

Dear Mr Ferris

I am replying to the Consultation on behalf of the Royal London group. We welcome the consultation exercise.

Royal London is the UK's largest mutual insurer with over 8 million policyholders and a major UK asset manager with approximately £130 billion under management. We are active in monitoring and commenting on corporate governance standards of UK companies.

We are limiting our response to Question 4 in respect of services that can be purchased from auditors.

We are unaware of any ethical issues that have caused stakeholder detriment as a result of the current black list of services and our experience is that audit committees are taking their duty to authorise services purchased from auditors seriously. Further, we are surprised that a change is being proposed prior to the implementation of the Kingman review and before the Brydon review has been completed.

We note the proposed "white list" is narrowly drafted, providing for a limited range of permitted services. The effect of this would be:

- a lack of flexibility in respect of potential future changes to: (1) demands which stakeholders may have of audit (and audit firms); and (2) recommendations made in other regulatory reviews of the audit market
- choice of the most appropriate firm to provide independent assurance is curtailed which will be particularly onerous when auditor change is being determined and transitioned. This could increase costs and will reduce choice of available auditors to the detriment of our policyholders. We note there are well defined protections currently in place for audit committees to consider prior to appointments
- the "white list" applies to PIEs and parent undertakings whether in or out of the UK ie there is an extra-territorial effect. This is particularly challenging for multinationals to comply with; there is the potential for confusion/contradiction with other regulations in other territories which could well place British groups at a competitive disadvantage at a time when HM Government is working hard to attract businesses to operate and be headquartered in the United Kingdom.
- when directors decide to undertake independent assurance prior to PRA/FCA enforcement actions (S166 etc), they will be precluded from using their auditors.
But if the Regulators subsequently instruct us to use them, it will increase costs to the detriment of our policyholders.

Consequently, we do not support the proposal to change from a black list to a white list of services and request the FRC to reconsider its position.

We should be pleased to discuss this further with you.

Kind regards

Andrew Palmer

Chairman, Audit Committee, Royal London Mutual Insurance Society Limited Chairman, Royal London Asset Management Limited