

# Standard Life Investments

The Chairman  
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28 November 2011

Dear Sir

## **AGENDA CONSULTATION 2011**

Standard Life Investments Limited, which is a subsidiary of Standard Life plc, is a major global investor with assets under management of £150 billion as at 30 September 2011. We invest around the world in the securities of a wide range of public and private companies, as well as real estate. In fulfilling our responsibilities we place significant reliance on audited financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

A decade ago we were strong supporters of financial statements prepared in accordance with IFRS and engaged actively in submitting comment letters on proposed standards and other matters of mutual interest. Over the last decade we have witnessed standard setting and the resulting standards becoming increasingly complex in both substance and form. As a consequence, we lost the appetite to respond to consultations on standards. In essence, we felt that they were increasingly being written by accounting technicians for accounting technicians. Financial statements prepared in accordance with IFRS are often excessively voluminous, and, taken as a whole, it is questionable whether they provide an effective tool for accountability. It is relevant to note that in recent years we have been underwhelmed by the IASB's efforts to engage shareholders and institutional investors. We believe this lies at the heart of the issues that the IASB has to address. Therefore, we are pleased to note that in the last year or so the IASB has started to engage more effectively with shareholders and institutional investors. The IASB should continue to focus on this engagement and we should like to see it featuring prominently in the strategic direction and overall balance of the IASB's work plan. We welcome the increased resource that has been allocated to this function and we recommend that additional resource be devoted to it in order that the IASB is able to manage its global relationships with shareholders and institutional investors in a manner which will help to restore mutual trust and enhance the quality and usefulness of IFRS.

Also, it is relevant to highlight our belief that 'retail investors', that is to say, private investors, tend to find financial statements prepared in accordance with IFRS to be incomprehensible, which has impaired their ability to hold boards to account. This is particularly relevant for companies, such as Standard Life plc, which are majority owned by retail investors. Therefore, we recommend the IASB incorporate retail investors more effectively into the conceptual framework, recognising the important role they can play in the chain of accountability. Also, it should consider how it reaches out to and engages with the retail investment community. The objective should be to enable retail investors to question with confidence a company's financial results.

Our responses to the questions posed in the Consultation are set out in the attachment. Our key comments and recommendations, in addition to those above are as follows.

- The IASB's strategic priority should be improving – rather than developing – financial reporting.
- We welcome the proposal to finalise the conceptual framework. We recommend that 'stewardship' should feature in future versions in order to underpin the benefits of effective accountability.
- The IASB should progress, with a sense of urgency, the recommendations set out in the report it commissioned entitled 'Losing the Excess Baggage – Reducing Disclosures in Financial Statements to What's Important'.
- Research for future standard-setting needs should focus on a small number of important ones, such as the implications of integrated reporting. Resource allocated to such research should be strictly budgeted and monitored.
- With respect to the project suggestions we recommend that priority be given to:
  - Discount rate.
  - Foreign currency translation.
  - Intangible assets.
  - Interim reporting.

We look forward to continuing our renewed dialogue with the IASB with the objective of improving financial reporting.

Yours sincerely



Guy Jubb  
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*Standard Life Investments*