she has also served as the Executive Director of Innovators Alliance, a network of CEOs focused on sustainable and profitable growth through innovation. Prior to her career and academic work in corporate social responsibility and sustainability, Ms. Pelosi served as a member of USANA Health Sciences, Inc.'s ("USANA") management team, first as Executive Director of Sales for Canada from 1999 until 2000 and then as Vice President of Network Development from 2000 until 2004. Since 2018, Ms. Pelosi has served as a member of USANA's Board of Directors and currently serves on USANA's Audit Committee, Compensation Committee, Governance, Risk & Nominating Committee, and serves as Chair of the Sustainability Committee.

Ms. Pelosi has received a graduate diploma from St. Michael's College at the University of Toronto in Corporate Social Responsibility & Sustainability, and has completed the NACD Directorship Certification (NACD.CD) and the ESG Competent Boards Director Certification (GCB.D).

F. SKILLS MATRIX

Q13. Is it disclosed that the board of directors has a skills matrix?

EXAMPLE 11

Source: Macy's, Inc. (S&P Mid Cap), Director Nomination and Qualifications

AREA OF EXPERIENCE	AREL	BOONE	BUCHANAN	CHANDOHA	CHOPRA	CLARK	CONNELLY	GRANOFF	LENEHAN	LEVINSON	MARKEE	SESLER	SPRING	VARGA	ZHEN
LEADERSHIP EXPERIENCE															
CEO/President/senior executive of public company, or recognized privately-held entity	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Strategic planning, risk management, growth and transformation, succession planning and talent management	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
FINANCE EXPERIENCE															
Investment banking or current or former CFO				•	•	•		•	•		•			•	•
Audit committee financial expert				•	•				•					•	
INDUSTRY KNOWLEDGE EXPERIENCE															
Senior executive or director of substantial business enterprises in relevant areas including consumer products, customer service, omni-channel retail, merchandising and supply chain	•	•	•		•		•	•		•	•	•	•	•	•
SALES & MARKETING EXPERIENCE															
Sales and/or marketing, including use of social media, e-commerce and other digital channels	•	•	•	•	•		•	•		•	•		•	•	•
TECHNOLOGY EXPERIENCE															
Understanding of retail and/or marketing technology	•	•	•	•	•			•		•			•		•
Cybersecurity	•	•			•										
REAL ESTATE EXPERIENCE															
Real estate investment company or developer/acquisitions and dispositions and/or property management					•	•			•			•			
ESG EXPERIENCE															
Environmental: Managing policies on climate change, pollutants and environmental stewardship		•	•	•				•							•
Social: Shareholder engagement, human capital, supply chain human rights, corporate charitable and political activity	•	•	•	•			•								•
Governance: Experience on boards other than Macy's	•	•	•	•	•		•	•	•	•	•	•		•	

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Collectively, the composition of our Board reflects a wide range of viewpoints, thought leadership, background, experience and demographics, and includes individuals from a variety of professional disciplines and business sectors, with leadership experience at well-regarded commercial enterprises and nonprofit organizations.

Appendix II:

Sample: Leading Practice Audit Committee Matters and Report

AUDIT COMMITTEE MATTERS

The Audit Committee (or “Committee”) is composed entirely of independent directors, each of whom meets the independence and experience requirements set forth by the SEC.

Audit Committee Charter, Responsibilities, and Qualifications

The Audit Committee operates pursuant to a written charter, which may be accessed through our website at [\[add link to website\]](#). The Committee reviews the charter annually and works with the Board of Directors (or “Board”) to amend the charter as appropriate to reflect the evolving role of the Committee.

The Board has the ultimate authority for effective corporate governance, including oversight of the management of the Company. The Audit Committee assists the Board of Directors in overseeing matters relating to the accounting and reporting practices of the Company, the adequacy of the Company’s disclosure controls and internal controls, the quality and integrity of the quarterly and annual financial statements of the Company, the performance of the Company’s internal audit function, and the review and pre-approval of the current year audit and non-audit services. In addition, the Audit Committee oversees the Company’s compliance programs relating to legal and regulatory requirements and technology and information risk and security (including cybersecurity).

