

EFRAG
35 Square de Meeus
B-1000 Brussels
Belgium

Sent by post & email to commentsletters@EFRAG.org

15 November 2013

Dear Sirs,

Getting a Better Framework: Accountability and the Objective of Financial Reporting

Thank you for inviting views on the points addressed in your Bulletin of September 2013.

Standard Life Investments is a major European Institutional Investor with assets under management of 214.9 Euro billion as at 30 September 2013. In fulfilling our responsibilities on behalf of our clients we place due reliance on financial statements prepared in accordance with International Accounting Standards.

We recognise and respect the importance of the views expressed by the parties which issued the Bulletin, which we believe addresses very important aspects of accounting standard setting and financial reporting. These aspects have a profound influence on the work of the International Accounting Standards Board ('IASB'), the standards it sets, and the relevance and usefulness of financial statements.

The Objective of Accountability

We believe that the failure to give appropriate recognition to the objective of accountability by the IASB has contributed greatly to increased complexity of both financial reporting standards and the resulting financial statements, which have tended to become too voluminous and too technical to provide an effective basis to enable investors to hold boards to account. It is in the interests of both investors and the wider public that companies should be held to account, and for this reason we firmly believe that an accountability/stewardship should be a primary objective of financial reporting.

In this regard, it is relevant to note that the European Commission's Corporate Governance Action Plan indicates that institutional investors should do more to hold boards to account. This is mirrored in the views expressed by other government agencies around the world and provides a relevant basis from which to support the use of accountability/stewardship as a primary and distinct objective.

We support the view that much of the information required by the objectives of accountability and decision-usefulness is similar (paragraph 27). Furthermore, we agree that the IASB should exercise judgement to resolve any conflict issues in the context of a specific standard, taking into account the relevance of the information for accountability and decision-usefulness, as discussed in paragraph 27 of the Bulletin.

Including the Term 'Stewardship'

There has been considerable discussion regarding whether the term 'stewardship' is appropriate for inclusion in the Conceptual Framework because it has been asserted that it is 'difficult to translate into other languages'. We support the terms of 'accountability' and 'stewardship' but we should be concerned if one were used to the exclusion of the other. Therefore, we encourage the development of a definition of 'accountability and stewardship objectives' that could be incorporated within the Conceptual Framework along the following lines:

'Accountability and stewardship objectives are satisfied by the provision of financial and related information that is sufficiently relevant, timely and complete to enable shareholders and investors to hold to account the board of a company for its stewardship of the assets entrusted to it.'

We have written in the past to the IASB with our views on the importance of including 'stewardship' as a primary objective. Accompanying this letter is a copy of a letter we wrote to the IASB in November 2011 in response to its invitation to comment on its proposed Agenda. It refers explicitly to the importance we attach to the objective of stewardship. Also accompanying this letter is a copy of a letter from our Chief Executive and Head of Governance & Stewardship, which was published by the Financial Times in 19 April 2013. Both these letters should be treated as an integral part of the views we are submitting to you in respect of your Bulletin.

Conclusion

We are grateful for your efforts to get a better framework for financial reporting and we trust the views expressed in this letter will give you in your on-going deliberations.

We shall post a copy of this letter on our website, in the interests of transparency.

Yours faithfully

Guy R Jubb
Head of Governance & Stewardship
Standard Life Investments