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LandSecurities

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Dear Sirs

Statutory Audit Services Market Investigation

Thank you for the opportunity to respond to the Commission's provisional decision on remedies.

Land Securities Group PLC is the largest listed commercial property company in the UK and a member of the FTSE 100. We have recently completed an audit tender and have now changed our auditor from PricewaterhouseCoopers to Ernst & Young.

Our Audit Committee have considered the Commission's paper and have asked me to respond on their behalf. We are supportive of the majority of the recommendations, but would be grateful if the Commission would consider our views on the following:

1. **5 year tender obligation**

   We would prefer a longer maximum period between audit tenders and favour the FRC's recent recommendation of 10 years.

   This is because it takes some time for an auditor to get to know a complex business and add value to an audit. A shorter period may discourage an auditor to make the considerable investment required to undertake a high quality audit.

   A change of auditors is also a disruptive process for companies and can be viewed with suspicion by shareholders. These issues might lessen a company's resolve to change auditors too frequently, resulting in wasted costs for all parties during a mandatory tender process. These costs can be considerable. Companies would, of course, be at liberty to tender more frequently were they not happy with the service or cost.

   The real issue faced by companies is that there are at most four firms with the overall resource, quality and experience to audit a large listed company. The number falls to three or two as firms withdraw for fear of losing out on lucrative non-audit work and others lack the breadth or depth in complex businesses to be credible candidates.

2. **Advisory vote**

We do not see the need for an advisory vote on the report of the audit committee.

A specific vote on a relatively small part of the report might encourage companies to write much more at the expense of clarity and a focus on the key issues.

The Commission might prefer to assess the impact of the new reporting requirements that come into force this year before pursuing this particular recommendation. Alternatively, if the Commission feels a vote is necessary, the FRC might consider extending it to a vote on the whole corporate governance report.

3. **Prohibitions in Loan Agreements Restricting the Choice of Audits**

In our experience, the term is not common though banks which insist on it do so in order to provide more confidence in terms of monitoring financial covenants within agreements. A restriction on this might weaken their confidence to lend and so we do not support the proposal.

4. **Change to the FRC's Objectives**

Although really a matter for the FRC, we are not sure whether the Council currently has the expertise to discharge that obligation effectively. The role might be better served by the Competition Commission.

Do feel free to get in touch if you have any questions or would like to discuss this response.

Yours faithfully

Adrian de Souza
Group General Counsel and Company Secretary