

HM Treasury
1 Horse Guards Road
Westminster
London
SW1A 2HQ

For the attention of Mr Charles Roxburgh

16 July 2021

Dear Charles,

On 7 July 2021, The 100 Group, submitted to BEIS our response to their consultation on “Restoring trust in audit and corporate governance”. The response is attached as an appendix to this letter, and we will not repeat the points made therein. We are writing directly to you as members of the Main Committee of The 100 Group, to support the Government in furthering the competitiveness of the UK and British enterprise and to express our concern that the volume and substance of many of the proposals are not consistent with that objective.

We are supportive of maintaining the UK’s position as a leading destination for investment, with high quality, trusted audit and corporate governance underpinning effective capital markets and recognise that it is important for audit and corporate governance to evolve to meet the ever-expanding set of users’ needs and to reflect the changing business environment, which includes learning from corporate failures. However, learning from corporate failure needs thorough and specific root cause analysis.

Many of us have direct and deep experience of other international regulatory and governance bodies. We also meet and speak regularly with our investors. In that context, we do not recognise the premise that there is a fundamental problem with investor confidence in the quality of UK audits and corporate governance which is impacting investor confidence in UK listed companies. The UK has an internationally respected corporate reporting, corporate governance and external audit architecture that many countries across the globe seek to emulate. Within this environment, good audit practice can mitigate, but not eliminate, risk. Furthermore, some corporate failure is inevitable, indeed business creation, growth and failure are all necessary parts of a functioning economy.

As the Government looks to drive economic growth while recovering from the pandemic, moving forward from the UK’s European Union departure, and addressing climate change and expanding stakeholder environmental and social demands, it is vital that reforms are only considered if they both further enhance this corporate governance environment and, critically, maintain or enhance the attractiveness of the UK as a destination for investment; the competitiveness of UK companies on the world stage; and the ability of UK companies to attract and retain talent to their boards. It should also be recognised that we compete internationally but also with companies which are owned by private capital.

Although many of our members at the larger end of the FTSE 100 will have, or can acquire, the resources and expertise to implement the proposals, we are concerned about the long-term impact on attractiveness of the UK as an investment destination and the competitiveness of British companies. Through the consultation process we have engaged with BEIS and the FRC to share our views and would welcome the opportunity to discuss them with you.

Please do not hesitate to contact our secretariat, Hannah Maughan at secretariat@the100group.co.uk and she will be very happy to put you in touch with us.

Yours sincerely,

A handwritten signature in blue ink that reads "Julia Wilson".

Julia Wilson,

Chair of the 100 Group

The 100 Group

This response has been prepared by the 100 Group Main Committee and is intended to speak on behalf of the Group as a whole. The 100 Group membership represents around 90% of the FTSE100 market capitalisation as well as a number of equally significant sized unlisted businesses. We note that whilst this letter expresses the views of the Main Committee of the 100 Group as a whole, these views are not necessarily those of individual members nor their respective employers.