



RTX Corporation
1000 Wilson Boulevard
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USA

August 7, 2023

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

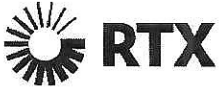
Re: PCAOB Rulemaking Docket Matter No. 051, Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations

Dear Ms. Brown,

RTX appreciates the opportunity to review and comment on the Public Company Accounting Oversight Board's (PCAOB or Board) Rulemaking Docket Matter No. 051, Amendments to PCAOB Auditing Standards related to a Company's Noncompliance with Laws and Regulations (the proposal). RTX is the world's largest aerospace and defense company. With more than 180,000 global employees, we push the limits of technology and science to redefine how we connect and protect our world. Through industry-leading businesses – Collins Aerospace, Pratt & Whitney, and Raytheon – we are advancing aviation, engineering integrated defense systems for operational success, and developing next-generation technology solutions and manufacturing to help global customers address their most critical challenges. The company, with 2022 sales of \$67 billion, is headquartered in Arlington, Virginia.

As a public company we share the interest of the PCAOB in providing high quality information to investors and other users of financial statements. We acknowledge the Board's proposal in this area is intended to strengthen the existing auditor requirements related to a company's noncompliance with laws and regulations in order to increase investor protections. However, we believe the proposed auditing standards may impact auditor independence as well as increase costs of audits without a commensurate increase in benefits to investors and other users of financial statements. Our detailed concerns are highlighted below:

Auditor Independence – The proposal would require the auditor to identify laws and regulations with which noncompliance could reasonably have a material effect on the financial statements. The auditor assessment would be independent from management's assessment. We believe the auditor's role is to assess adequacy of management's processes and controls and not to perform their own evaluation, particularly with respect to legal matters that are likely beyond the knowledge, expertise, and experience of auditors. The proposal would require the auditor to come to conclusions independent of management and report those conclusions to the audit committee which could be viewed as the auditors performing the work of management and duplicating existing internal processes. It might also put the auditor in the position of challenging management to take a different tack in the investigation, which would compromise the auditor's independence as it would be in a position of defending its own position instead of evaluating the company's. We believe auditor independence is crucial to trust in our financial reporting system and we should take great care to ensure auditors maintain independence in both fact and in appearance. We recommend that the Board focus the scope of the standards on auditor review of management's processes and controls as it pertains to matters that have a material impact on the financial statements.



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Materiality – The proposal would require the auditor to identify whether there are instances of noncompliance with laws and regulations that have or may have occurred, which we believe would require the auditor to evaluate items irrespective of whether such items are material to the financial statements. We believe any standard that distracts the company and auditor from focusing on matters with direct material impacts on the financial statements may weaken the quality of financial reporting while at the same time increasing the cost and time spent by the auditor, the company and the audit committee. We recommend the Board continue to anchor audit requirements to the foundation of materiality.

Communication – The proposal would require the auditor to communicate to the audit committee regarding potential noncompliance prior to the auditor’s evaluation of the likelihood of occurrence and related financial statement impacts. Communications between the auditor and the audit committee would likely be significantly expanded by the proposal. The proposed enhanced communication requirements may divert the focus of management, the auditor and audit committee from material financial statement matters as discussed above. We recommend more judgment be allowed for when matters are communicated to the audit committee. Additionally, primary communication regarding noncompliance with laws and related financial statement impacts should continue to come from management.

Auditor expertise – As detailed above the scope of the standards would require the auditor to interpret the company’s compliance with laws which goes well beyond the current audit scope focused on auditor review of management’s process and controls. We believe auditors likely do not currently have this expertise and would need to incorporate their own legal expertise or leverage the expertise of legal counsel to reach conclusions on various matters which the proposed standards will require auditors to opine on. To gain the requisite expertise, the auditor might have to retain counsel expert in the particular field, which could create a situation in which its counsel and the company’s counsel might disagree about approach, which could compromise the efficiency of the investigation. We do not believe this expansion of the auditor scope to exercise legal judgment is beneficial from an investor protection perspective given management engages its own experts in ensuring compliance with laws and regulations and will require a significant increase in costs of an audit whose scope goes beyond financial statement materiality.

Attorney client privilege – The proposal could be read to require management to provide significantly more legal interpretation and assessment to auditors. This raises some substantial concerns about potential unintended waiver of attorney-client privilege. In particular, the proposal would require auditors to obtain extensive information from management about their processes related to compliance with laws and regulations. Such information would include documentation about relevant events or transactions relating to potential noncompliance with laws or regulations as well as taking steps to confirm significant information concerning the events or transactions with other parties, intermediaries, financial institutions, legal counsel, or others who may have knowledge of the events, transactions, and applicable legal requirements. Auditors would also be required to make specific inquiries about noncompliance with laws and regulations with management as well as the company’s legal counsel. The broad scope and volume of information that would be required to be shared with auditors under the proposed standards is likely to encompass sensitive attorney advice that is generally subject to attorney-client privilege. However, by requiring the sharing of such information with auditors, the proposed standards substantially increase the likelihood that attorney-client privilege would be compromised with respect to a company’s most sensitive legal matters.



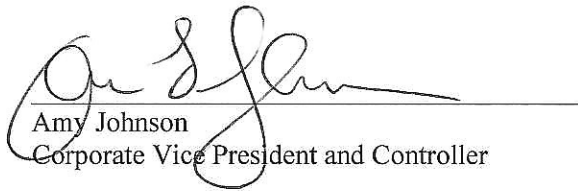
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Cost/benefit – As noted in various areas above we believe there may be significant costs for the auditors to perform new procedures and hire new staff with legal expertise and these costs will be passed onto companies and ultimately investors. We do not believe these costs will result in meaningful improvement to investor protections given current audit scope already focuses on items that have a direct material impact on financial statements which we believe is the appropriate audit scope. Much of the additional cost will be incurred in auditors ensuring completeness and documentation related to immaterial items which would not drive significant benefit to investors.

Conclusion

We appreciate this opportunity to provide feedback on the Board's Proposal to Amend the Auditing Standards related to a Company's Noncompliance with Laws and Regulations. We believe the Board should reconsider the scope of the proposal to strike the right balance between auditor independence, high quality financial reporting, and cost benefit.

Sincerely,



Amy Johnson
Corporate Vice President and Controller