



**September 4, 2015**

**By Email**

Mr. Brent J. Fields  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street NE  
Washington, DC 20549-1090

**Re: Audit Committee Disclosures Concept Release – File No. S7-13-15**

Dear Mr. Fields:

Edison International (“EIX”) is the parent company of Southern California Edison Company, one of the nation’s largest electric utilities. On behalf of and as Chair of the EIX and Southern California Edison Company Audit Committees (“Edison Audit Committee”), I appreciate the opportunity to respond to the Commission’s Concept Release regarding Potential Revisions to Audit Committee Disclosures (the “Release”). In the Release, the Commission recognizes the ultimate underlying purpose of Audit Committee disclosures is to:

“... provide useful information to investors as they evaluate the Audit Committee’s performance in connection with, among other things, their vote for or against directors who are members of the Audit Committee, the ratifications of the auditor, or their investment decisions.”<sup>1</sup>

The Edison Audit Committee has provided voluntarily some disclosures, beyond what is required, in its proxy statement to help investors:

- Understand how the Edison Audit Committee exercises oversight of the Independent Accountants (“Auditor”) in accordance with the Audit Committee Charter;
- Make informed voting decisions on the election of the Audit Committee’s members; and
- Ratify the appointment of the Auditor.

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<sup>1</sup> Release at page 5.

These disclosures cover some of the items mentioned in the Release, including:

- Auditor's tenure with the company;
- Consideration of Auditor's continued independence;
- Assessment whether professional skepticism was exhibited by the Auditor;
- Consideration of information available from PCAOB inspection reports;
- Rationale for and factors considered for the company recommendation that shareholders ratify the Auditor's appointment;
- Consideration of Auditor firm rotation;
- Factors considered and process regarding selection of lead audit engagement partner; and
- Disclosure of the Audit Committee's work in other areas such as the internal audit function, ethics and compliance function and risk governance.

We would support an additional disclosure that states that the Audit Committee had complied with the requirements of its own Charter.

We believe that a framework of voluntary disclosure provides a more transparent communication than a prescriptive framework because it would allow Audit Committees flexibility to customize their disclosures for their particular circumstances. Such a framework would permit Audit Committees to disclose topics that it received in-depth reports on, which may differ from year to year, but a prescriptive requirement to make such disclosure may not be applicable to all companies or even to the one company every year. We further believe that it is important to balance the benefit that increased disclosure requirements may bring versus the risk of excessive information not useful to investors. As discussed in the Release, there may not be any one size fits all set of requirements<sup>2</sup>. We would support, in lieu of prescriptive requirements, requirements that preserve discretion for the Audit Committee to determine the content and extent of the disclosure. Each Audit Committee would then be evaluated on quality of disclosure by the annual shareholder vote.

Furthermore, companies should be encouraged to engage with shareholders to discuss their views on proxy disclosure, among other areas, and make improvements based on direct feedback from shareholders.

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<sup>2</sup> Release at page 21.

## **Duties and Obligations of the Audit Committee**

Currently, the Public Company Accounting Oversight Board (“PCAOB”) requires the Auditor to communicate with the Audit Committee on various topics (“required communications”)<sup>3</sup> and the Audit Committee report must disclose that the required communications took place. The main purpose of this disclosure requirement is to inform the investor of the Audit Committee’s duty to oversee the Auditor.<sup>4</sup> We believe that requiring disclosure of each of the required communications between Auditor and Audit Committee would, in large part, result in boilerplate language that would not be useful to the investor. To the extent that disclosure of any company specific communication is mandated, we believe this will chill the communications between Audit Committees and their Auditors, and adversely impact the freedom with which Audit Committee members ask follow up questions and challenge the Auditor, resulting in reduced effectiveness of the Audit Committee.

Similarly, we are concerned that requiring disclosure of the nature or substance of significant audit topics would inhibit frank and open discussions between the Audit Committee and the Auditors, devolve into boilerplate and repeat much of Management’s Discussion and Analysis. As an alternative, we support including a list of the most significant financial reporting topics that the Audit Committee considered as part of the approval of the year-end financial statements.

## **Retention of Independent Auditors**

The second underlying purpose of Audit Committee disclosure is to help investors assess the Audit Committee’s oversight of the company’s Auditor. Investors are typically asked to express their approval by voting to ratify the Audit Committee’s choice of Auditor. Our disclosure related to this decision covers the Auditor’s tenure with us, fees paid to the Auditors and factors taken into account when evaluating the Auditor’s performance, such as the quality of the Auditor’s written reports and meetings with the Audit Committee, the Auditor’s industry knowledge, their continued independent and professional skepticism, and information available from the PCAOB inspection reports. Our disclosure also details, in general terms, the factors the Audit Committee considers when determining whether to retain the Auditors and our policy regarding the shareholder ratification vote.

In addition to these factors, we support additional disclosures to regarding (1) the number of years the current engagement partner has been working on the company’s audit; (2) more detail on the reasons the Auditor was chosen to provide non-audit services and what such services are; and (3) consideration of certain quantitative and qualitative audit quality indicators, customized to that company’s specific circumstance.

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<sup>3</sup> PCAOB Standard No. 16 *Communications with Audit Committees*, which superseded AU sec. 380 that is referred to in Item 407(d) in Regulation S-K. We agree with the Commission that the reference in Item 407(d) should be updated along with other outdated references in the Commission’s rules.

<sup>4</sup> Final Rule on Audit Committee Disclosure, SEC Release no. 34-42266 at page 5.

We do not support the following additional disclosures that are either not related to the purpose of Audit Committee disclosures set forth above or are excessive details that are not likely to be material to investors:

- Name of audit engagement partner and/or other core members of the engagement team, or
- Actual content of the PCAOB inspection reports.

### **Location of Disclosures**

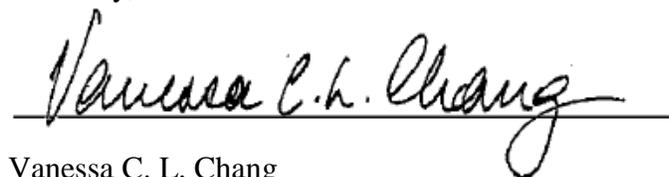
As previously noted, the Audit Committee disclosure in the Proxy Statement is relevant to: (1) election of Directors, and specifically Audit Committee members, and (2) ratification of the choice of Auditor. While some disclosure is relevant to both voting decisions, it is not efficient to repeat the disclosure in two locations, yet having all Audit Committee-related disclosure in a single location may not be most effective because it relates to two distinct voting proposals. We do not believe the location for all Audit Committee-related disclosure for all companies should be prescribed, given unique issues and circumstances that each company may have. Accordingly, we support retaining the flexibility for companies to organize the disclosure appropriately for their circumstances, taking into consideration feedback from investors.

### **Conclusion**

We appreciate the opportunity to share with the Commission our views on effective Audit Committee disclosures. We believe that a prescriptive set of “one size fits all” rules on disclosure may not accomplish the Commission’s underlying purpose, which is to provide information that is useful to the investor. We encourage the Commission to adopt a principles-based approach, giving investors the ability to take the quality of the disclosure in consideration in making voting decisions.

Thank you for considering our comments on the Release. If you would like to discuss these comments or have any questions with respect to this letter, please do not hesitate to contact me at [REDACTED] or [REDACTED].

Sincerely,



Vanessa C. L. Chang  
As Chair and on behalf of the  
Edison International and  
Southern California Edison Company  
Audit Committees