The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm retained to audit the Company’s financial statements and internal controls over financial reporting. (See “Proposal No. X –Ratification of Appointment of Independent Registered Public Accounting Firm—Principal Audit Fees and Services” for more information about the Audit Committee’s oversight of [Audit Firm]’s audit and permissible non-audit fees.)

Responsibilities of Management, Independent Auditor, and Internal Audit

Management has the primary responsibility for the financial statements and the reporting process, including the system of internal accounting controls. [Audit Firm], the Company’s independent registered public accounting firm, is responsible for expressing opinions on the conformity of the Company’s audited financial statements with generally accepted accounting principles and on the Company’s internal control over financial reporting.

The Chief Internal Auditor reports directly to the Audit Committee. Under his direction, our Internal Audit function is responsible for preparing an annual audit plan and conducting internal audits intended to evaluate the Company’s internal control structure and compliance with applicable regulatory requirements.

To promote independence of the audit, the Audit Committee consults separately and jointly with the Company’s independent registered public accounting firm, the internal auditors, and management.

Allocation of Risk Oversight / Addressing Key Risks

Audit Committee

Meetings in 2023: 11
Weighted average 2023 attendance of directors: 94%

7 members



Wijnberg
Chair



Branderiz



Deskus



Dineen



Mackay, Jr.



Rohleder



Velli

Key responsibilities and areas of risk oversight

- Financial statements and publicly reported financial information
- Internal controls over financial reporting
- Company's independent registered public accounting firm, including appointment, qualifications, independence and performance
- Internal audit
- Ethics and compliance
- Enterprise risk management program
- Security (including cybersecurity) and data privacy risks
- Tax planning and strategy
- Third party risks
- Business continuity management

Recent activities and key focus areas

- Reviewing and approving the 2023 financial statements and disclosure enhancements
- Reviewing and selecting the independent auditor for the year ending December 31, 2024
- Overseeing the internal audit department's annual audit plan and budget
- Overseeing the company's continued IT and security modernization agenda
- Overseeing material litigation and potential litigation
- Overseeing compliance with legal and regulatory requirements, as well as the company's code of ethics

Audit Committee financial experts and financial literacy

Mr. Branderiz and Ms. Wijnberg are "audit committee financial experts" (per SEC rules), and all members of the committee can "read and understand fundamental financial statements" (per Nasdaq rules).

Finance and Strategy Committee ("Finance Committee")

Meetings in 2023: 7
Weighted average 2023 attendance of directors: 96%

6 members



Dineen
Chair



Deskus



Patsalos-Fox



Rohleder



Schot



Wijnberg

Key responsibilities and areas of risk oversight

- Assisting the Board with respect to corporate plans, strategies and objectives, including innovation strategies related to emerging technologies (including genAI), market and industry trends and allocation of funds for major expenditures
- Capital structure and allocation
- Dividend policies and stock repurchase programs
- Enterprise resource planning and management
- Growth and scalability of corporate processes and systems
- Assisting the Board with respect to mergers and acquisitions strategy and execution
- Capacity and effectiveness of service delivery operations, including the impact of emerging technologies such as genAI
- Investor relations
- Treasury matters, including hedging strategies

Recent activities and key focus areas

- Overseeing the capital structure and allocation program, with approximately \$1.6 billion in share repurchases and dividends in 2023 (see [page 5](#))
- Overseeing the deployment or potential deployment of capital for acquisitions aligned with our strategic priorities (see [page 4](#))
- Real estate strategy, including overseeing management's plan for reducing annual real estate operating costs by rationalizing the company's global real estate footprint
- Overseeing the company's responsible AI practices that are key to driving benefits and mitigating risks

Compensation and Human Capital Committee ("Compensation Committee")

