Dear Sirs

We have set out below our observations on your consultation paper. This response does not address all questions in section 6 of the paper, rather focuses on our main thoughts. As requested, by way of background, Shaftesbury PLC is a FTSE 250 Real Estate Investment Trust.

Remedy 2: Mandatory joint audit

We are not in favour of mandatory joint audits. We believe this will build in inefficiency and cost and are not convinced it would necessarily deliver any benefits to audit quality.

In our case, the main area of estimation in our financial statements is the valuation of our investment properties. This is assessed by external valuers and audited by our external auditors. It is also subject to review by our Audit Committee, who challenge the valuation and look at comparable transactional evidence to support estimates and judgements made by the valuers – a process which is set out in the Audit Committee's report in our annual report. It is difficult to see how the involvement of a second auditor would add value to our shareholders.

In such cases, we would expect there to be an exemption from the requirement for mandatory joint audit.

Putting aside this concern, if a mandatory joint audit regime is introduced, we think:

- the choice of second auditor should be for the Audit Committee to decide, perhaps with shareholder consultation. Interestingly, in our experience, shareholders generally have not shown any interest in our audit arrangements, even when we changed auditors in 2016.
- the split of work will depend upon the type of business and so any minimum amount needs to take this into consideration, perhaps with the lines being drawn with this in mind. Hence a "one size fits all" split does not make sense.
- It would make sense to stagger appointments to provide better longer-term continuity.

Remedy 5: Full structural or operational split

We wonder whether this is really necessary, given the 70% rule – it would be useful to let this play out first. We do not consider non-audit work to be an objectivity issue for us – typically non-audit fees are considerably lower than audit fees. As part of its review of auditor objectivity and independence, our Audit Committee considers non-audit work levels. Furthermore, it has to approve non-audit exercises over a relatively low threshold. Perhaps a requirement for Audit Committees to positively agree to the use of the audit firm for each piece of non-audit work would be a solution (as opposed to relying on the current regulations and approving jobs over a certain level)?

It is clear that there are certain types of non-audit work which are assurance, rather than consultancy, based (eg interim statements review, assurance on debt covenant certificates etc). In our view, these are best suited to being performed by the external auditor, which has experience and knowledge of the entity's systems and controls. Therefore, if a structural or operational split regime is introduced, assurance-based work by auditors should still be permitted, as a minimum.

Remedy 7: Peer review

We have major concerns over the practicalities of this remedy, particularly the impact on reporting timetables and costs. We wondered if this is a tool that a regulator could use, by exception, in the year following an audit quality review falling below a minimum threshold. As a threat, this should keep auditors "on their toes". If this were the case, it would make sense for it to be targeted at the areas of largest audit risk.

Yours faithfully

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