



August 15, 2016

VIA e-mail to: comments@pcaobus.org

Office of the Secretary
PCAOB
1666 K Street, N.W. Washington
DC 20006-2803

RE: PCAOB Rulemaking Docket Matter No. 034

FedEx Corporation has reviewed the Public Company Accounting Oversight Board ("PCAOB") proposed auditing standards Release No. 2016-003 dated May 11, 2016, and we appreciate the opportunity to comment on the proposal. We previously commented on the August 13, 2013 auditing standard Release No. 2013-005 on the same subject.

FedEx Corporation is a global company that provides customers and businesses worldwide with a broad portfolio of transportation, e-commerce and business services. Our annual revenues total approximately \$58 billion, we have more than 400,000 team members, and we serve customers in more than 220 countries and territories. Our financial statements are prepared under U.S. GAAP, filed with the Securities and Exchange Commission (SEC) and we are registered with the New York Stock Exchange. We present our views from the perspective of a financial statement preparer, and we support the PCAOB's mission to oversee the auditing profession and improve audit quality. We are pleased that the PCAOB revised the 2013 proposal to address matters raised by us and others; however, we still do not support the proposal with respect to the auditor's report and have set forth below our views on this issue.

Summary

Our December 2013 letter took issue with the proposals to include critical audit matters in the auditor's report and to extend the auditor's report to cover "other information" outside of the financial statements. Although the PCAOB revised and narrowed the scope of the critical audit matters that would be included within the auditor's report, we remain unconvinced that the inclusion of these matters will be useful to investors and other users of the financial statements. We are pleased that the Board has deferred consideration of the reporting on other information and has removed that topic from the new Release.

Critical audit matters

We remain skeptical that the inclusion of explicit discussion of critical audit matters within the auditor's report will add value to the investor/reader. We continue to believe that this will add costs and issues for a company as discussed further below.

As we stated in our prior letter, the financial statements of a public company are the responsibility of its management and the oversight of that responsibility lies with the company's Board of Directors through its Audit Committee. In our view, the PCAOB's original proposal and the current reproposal seek to supplant management's responsibility for disclosure of critical accounting matters with a company's auditor and publicize aspects of the audit process that may not be useful to investors and other users of financial statements. We strongly disagree with this concept and believe that auditors should not be disclosing editorial details of any nature about the audit process publicly and that their role is to opine on the fair presentation of the totality of the information provided by management and the internal control over financial reporting.

While some investors may desire improvements in disclosures, we continue to believe that the proper source of this information is a company's management and not the auditor. If the PCAOB believes that companies have overall deficiencies in their financial statement disclosures on critical accounting policies and estimates, then the proper venue for this issue is with the FASB and the SEC.

Beyond our fundamental disagreement with the basic principle of the PCAOB proposal, we believe a separate listing of critical audit matters in an auditor's report is redundant to the disclosure of a company's significant accounting policies and critical accounting estimates required in its Annual Report. If a company falls short of the transparency required under the disclosure standards outlined by the FASB and the SEC in its audited financial statements, then the auditor has the duty to communicate that to the company's audit committee and if necessary, issue a qualified opinion on the financial statements, which will carry significantly more weight to investors than lengthy, duplicative statements on critical accounting matters.

We believe that inherent in the PCAOB's proposal is a presumption that critical accounting matters have a bias towards being areas that are "questionable." However, in many cases these matters are simply complex accounting areas. As a result, a list provided by an auditor could be viewed externally as an indicator of a poorly run company or risky investment. Further, the proposal could have the unintended, and in our view, unfortunate effect of discouraging the candid discussion of accounting matters between issuers and auditors due to concerns that such discussions would be required to be referenced in the auditor's report. Finally, even with the revised definition of a critical audit matter, significant auditor judgment will need to be used in order to determine what qualifies as a critical audit matter. We expect judgment will be subject to second guessing, which will put pressure on auditors to report more critical audit matters, ultimately increasing audit costs.

We believe the issues that the PCAOB is seeking to address with this proposal can be addressed without the auditor's report including a discussion of critical audit matters. After reading the original proposal and the reproposal, we stand by our original comments and do not believe that narrowing the definition of a critical audit matter and adding a materiality component fully addresses or alleviates our concerns. First, we encourage the PCAOB to take the lead on providing observations on disclosure failures noted in its audit reviews to the SEC, and have the SEC seek enhanced disclosures from companies, where

necessary. Second, we believe that an acceptable alternative to the PCAOB's proposal would be for the auditor's report to explicitly acknowledge the auditor's concurrence with the critical accounting policies and estimates disclosed by the company. Finally, we believe that the audit process is effective, and that auditors should continue to leverage the well-defined process for required communications with audit committees for discussion of critical audit matters. The matters described in the proposal should be discussed in the boardroom, not in the auditor's report. The auditor required communications to the audit committee provide ample opportunities for the auditor to engage in discussions on critical audit matters and the auditor's report could also include an explicit statement that these candid discussions were held.

Tenure of the Auditor

The proposed auditing standard in 2013 and the reproposal in 2016 require the auditor to include in the auditor's report a statement containing the year the auditor began serving consecutively as the company's auditor. While we do not have a strong view on this proposal, we do not believe it adds any value to the report and think this statement may imply a correlation between the auditor's tenure and the audit quality, which is not the case. Longer tenure can develop an audit team with deep understanding of a company's complex accounting judgments and estimates. A decision of whether or not the auditor provides a quality audit should be left up to the audit committee of the board of directors since they are the most knowledgeable on the matter. Therefore, we do not believe this disclosure in the audit report is needed. Additionally, the mandatory partner rotation rules address any independence concerns that could be associated with the tenure of the auditor, and we believe that such rules are adequate and are operating as intended in practice.

Form of the Auditor's Report

The repropose standard will require the "Opinion on the Financial Statements" section to be the first section of the auditor's report, immediately followed by the "Basis for Opinion" section. This allows for consistency in the location of the opinion and the basis for opinion section across all auditors reports. We agree with this proposal as this is the main intent of the report and consistency in placement will allow ease of use for readers/investors.

We appreciate the opportunity to comment on these proposed changes and thank you for your consideration of our comments. If you have any questions, please contact Jennifer Johnson at 901-818-7828.

Sincerely,



John L. Merino
Corporate Vice President and
Principal Accounting Officer



Jennifer L. Johnson
Staff Vice President and
Corporate Controller