Meetings in 2023: 7
Weighted average 2023 attendance of directors: 100%

7 members



Mackay, Jr.
Chair



Abdalla



Bali



Branderiz



Deskus



Patsalos-Fox



Velli

Key responsibilities and areas of risk oversight

- Evaluation and compensation of the CEO and other executive officers
- Director compensation recommendations to the Board
- Performance-based compensation arrangements
- Equity-based compensation plans
- Employment and severance agreements and other arrangements with executive officers
- General talent engagement
- Diversity and inclusion
- Assessment of shareholder "say-on-pay" and "say-on-pay" frequency votes
- Stock ownership guidelines
- Clawback policies

Recent activities and key focus areas

- Undertaking a detailed review of our talent engagement and diversity and inclusion efforts (see [page 36](#)), including continued oversight of the company's efforts to empower and promote women leaders
- Developing revised metrics and other design features for the 2024 ACI and 2024-2026 PSUs as described on [page 54](#)
- Monitoring management's efforts to reduce and mitigate previously experienced high levels of attrition in our organization

Governance and Sustainability Committee

Meetings in 2023: 5
Weighted average 2023 attendance of directors: 96%

5 members



Abdalla

Chair



Bali



Mackay, Jr.



Rohleder



Schot

Key responsibilities and areas of risk oversight

- Nominations to the Board and Board committees, including evaluation of any shareholder nominees
- Director independence recommendations to the Board
- Annual Board self-evaluation process
- Macro environment and geo-political risks, including immigration law changes and physical climate risk
- Legal and regulatory risks, including intellectual property
- Reviewing corporate governance structure and practices, including the company's corporate governance guidelines
- Public affairs and public policy initiatives
- ESG ("Sustainability") strategy, initiatives and policies including in the areas of climate change, environmental protection and sustainability, employee health and safety and corporate social responsibility programs
- Director time commitments

Recent activities and key focus areas

- Overseeing the Board's 2023 self-evaluation process (see **page 14**)
- Reviewing the company's exposure to potential changes in immigration laws and regulations
- Reviewing and approving the 2023 political spend disclosures and 2024 U.S. political contributions budget (only committee members who are U.S. citizens)
- Overseeing the company's enhancement of its Sustainability program and material Sustainability-related public disclosures
- Overseeing the company's roadmap and efforts towards reducing greenhouse gas emissions (see **page 37**) and mitigating physical climate risk

Source: https://www.sec.gov/ix?doc=/Archives/edgar/data/0001058290/000130817924000541/ctsh2024_def14a.htm

Evaluation and Compensation of the Independent Auditor

The Audit Committee regularly considers the independence, qualifications, compensation, and performance of its independent auditor. In 202X, the Committee approved an evaluation framework to assist with the Committee's annual assessment of the independent audit firm. While the framework was initially developed by management, the framework approved by the Committee reflected feedback from members of the Audit Committee. Results of the full assessment were considered by the Committee for its annual review and determination of whether to retain [Audit Firm] as the Company's independent auditor for [next year]. Using the framework, the Audit Committee assessed the following [x number] areas in addition to a consideration of the audit firm's independence.

Quality of the independent audit firm and audit process

- The number of restatements, material weaknesses and significant deficiencies to determine if any items should have been reasonably identified by the independent audit firm.
- Results of the [most recent] PCAOB Inspection report issued in [date], which was provided to and discussed by the Audit Committee and audit firm.
- The risk associated with the independent audit firm based on their financial stability, compliance with applicable laws and professional standards, pending litigation or judgments against the independent audit firm, and results of applicable independent audit firm inspections, including internal inspections.

DEI alignment with [company's] core values

- Whether the independent audit firm's onsite team demonstrates a commitment to diversity, equity, and inclusion (DEI) aligned with [company's] core values.
- Annual DEI assessment of third-party finance vendors by management led to [Audit Firm's] appointment to the DEI honor roll for the tenth consecutive year.

Level of service provided by the independent audit firm

- Results of annual satisfaction surveys distributed to the Committee and management with high interactions with the independent audit firm.

