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Dear Sirs

Conceptual Framework for Corporate Reporting – Exposure Draft

Standard Life Investments is a major global asset manager with assets under management of £250.6 billion as at 30 September 2015. We invest funds on behalf of our clients in listed and unlisted securities – in particular equity and debt – of entities located around the world. Also we invest our clients' funds in real estate and other asset classes. In fulfilling our responsibilities our investment teams are reliant upon information contained in audited financial statements, which in many relevant jurisdictions are prepared in accordance with International Financial Reporting Standards ('IFRS').

Our primary objective when using such financial statements is to make reliably informed decisions related to buying, selling and holding securities and assess the covenant of relevant entities. In making such decisions, we take into account past performance, the current financial position and the financial prospects of the reporting entity. In respect of this primary objective, we pay particular attention to how management have stewarded the assets and other resources entrusted to them, which in addition provides an appropriate basis for us to hold management to account.

In the light of the above, we attach considerable importance to the Conceptual Framework, conscious of its significant pervasiveness in the International Accounting Standard Board's ('IASB') standard setting process.

The Context and Scope of our Comments

Standard Life Investments has been following the evolution of the Conceptual Framework with considerable interest for many years. In respect of the Exposure Draft, we have participated in a number of open events and private fora which have helped our understanding of the issues the Framework is seeking to address.

In addition, we have reviewed selected parts of the Exposure Draft, with particular focus on Chapters 1 and 2 in view of the nature of their content and the proposed changes thereto. We would note that some of the more technical aspects pertaining to financial reporting that are set out in the Exposure Draft are outwith our competence. That said, we have benefited from reviewing the helpful 'Snapshot' that was published by the IASB in May 2015, providing a high level summary of the most important proposals. Also, we have read the draft advice of the UK's Financial Reporting Council's Accounting Council on the Conceptual Framework.

Accordingly, we have restricted our response to a selection of the questions posed in the Exposure Draft where we feel that it would be in our clients' best interests to lend our support or otherwise comment on the proposals. We reserve our position on those matters about which we do not comment on. We make some additional comments that we hope will assist the IASB in its ongoing consideration of relevant matters. In

formulating our comments, we recognise the challenges faced by the IASB in reconciling a wide range of views from around the globe. Nevertheless, we hope it will give due weight to the views expressed by users of financial statements prepared in accordance with IFRS, taking into consideration the tone and substance of their comments and views as much as the technical merit thereof.

Question 1 – Proposed Changes to Chapters One and Two

We support the proposals to:

- give more prominence, within the objective of financial reporting to the importance of providing information needed to assess management's stewardship of the entity's resources;
- reintroduce an explicit reference to the notion of prudence (described as caution when making judgements under conditions of uncertainty) and to state that prudence is important in achieving neutrality;
- state explicitly that a faithful representation represents the substance of an economic phenomenon instead of merely representing its legal form; and
- continue to identify relevance and faithful representation as the two fundamental qualitative characteristics of useful financial information.

We support these proposals because we believe that, taken as a whole, they will improve the usefulness of financial statements prepared in accordance with IFRS. In addition, the changes when reflected in relevant IFRS will strengthen the confidence with which we use such financial statements in taking investment decisions on behalf of our clients. However, in giving our support we are mindful of the views expressed by others that the Conceptual Framework should identify the provision of information on stewardship as a primary objective of financial reporting. We urge the IASB to do this insofar as it would reflect the reality from our perspective as a user.

The FRC's Accounting Council has highlighted that the description of faithful representation does not include the idea that the information 'can be depended upon by users', as referenced in the discussion of reliability in a previous version of the Conceptual Framework. Reliability is very important for us and we support the Council's views that the idea of reliability needs to be reinstated as a component of faithful representation.

