

Provisional Decision on Remedies submission

Dear Sirs

I am the CFO of Savills plc, a FTSE 250 company with audited operations in multiple countries throughout Europe, Asia Pacific and the United States. I am writing to object to certain aspects of the Commission's Investigation, which I believe will not only have limited effect on Audit quality (and may indeed be detrimental), but will also cost the consumer (FTSE 350 companies) substantial additional sums. Taken together, this represents a burden which UK companies can ill afford and which will generate little or no value to companies or their shareholders.

The two key points relate to 5 yearly re-tendering of Audits and five yearly Audit Quality Reviews.

In a large and diverse international organisation such as Savills, an incoming auditor takes considerable time to understand the organisation as a whole, cultural differences across international subsidiaries and the specific internal and external areas of risk. All of these factors are critical in providing a high quality audit. In my experience, auditors take up to three years' engagement through different market operating environments before they are truly knowledgeable enough to make the important observations and risk assessments from a position of real understanding. It is this part of the Audit which constitutes a true measure of quality for Audit Committees, Management and Shareholders. Indeed, contrary to any perception that an Auditor gets too close to a company over time, in reality, if the experience of others is similar to mine, Audit partners are at their most incisive once they are secure in their knowledge and understanding of the company and its markets. It seems odd to mandate retendering on a 5 year basis if the underlying consumers of the service can expect only to get real benefit in the final 40% of the auditor's tenure.

The costs of five-yearly retendering for both companies and audit firms will be significant both directly and through disruption across the organisation as each new team has to be educated in the early years.

In terms of the proposed AQR, the cost benefit ratio is likely to be hugely disadvantageous to companies and their shareholders. In an environment where Auditors and Audit Committees are rightly under enormous scrutiny and their obligations of disclosure increasing significant, it seems excessive to "audit the auditors" on anything more than a sample basis. Furthermore, it would seem logical, beyond sampling, to link AQR to the result of shareholders' vote on the adequacy of audit and financial reporting. The costs of the AQR as proposed will be punitive and will generate little or no substantive value in terms of enhanced quality or competition. The fact that they will fall directly on to shareholders through levy or Audit fee increases and the consequent impact on corporate profits and cash flow, will not be lost on the ultimate stakeholders in this exercise.

The FRC has recently taken steps to reinforce significantly the quality and independence of audit and the role of audit committees, including a 10 year re-tendering requirement. It would be appropriate for these changes now to be implemented and the impact measured and assessed before the proposals referred to in this letter are imposed.

In conclusion, I wish to register our formal objection to the Commission's proposals in respect of the above issues only. We consider that at a time when companies are searching for greater competitiveness, the costs of such proposals will be both far higher than that suggested in the Commission's report and will far outweigh any benefits that might result. Other aspects of the Commission's investigation appear reasonable and potentially useful additions to the work already being undertaken by the FRC.

I am happy to discuss any aspect of this letter should you so wish

Yours faithfully

Simon Shaw

Group Chief Financial Officer

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