- Open access and engagement with [Audit Firm] subject matter experts providing valuable insights on matters important to [company].

Good faith negotiation of fees

- Robust [biennial] fee negotiations process.
- Review of fees incurred for reasonableness against the annually approved fees and reported current fee estimates provided to the Committee quarterly.

Independent Auditor Tenure and Rotation

Pre-Approval Policies

The Audit Committee pre-approves and reviews audit and non-audit services performed by [Audit Firm], as well as the fees charged by [Audit Firm] for such services. For 202X, non-audit services provided by [Audit Firm], based on fee categories provided by SEC rules, were \$XXX, or X% of total fees paid to [Audit Firm] in 202X. (See “Proposal No. X – Ratification of Appointment of Independent Registered Public Accounting Firm—Principal Audit Fees and Services” for more information about the Audit Committee’s oversight of [Audit Firm]’s audit and permissible non-audit fees.)

In its pre-approval and review of non-audit service fees, the Audit Committee considers, among other factors, the possible effect of the performance of such services on the auditors’ independence.

- Benefits of longer-tenured auditor (if applicable):
 - **Enhanced audit quality:** deeper institutional knowledge and expertise, better geographic overlap + limited other options due to Intel’s size, complexity, and geography
 - **Continuity and avoidance of switching costs:** management time to bring new auditors up to speed generally, but also with respect to the hundreds of countries that require review
 - **No disruption of non-audit workflows:** conflicts from consulting contracts on other matters
 - **Competitive fees:** due to efficiencies and familiarity
- [Audit Firm]’s deep institutional company-industry knowledge, experience, and expertise
 - [Audit Firm]’s and key engagement team members’ extensive professional qualifications, experience, and expertise
 - [Audit Firm]’s depth and breadth of understanding of the technology and semiconductor industries, and Intel’s unique business model (global integrated device manufacturer and foundry service provider), and complex accounting policies and practices
- Length of [Audit Firm]’s service
 - potential positive and negative impact on independence and objectivity
 - more effective audit plans and better audit service quality and productivity offered by [Audit Firm] due to greater familiarity with the industry, business, segments, and policies and procedures
- Impact of engaging a new auditor
 - significant costs, time commitments, disruption to continuity, and distraction of management associated with bringing on and extensively educating a new auditor

- Appropriateness of [Audit Firm]'s fees
 - [Audit Firm]'s longer tenure offers us an efficient fee structure and more competitive fees relative to our peers as supported by benchmarking and reviews
 - Portion of fees paid to [Audit Firm] that consisted of non-audit service fees in 202X
- Non-audit service projects performed by other multinational public accounting and auditing firms
 - nature, scope, length, complexity, required knowledge and cost of non-audit services provided by the other public accounting firms
 - impact (e.g., significant disruption, lost cumulative knowledge, time to properly onboard, and higher fees) of any needed changes to such service providers from a change in our independent auditor
- In conjunction with the mandated five-year rotation, the Audit Committee leads the selection of the lead engagement partner. During [202X], the audit committee, including the chair of the audit committee, were directly involved in the selection of the new lead engagement partner. The process for selecting a new lead engagement partner was fulsome and allowed for thoughtful consideration of multiple candidates, each of whom met a list of specified industry and personal criteria, including diversity of thought and background and experience with complex global clients. The process included discussions between the chair of the audit committee and [Audit Firm] as to all of the final candidates under consideration for the position, meetings with the full audit committee and management, and robust interviews with the final candidates. The Committee chair, in consultation with the Committee, approves the appointment of the new lead audit engagement partner, most recently for 202X. This individual is expected to service in this capacity through the end of the 202X audit.

