

## Opening Statement – Monty Garrett, Vice President Finance - Verizon

Good afternoon. I appreciate the opportunity to come here today to represent Verizon on this panel. We obviously have a keen interest in matters related to auditor reporting. We also spend a great deal of time and effort communicating with existing and potential investors and finding ways to get them the information they need to make informed investment decisions. To that end, we appreciate the efforts of the PCAOB to address investor needs and we want to continue to work with the Board and staff to accomplish this joint goal. I was invited here today to provide Verizon's input on the proposal to add auditor tenure to the standard auditor's report. Our view on that specific concept is best understood in conjunction with our views on docket number 34 as a whole. As such, I will discuss our view on tenure and then expand a bit to the overall proposal.

Like many other public companies, Verizon discloses information about its audit firm, including tenure, in our annual proxy filing where we ask shareholders to ratify the appointment of the auditors. For the benefit of our shareholders, we also provide background on how the Audit Committee considers auditor tenure in connection with its evaluation of the auditor's independence and more broadly auditor appointment. In other words, we see audit firm tenure as one component of a robust governance process discussion in our proxy related to the evaluation of the auditor. Accordingly, we think that reporting of auditor tenure is most meaningful to investors when presented within the governance context. It is not clear to me what conclusion can be drawn from auditor tenure information, but if an investor finds it useful

there does not seem to be harm in providing the information in an appropriate context. As mentioned in Appendix 5 of the proposal, the available research findings on correlation between auditor tenure and audit quality vary widely. Some researchers suggest that an auditor with a long tenure may have a higher likelihood of independence being impaired, while other researchers suggest an auditor with a short tenure may not have sufficient depth of understanding of a company to render a reliable opinion. I believe the Board concluded that there was no analytical information to prove any meaningful correlation. In all sincerity I do hope to get insight today on how the tenure information is valuable, as we are always interested in transparency and in better understanding how to anticipate our investors' needs. To emphasize this point, we come to work every day knowing there are two groups of people that we cannot live without, our customers and our investors. We are fully committed to listening to our investors and caring for their needs, and that includes addressing the concerns that have led to this proposal.

To that end, we have chosen to disclose our auditor's tenure information in our proxy statement and we believe that is the proper home for such disclosure rather than the auditor's report. Our view on this is a subset of our overall view that an auditor's critical role is to provide assurance that the GAAP financial statements provided by the issuer are materially accurate. Some aspects of the proposal, including discussion of Critical Auditing Matters and commentary on Other Information, may require the auditor to go beyond its very critical core responsibility of providing assurance. As stated in our comment letter, we are concerned with having auditors provide this commentary as we feel that the first line of disclosure about the

company should be provided by the issuer. If the auditor deems the material misleading or inadequate and the issuer does not rectify, then the auditor has the means to opine accordingly. The current “pass/fail” opinion is clear and concise and leaves no doubt as to the auditor’s view. Free form language may not be as clear and may leave readers unsure of the audit result. Alternatives were discussed yesterday that we think give investors the additional information on risk they are seeking while preserving the roles of issuer and auditor. Specifically, the alternative of having the issuer expand the disclosure in footnote 1 to cover CAM items in a more thorough fashion along with an auditor’s specific review of that disclosure would seem to address many of our concerns.

Views on this matter were discussed at length in earlier panels. My only point is to extend our view on the issuer’s and auditor’s roles to the tenure information. Let the issuer provide the information to investors in the appropriate form and context. Investors will receive the information they desire and the risk of misinterpreting auditor tenure without proper context will be avoided. We have no issues with the other basic elements of the auditor’s report included in the proposal. We are not sure if the additional wording on independence adds value as the existing reporting format already includes reference to the auditor being independent but we see no harm in including it.

Again, thank you for the opportunity to participate in this very important process.