

Via Email

February 10, 2022

Phoebe W. Brown
Office of Secretary
Public Company Accounting Oversight Board
1666 K Street NW
Washington, DC 20006-2803

Re: PCAOB No. 2022-001

Dear Madam Secretary:

The Council of Institutional Investors (CII), appreciates the opportunity to provide comments to the Public Company Accounting Oversight Board (PCAOB or Board) in response to the Request for Public Comment, Advisory Groups—Draft Governance Frameworks (Release).¹

CII is a nonprofit, nonpartisan association of U.S. public, corporate and union employee benefit funds, other employee benefit plans, state and local entities charged with investing public assets, and foundations and endowments with combined assets under management of approximately \$4 trillion. Our member funds include major long-term shareowners with a duty to protect the retirement savings of millions of workers and their families, including public pension funds with more than 15 million participants – true “Main Street” investors through their pension funds. Our associate members include non-U.S. asset owners with about \$4 trillion in assets, and a range of asset managers with more than \$40 trillion in assets under management.²

CII supports the Release. We believe openness and willingness to discuss the Board’s goals and objectives in public, and to hear criticism from those with differing views, is important to public trust in the Board’s work. Prior to 2018, the PCAOB had two advisory groups: the Standing Advisory Group (SAG) and the Investor Advisory Group (IAG). Historically the SAG and IAG met in public with the Board several times each year and provided input and feedback on policy and standard-setting issues. Under the prior PCAOB Chair, the advisory groups were disbanded.

CII staff and representatives of CII member organizations have actively served on both the SAG and IAG.³ It has been our observation and experience that both groups have been generally

¹ Request for Comment, Advisory Groups – Draft Governance Frameworks, PCAOB Release No. 2022-001 (Jan. 31, 2022), https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/about/advisory/documents/2022-001-advisory-groups.pdf?sfvrsn=2332d5b6_5.

² For more information about the Council of Institutional Investors (CII), including its board and members, please visit CII’s website at <http://www.cii.org>.

³ See News Release, PCAOB Announces Standing Advisory Group Members (Dec. 3, 2013), https://pcaobus.org/News/Releases/pages/12022013_sag.aspx (announcing members of the Standing Advisory Group, including CII’s General Counsel and representatives from CII General Members: General Motors LLC, Pfizer, Inc., AFL-CIO and Colorado Public Employees’ Retirement Association); Public Company Accounting

successful in providing timely, relevant and useful advice to the PCAOB.⁴ We, therefore, are pleased that PCAOB Chair Erica Y. Williams is taking “rapid and decisive action”⁵ to establish the new IAG and the Standards and Emerging Issues Advisory Group (SEIAG).

We have reviewed and generally support the proposed IAG and SEIAG frameworks. We respectfully recommend one modest, but important improvement to the SEIAG framework.

More specifically, consistent with CII membership approved policies,⁶ we believe the “**Composition**”⁷ category of the SEIAG framework should include the following underlined revision to the second bullet:

- To ensure diversity of thought and perspectives, the Board will strive to comprise the SEIAG with members from each of these areas of expertise,⁸ with the recognition that consistent with the PCAOB’s mission, the SEIAG should have significant, prominent and adequately balanced representation from qualified investors.

CII believes the PCAOB’s mission “to protect investors”⁹ combined with the general underrepresentation of investors on the PCAOB’s board and staff, and in connection with the PCAOB’s comment letter process, suggests the need for more, rather than less, input from

Oversight Board, News Release, PCAOB Announces Investor Advisory Group Members (Mar. 1, 2013) https://pcaobus.org/News/Releases/Pages/03012013_Release_IAG.aspx (announcing members of the Investor Advisory Group, including CII’s Executive Director and representatives from CII General Members: AFL-CIO and California Public Employees’ Retirement System).

⁴ See, e.g., Letter from Jeffrey P. Mahoney, General Counsel, Council of Institutional Investors to Office of the Secretary, PCAOB 11 (Sept. 6, 2018), https://www.cii.org/files/issues_and_advocacy/correspondence/2018/September%206,%202018%20PCAOB%20Strategic%20Plan.pdf (“It has been our observation and experience that both groups have been generally successful in providing timely, relevant, and useful advice to the PCAOB”); see also Letter from Jeffrey P. Mahoney, General Counsel, Council of Institutional Investors to The Honorable Jeb Hensarling, Chairman, Committee on Financial Services et al. 6-7 (Apr. 29, 2017), https://www.cii.org/files/issues_and_advocacy/correspondence/2017/04_29_17_letter_cmte_fin_serv.pdf (describing basis for opposing proposed legislative provision to “abolish the investor advisory group”).

⁵ News Release, Public Company Accounting Oversight Board to Form Two New Advisory Groups to Enhance Engagement With Investors and Other Stakeholders 3 (Jan. 31, 2022), <https://pcaobus.org/news-events/news-releases/news-release-detail/public-company-accounting-oversight-board-to-form-two-new-advisory-groups-to-enhance-engagement-with-investors-and-other-stakeholders>.

⁶ Council of Institutional Investors, Policies on Other Issues, Independence of Accounting and Auditing Standard Setters (updated Mar. 1, 2017), https://www.cii.org/policies_other_issues#indep_acct_audit_standards (criteria for an effective auditing standard setter includes: “Accountability to Investors – A clear recognition that investors are the key customer of audited financial reports and, therefore, the primary role of audited financial reports should be to satisfy in a timely manner investors’ information needs (this includes having significant, prominent and adequately balanced representation from qualified investors on the standard setter’s staff, standard-setting board, oversight board and outside monitoring or advisory groups)”); see Council of Institutional Investors, Corporate Governance Policies § 2.13 Auditor Independence (updated Sept. 22, 2021), https://www.cii.org/files/09_22_21_corp_gov_policies.pdf (“Investors are the ‘customers’ and end users of financial statements and disclosures in the public capital markets [and] [b]oth the audit committee and the auditor should recognize this principle.”).

⁷ Request for Comment, Advisory Groups – Draft Governance Frameworks, PCAOB Release No. 2022-001 at 3.

⁸ *Id.*

⁹ PCAOB, Mission, Vision, and Values (last visited Feb. 3, 2022), <https://pcaobus.org/about/mission-vision-values>.

investors. Our membership approved policies reflect the view of that as the “key customer of audited financial reports,”¹⁰ investor input is essential to the PCAOB in fulfilling its mission and for the SEIAG to be effective in assisting the Board in that pursuit.¹¹

CII appreciates the opportunity to submit comments on this important matter and is available to provide any additional information the PCAOB requests.

Sincerely,

A handwritten signature in cursive script that reads "Jeff Mahoney".

Jeffrey P. Mahoney
General Counsel

¹⁰ Council of Institutional Investors, Policies on Other Issues, Independence of Accounting and Auditing Standard Setters; *see* Council of Institutional Investors, Corporate Governance Policies § 2.13 Auditor Independence.

¹¹ *See, e.g.*, Letter from Jeffrey P. Mahoney, General Counsel, Council of Institutional Investors to Office of the Secretary, PCAOB at 11 (“The PCAOB’s mission ‘to protect investors’ combined with the general underrepresentation of investors on the PCAOB’s board and staff, and in connection with the PCAOB’s comment letter process, suggests that more, rather than less, input from investors, the ‘key customer of audited financial reports,’ is essential to the PCAOB in fulfilling its mission and this objective.”).