AUDIT COMMITTEE REPORT

Fiscal Year 202X Activity

During fiscal year 202X, as part of the Audit Committee's oversight function, the Audit Committee:

- Reviewed and discussed the Company's annual audited financial statements, assessment of the effectiveness of internal control over financial reporting and quarterly financial statements with management and with [Audit Firm];
- Reviewed related matters and disclosure items, including the Company's earnings press releases, and the processes by which the Company's Chief Executive Officer and Chief Financial Officer certify the information contained in its quarterly and annual filings;
- Reviewed and discussed with management, the internal auditor, and the independent auditor, as appropriate, the audit scopes and plans of both the internal auditor and the independent auditor;
- Inquired about significant business and financial reporting risks, including cybersecurity risk, reviewed the Company's policies for risk assessment and risk management, and assessed the steps management is taking to control these risks;
- Met in periodic executive sessions with each of management, the internal auditor, and the independent auditor to discuss the results of the examinations by the independent and internal auditors, their evaluations of internal controls, and the overall quality of the Company's financial reporting, and any other matters as appropriate;
- Met with the Chief Executive Officer and Chief Financial Officer to discuss the processes they have undertaken to evaluate the accuracy and fair presentation of the Company's consolidated financial statements and the effectiveness of the Company's systems of disclosure controls and procedures and internal control over financial reporting;

- Reviewed with management and the independent auditor the Company's critical accounting policies, significant changes in the selection or application of accounting principles, the effect of regulatory and accounting initiatives on the Company's consolidated financial statements;
- Reviewed existing, new or changing critical audit matters addressed during the audit, evaluating the auditor's assessment and identification of such matters;
- Reviewed the Company's related party transactions and Policy for Related Party Transactions;
- Received reports about the receipt, retention, and treatment of financial reporting and other compliance concerns;
- Reviewed and assessed the qualitative aspects of the Company's ethics and compliance programs;
- Reviewed with the Chief Compliance Officer, legal and regulatory matters that may have a material impact on the consolidated financial statements or internal control over financial reporting;
- Discussed with [Audit Firm] the matters required to be discussed by the applicable requirements of the Public Company Accounting Oversight Board and the SEC; and
- Received the written disclosures and letter from [Audit Firm] required by applicable requirements of the Public Company Accounting Oversight Board regarding [Audit Firm]'s communications with the Audit Committee concerning independence and discussed with [Audit Firm] their independence and related matters. Based on this review and discussion, and a review of the non-audit services provided by [Audit Firm] during 202X, the Audit Committee believes that the services provided by [Audit Firm] in 202X are compatible with, and do not impair, [Audit Firm]'s independence.

Fiscal Year 202X Financial Statements

In reliance upon its reviews and discussions as outlined above, the Audit Committee recommended to the Board of Directors the inclusion of the Company's audited financial statements in its Annual Report on Form 10-K for the fiscal year ended December 31, 202X for filing with the SEC.

This report is provided by the following independent directors, who compose the Audit Committee:

The Audit Committee

- Member 1, Chair
- Member 2, Financial Expert
- Member 3, [Cybersecurity] Expert
- Member 4

(See "Proposal No. X – Election of Directors" for the biography of each Audit Committee member, including areas of specific expertise.)

Appendix IV:

