

Sent via post and email

Enquiry Manager
Audit Market Investigation
Competition Commission
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20th March 2013

Dear Sir,

Aggreko welcomes the opportunity to comment on the potential remedies identified by the Competition Committee in respect of the provisional findings of its enquiry into the FTSE 350 audit market.

Aggreko is a FTSE 100 company with operations in over 100 countries across the world. Whilst there are some aspects of the report of which we are supportive, we have a number of areas of concern.

The Financial Reporting Council (FRC) has only recently introduced a provision in the UK corporate governance code which requires that companies are to tender their external audit every 10 years.

Given the growing awareness of Boards and Audit Committees of retendering, and the early positive signs of progress in this area, it seems unnecessary to change what the FRC has just introduced. An audit tender can be an expensive process and it is undoubtedly disruptive for the Company. Frequent tendering (including mandatory rotation) will therefore increase costs and create significant disruption for both management and the Board, with potentially no overall benefit to shareholders. This just adds cost to companies based in the UK which could reduce competitiveness. We do not think the proposed "open book" process for audit tenders will significantly reduce company or auditor cost and causes us real concern that confidential information about the company will be much more widely available.

A key issue with respect to Aggreko is audit quality. We value audit as an integral part of how we manage risk in Aggreko. Audit quality is therefore critical. We assess the quality of our external audit rigorously each year. If it is assessed as poor, we are able and indeed would change audit firm. In our experience, the biggest risk to audit quality occurs when a new partner rotates onto the audit. We have observed that it can take a new audit partner at least 2 years to develop a detailed understanding of the key audit issues and the audit process. This is mitigated in our experience by having partner rotation within the construct of the existing audit firm, where the overall firm knowledge and experience is maintained. By bringing in mandatory audit firm rotation, potentially every 5 – 7 years, audit quality could be compromised, increasing the risk to companies and shareholders. Not only will we have a new audit partner, but we will also have a new audit firm, with no experience of Aggreko in any location around the world.

The Aggreko Audit Committee already plays a proactive role in terms of communicating directly with the auditor. This communication works well and takes place with and without management present. However we believe that shareholders interests are not best served by requiring the auditors to solely engage with the Audit Committee on areas such as discussing how to resolve a material audit issue without first engaging with management. Given the nature of the role of the non-executive directors on the Audit Committee and the well established unitary board structure in the UK, this seems to blur the distinction between executive and non-executive directors and is not a sensible method in practice. Audit issues need to be addressed in the first place directly with executive management and if not resolved to the auditors' satisfaction, the issue should then be raised with the Audit Committee. Having said that, we do support greater discussion in the Annual Report about the Audit Committee's engagement with the external auditors.

So in summary, we support the view that the audit should be tendered after a period of 10 years for reasons of audit quality and cost evaluation – this seems to be a sensible period as it allows for two audit partner rotations. However, we do not support a shorter period of compulsory audit tendering and we most certainly do not support mandatory audit firm rotation. We also believe, that the current tripartite arrangement among the audit committee, external auditor and company management serves shareholders well from a governance and risk perspective. Changing this arrangement could put at risk a process that, in the UK, serves shareholders in the vast majority of companies very well. We engage constantly with our shareholders and see no appetite for mandatory firm rotation from them.

Please feel free to get in touch to discuss our response.

Yours faithfully



PP Robert MacLeod
Chairman, Audit Committee



Angus Cockburn
Chief Financial Officer