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Marek Grabowski  
Executive Director  
Financial Reporting Council  
Sent by email

13 February, 2014

Dear Marek,

**Consultation Paper: Risk Management, Internal Controls and the Going Concern Basis of Accounting**

Thank you for convening the meeting of 29 January.

ABI members strongly support the objective of promoting good practice by company boards in considering, managing and reporting on solvency and liquidity risks and, in turn, the proposed incorporation of solvency and liquidity risks into the on-going risk management and internal control systems.

However, as set out in our letter of 23 January, an explicit confirmation of the board's conclusion as to the ability of the company to continue to meet its liabilities as they fall due remains highly desirable. A move away from such a requirement could weaken the current going concern framework and so be damaging to investors' interests.

At our meeting it was agreed that the member institutions of the Institutional Investor Committee would seek jointly to develop proposed replacement wording for C.2.1. We are aware that the IMA has already submitted a draft proposal, which a number of our members support. However, our overarching objective is to see a version which reflects the objective in paragraph 2 above while meeting the following tests:

- Use simple and understandable language ensuring that the focus of the disclosure is not diluted
- Strike a balance between a Code provision and its more expanded guidance document and, therefore, avoid unnecessary caveats that may lead to confusion or be misleading.

We therefore propose the following wording:

*"The board should carry out a robust assessment of the principal risks facing the company, including those that would threaten its solvency or liquidity. In the annual report, the directors should confirm that they have carried out such an assessment and report how the principal risks are being managed or mitigated. The board should also state:*

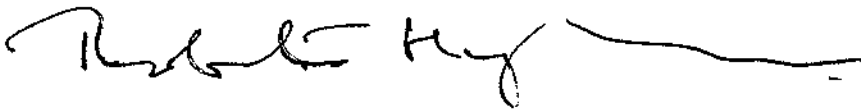
- a. *its reasonable expectation that the company:*

- i. has adequate resources to continue in operational existence for the foreseeable future; and*
  - ii. will be able to meet its liabilities as they fall due;*
- b. that therefore the going concern basis has been adopted in preparing the accounts.*

*They should also disclose any material uncertainties to this statement either as at the balance sheet date or in the foreseeable future."*

We would welcome the opportunity of discussing this with you.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Robert Hingley', followed by a long horizontal line.

Robert Hingley  
Director of Investment Affairs

CC

Melanie McLaren, Executive Director of Governance, Codes and Standards  
Angus Bogle, Director of Investor Engagement