In terms of other comments on these Chapters:

- We support the view that 'focussing on common information does not prevent the reporting entity from including additional information that is most useful to a particular subset of primary users' (Paragraph 1.8). We believe that this is particularly important in ensuring that the reporting entity seeks to provide information that is relevant to its primary users – or a subset of them – rather than merely focusing on compliance with IFRS per se. In our opinion, this important provision in the Conceptual Framework is not well-known to reporting entities and others who have an interest in high quality financial reporting. Accordingly, we give strong encouragement to the IASB to promote and publicise this aspect of the Framework in its ongoing communications with investors, companies and other relevant parties in order that information relevance and the provision of additional information to achieve this is seen as an integral part of compliance with the spirit of IFRS.
- We support the proposals set out in Paragraph 1.22 concerning information about how efficiently and effectively the entity's management has discharged its responsibility to use the entity's resources. This helps users assess management's stewardship of those resources. However, we question whether in the Framework itself it is appropriate to include examples of management's responsibilities to use the entity's resources as set out in Paragraph 1.23. We are concerned that reporting entities will tend to use these examples in a box-ticking manner and thereby will tend to ignore other aspects of management's responsibilities to use the entity's resources in this context. Accordingly, we urge the IASB to delete Paragraph 1.23 from the Conceptual Framework.

Question 2 – Description and Boundary of a Reporting Entity

We agree with the proposed description of the reporting entity and we acknowledge affirmatively the discussion of the boundary of a reporting entity as set out in Paragraph 3.13 to 3.25. We would confirm that it is useful to us as users to have information that reflects the characteristics proposed in the Exposure Draft in respect of claims against both the parent and its subsidiaries. The necessity of disclosing how users may obtain the consolidated financial statements in the unconsolidated financial statements is fundamentally welcome. Also, we support the view in Paragraph 3.23 that consolidated financial statements are more likely to provide useful information to users of financial statements than are unconsolidated financial statements.

Question 11 – Objective and Scope of Financial Statements and Communication

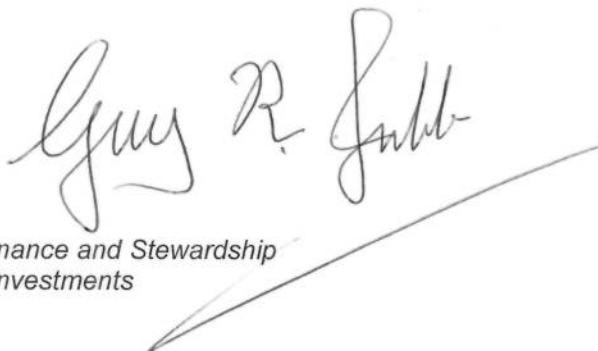
We question whether the reference to prospects for 'future net cash inflows to the entity' in Paragraph 7.2 should more appropriately refer to 'the entity's future cash flows'. The latter is neutral (relative to cash inflows and outflows) and is a better description of the assessment made by users.

We note and support the statement in Paragraph 7.6 that 'information about transactions or events that have occurred after the end of the reporting period is included in the financial statements if such information is necessary to meet the objective of financial statements' but we are not wholly convinced that this is consistently reflected in financial statements prepared in accordance with IFRS. Rather, preparers sometimes give over-riding emphasis to the status as at the end of the financial reporting period. To help ensure the spirit of Paragraph 7.6 is met we suggest that the words 'is necessary to meet the objective of financial statements', which implies a high burden of proof, be replaced by 'is consistent with meeting the objective of financial statements'. We believe this small but significant change could assist in ensuring the incorporation of relevant and faithful representation, which are the two fundamental characteristics of useful financial information in financial statements prepared in accordance with IFRS.

Conclusion

We welcome the proposed changes relating to prudence and stewardship and we would be very concerned if they were not reflected in the final version of the Conceptual Framework. We commend to you our other comments, which we trust will receive favourable consideration.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Guy R. Jubb', is written over a long, thin, slightly curved horizontal line.

Guy Jubb
Head of Governance and Stewardship
Standard Life Investments