

# Expanded Disclosure of Audit Committee Information in Proxy Statements

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We all know that executive compensation information in proxy statements is getting longer, as a response to the say-on-pay vote. Recently, an [E&Y report](#) indicated that proxy statements of Fortune 100 companies in 2013 added more details about the audit committee compared to the prior year. The report examined 78 companies that held meetings as of June 2013.

The report referenced the likely influence of letters from the United Brotherhood of Carpenters sent to a number of companies this past season, without describing the contents. We understand, however, that the letters requested that companies provide additional disclosure about the responsibilities of the audit committee, including fee negotiations, considerations of audit firm rotations and engagement of the audit partner, as well as the number of years the same audit firm has been retained. The Carpenters issued the letters after the SEC rejected their prior efforts to submit shareholder proposals on audit firm rotation and auditor independence disclosure in 2012.

In 2013 proxy statements, there was a marked increase in the percentage of companies that disclosed that the audit committee is responsible for audit fee negotiations (9%) as well as the appointment, oversight and compensation of the auditors (50%), was involved in the selection of the lead audit partner (17%), disclosed the factors used in assessing the auditors (21%) and considered the impact of changing auditors when deciding whether to retain the existing firm (15%). 23% of companies affirmatively stated that the selection of the auditor is in their best interests, another request in the Carpenter's letter.

A few companies are leading the way toward more novel disclosure, which may foreshadow trends including describing the topics discussed by the audit committee and audit firm (8%), explaining changes in fees paid to the auditors (5%) and giving the year that the lead partner was appointed (3%).

The report also found that these companies on average had 2.7 financial experts. Notably, 46% of the companies had three or more. Finally, all companies may want to review the link that they provide to audit committee charters in the proxy, a common practice. 40% of those links only led to the company home pages.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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