



Rexam PLC
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Dear Sirs

Competition Commission Provisional findings and Notice of Remedies Statutory audit Services Market investigation.

Rexam PLC : A review and response to the remedies

Following a review of the provisional findings and notice of remedies to the statutory audit services market investigation report published on 22nd February 2013, the following is the position of Rexam PLC.

Rexam PLC is fully supportive of any changes in legislation, policies and guidelines that further improve the quality, independence and relevance of audits, and support in principle the remedies relating to enhanced shareholder-auditor engagement, specifically by way of attendance at the AGM, refining the role of the AQRT and prohibition of 'Big 4 only' loan clauses.

However there is a need for remedies to be pragmatic, workable and not add bureaucracy and cost to businesses. We believe that a number of the proposals fail to do this.

Specifically:

Mandatory tendering and firm rotation: has recently been redefined by the Financial Reporting Council (FRC) with the introduction of tendering at least every ten years on a 'comply or explain' basis, in addition to the existing requirements of the UK Corporate Governance Code (the Code). This, for Rexam PLC, includes an annual effectiveness review of the external auditors and recommendation by the Audit & Risk Committee to the Board and ultimately shareholders for re-appointment of the auditors, in addition to

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senior audit partner rotation every five years, which for Rexam is in 2013. The introduction of mandatory tendering and firm rotation would significantly add to the cost burden of businesses as well as potentially diluting audit quality and increasing risk, by reducing the level of experience and understanding of the business by the audit teams.

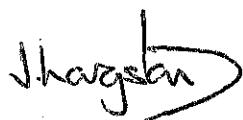
We also do not support open book disclosures to tendering parties as we believe this compromises confidentiality and could also serve to reduce innovation in the audit profession.

- Reporting: the Code provides a relevant, clear, targeted outcome to management and the Audit & Risk Committee.
We welcome changes that comment on audit control effectiveness or audit process efficiency but do not believe additional commentary on methodology or detailed testing undertaken by the auditors would add value and indeed may serve to mask the reporting of issues.
- Audit Committee: The Code is currently clear, and in practice reflects the mix of skills and experience to give the necessary assurance to the Board and subsequently to shareholders.
At Rexam PLC the Audit and Risk Committee regularly exercises its right to direct access both individually and collectively to the External Auditor without management being present to ensure appropriate levels of engagement and feedback.
The Audit & Risk Committee chair engages with management in all activity relating to the external audit to ensure challenge and independence, however further executive responsibility of the audit chairmen role would make it very difficult to maintain independence and represent the needs of the Board and shareholders. Having no involvement from management would potentially result in higher costs and/or misdirection of effort.

In Summary:

Corporate Governance legislation in the UK has recently been strengthened against an already strong framework and we consider that these principles are sufficient to safeguard the independence and quality of external audits.

We do not believe that legislation (including either mandatory tendering or mandatory firm rotation) will enhance the current "comply or explain" guidelines. Indeed we expect that they would result in more cost and potentially weaken the quality of the assurance they are seeking to improve, nor do we believe they will benefit shareholders.



John Langston

Audit and Risk Committee chairman

Rexam PLC