



16 March 2020

Ref: S7-26-19

Dear Chairman Clayton,

S7-26-19: Amendments to Rule 2-01, Qualifications of Accountants

Baillie Gifford welcomes the opportunity to respond to the public consultation on the proposed amendments to Rule 2-01. Baillie Gifford is an investment manager with a long-only, active approach to investment. Based in Edinburgh, Scotland, we are one of the UK's oldest independent fund management firms, having been founded in 1908. We are, we believe, unique for a company of our size in being an independent partnership with no outside shareholders and unlimited liability to our clients, for whom we invest US\$290 bn as at the end of December 2019. We conduct regular engagements with our holdings on governance and sustainability issues with the aim of being constructive shareholders and good stewards of our clients' capital.

We support the aim of focussing the analysis of auditor independence on those relationships or services which are more likely to pose threats to an auditor's objectivity and impartiality, and agree that the proposed amendments appear generally sensible.

However, the proposed amendments could all fairly be characterised as a relaxation of the current rules on auditor independence. Given that the external audit is integral to the well-functioning of financial markets, we would encourage the Commission to consider tightening the rules in other areas where an auditor's objectivity and impartiality may be more likely to be compromised – for example, where an audit firm or particular audit partner has been associated with an audit client for a significant length of time, or where an audit firm is

providing non-audit services to an audit client. We would also encourage the Commission to consider what could be done to promote competition in the audit industry beyond the 'Big Four' with regards to the audit of publicly listed companies.

Thank you again for providing the opportunity to contribute to the proposed amendments to Rule 2-01.

Yours sincerely,

Andrew Cave
Head of Governance & Sustainability
Baillie Gifford & Co