Example report of the audit committee

This example Audit Committee Report reflects the content required by SEC Regulation S-K Item 306. Also included (and highlighted in gray) are enhanced disclosures observed in practice. A number of companies currently disclose more information about their audit committees than is required under relevant rules. With this example, we seek to alert audit committees to current disclosure practices.

Potential enhanced disclosure

Report of the audit committee

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

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

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

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

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

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

The members of the Audit Committee and the Board believe that, due to **[the firm's]** knowledge of the Company and of the industries in which the Company operates, it is in the best interests of the Company and its shareholders to continue retention of **[the firm]** to serve as the Company's Independent Auditor. Although the Audit Committee has the sole authority to appoint the Independent Auditors, the Audit Committee will continue to recommend that the Board ask the shareholders, at the Annual Meeting, to ratify the appointment of the Independent Auditors.

The Committee reviewed with the independent auditor, which is responsible for expressing an opinion on the conformity of those audited **[consolidated]** financial statements **[and related schedules]** with US generally accepted accounting principles, its judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee by the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), including PCAOB Auditing Standard No. 16, *Communications With Audit Committees*, the rules of the Securities and Exchange Commission, and other applicable regulations. In addition, the Committee has discussed with the independent auditor the firm's independence from Company management and the Company, including the matters in the letter from the firm required by PCAOB Rule 3526, *Communication with Audit Committees Concerning Independence*, and considered the compatibility of non-audit services with the independent auditor's independence.

[The following paragraph is included for integrated audits.]

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

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

[include names here]

Audit Committee Chair
Audit Committee Member
Audit Committee Member
July 1, 20**[XX]**

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