Questions to Consider When Preparing Audit Committee Disclosures

- Q1. Is there disclosure related to a discussion of audit committee considerations in appointing or (re)appointing the external auditor?
 - + What factors does the audit committee consider when determining to appoint or (re)appoint the external auditor?
 - + Does the audit committee consider periodically putting the audit out for bid?
 - + Does the audit firm size, geographic reach, and industry expertise continue to meet the company's needs?
 - + How did the audit committee consider the audit firm's performance on prior engagements?
- Q2. Is there disclosure of the length of time the auditor has been engaged?
 - Q2.1. Is there disclosure related to a discussion about how the audit committee considers length of auditor tenure?
 - + Does the audit committee have concerns regarding auditor tenure as it relates to auditor independence?
 - + Have the benefits been disclosed?
 - + Have the risks and/or mitigants been disclosed?
- Q3. Is there disclosure related to a discussion about how the audit committee considers length of auditor tenure?
 - + How has the audit committee considered audit quality when negotiating fees with the external auditor?
 - + How are hours (scope) and rate/price considered?
 - + How does the audit committee drive efficiencies but ensure audit quality?
- Q4. Is there disclosure related to a discussion of how non-audit services may impact independence?
 - + How did the audit committee consider and evaluate non-audit services provided by the external auditor to determine if they impact independence?
 - + Are the non-audit services provided by the external auditor quantified clearly as part of the audit committee report?
 - + What are the audit committee's pre-approval policies?
- Q5. Is there a statement that the audit committee is responsible for fee negotiations?
 - + Are disclosures clear that the audit committee is responsible and actively engaged in fee negotiations?
- Q6. Is there an explanation provided for a change in fees paid to the external auditor?
 - + Do disclosures explain why audit fees changed year-over-year?
 - + Was there a transaction that required significant additional work by the audit team?
 - + Were efficiencies achieved? While stakeholders may be concerned that audit fees are too high and the audit is not efficient, audit fees that are too low could also be a concern that audit quality is compromised.
- Q7. Is it stated that the evaluation of the external auditor is at least an annual event?
 - + Is it disclosed whether the audit committee evaluates the external auditor and if yes, how often?
 - + Is the rigor, substance and frequency of the evaluation process disclosed?

- Q8. Is it explicitly stated that the audit committee is involved in selection of the audit engagement partner?
- Q8.1. Is there disclosure related to a discussion of how the audit committee is involved in the selection of the audit engagement partner?
- + Do disclosure state whether the full audit committee or the chair interview all potential candidates or only the final candidate?
 - + If the final candidate, was that candidate vetted by management or recommended by the audit firm?
 - + When was the engagement partner last selected and when will the engagement partner rotate off the engagement?
 - + Why was a new engagement partner selected? Due to the 5-year rotation requirement or some other reason?
- Q9. Is it disclosed that the board of directors has a cybersecurity expert?
- + How has the board assessed its need for cybersecurity expertise?
 - + Is there a specific director with cybersecurity expertise?
 - + Does the board meet with specialists related to cybersecurity?
- Q10. Is it disclosed that the audit committee is responsible for cybersecurity risk oversight?
- + Why has the audit committee been assigned responsibility for cybersecurity risk oversight?
 - + How is the audit committee qualified to oversee cybersecurity risk?
- Q11. Is it disclosed that the board of directors has an ESG or sustainability expert?
- + How has the board assessed its need for ESG or sustainability expertise?
 - + Is there a specific director with ESG or sustainability expertise?
 - + Does the board meet with specialists related to ESG or sustainability?
 - + If multiple committees address different elements of ESG, what are the committees' responsibilities and how do they collaborate?
- Q12. Is it disclosed that the audit committee is responsible for ESG oversight?
- + Why has the audit committee been assigned responsibility for ESG oversight?
 - + How is the audit committee qualified to oversee ESG?
- Q13. Is it disclosed that the board of directors has a skills matrix?
- + What board member skills, experience, and expertise does the board track?
 - + Are there any gaps in board member skills, experience, and expertise?
 - + How does the board monitor whether new skills, experience, and expertise are needed?

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.

About Ideagen Audit Analytics

Ideagen Audit Analytics independently provides research that enables the accounting, legal, and investment communities to analyze auditor market intelligence, public company disclosure trends, and risk indicators. For more information, email info@auditanalytics.com or call 508-476-7007.

Methodology

Consistent with the methodology used in prior years, we reviewed S&P 1500 proxy statements filed in the period from July 1, 2023 through June 30, 2024. This index comprises the S&P 500 large-cap companies (S&P 500), the S&P MidCap 400 (S&P MidCap), and the S&P SmallCap 600 (S&P SmallCap). Each edition of the annual Audit Committee Transparency Barometer tracks the companies that are included in the S&P indices at the end of the filing period. For purposes of presenting our findings, we analyzed disclosures located in the audit committee report or elsewhere in the proxy. In certain instances, the disclosure was duplicated in other sections of the proxy statement.

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