



13 March 2013

Manager Policy Development Unit  
Standard Business Reporting  
Infrastructure Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

## **Responses to the proposal outlined in the Treasury paper on the use of Standard Business Reporting for financial reports (Option paper).**

Dear Sir

This letter sets out the response from AMP Limited to the Options Paper on Standard Business Reporting (SBR) dated November 2012.

AMP is supportive of ensuring the financial reporting system meets the needs of users, is efficient and that any unnecessary duplication of reporting is removed. In our view:

- While there may be benefits in applying SBR in some forms of regulatory reporting which largely consist of populating numerical values into pre-determined fields (such as many of the returns required by APRA and the ATO), the benefits of using SBR for financial reports are likely to be less due to the amount of judgement required to be applied by preparers in determining the specific line items and disclosures to be included in the financial report.
- Financial reports, which are already prepared under the regime of comprehensive international financial reporting standards, contain qualitative as well as quantitative data. SBR's focus on quantitative data could detract from the usefulness of these reports to users.
- Whilst the adoption of SBR for financial reports may provide some benefits to the users of these reports, the costs of adopting SBR are likely to be substantial.
- Reporting under SBR is not expected to result in efficiencies or other cost savings for AMP and is likely to increase ongoing operational costs.
- Users of AMP's financial reports have not expressed an appetite for reporting under SBR.
- Whilst SBR for financial reports has been adopted in some countries, a number of countries including UK and USA have not adopted SBR. In addition, a review of the experience of those countries adopting SBR would be interesting in order to determine the extent of the benefits achieved.

The appendix to this letter sets out our responses to the specific questions for providers of financial reports included in the Options Paper.

### **Further discussion**

AMP would like to thank the Treasury for this opportunity to provide input on the proposed changes to reporting on finance reports. We would appreciate any further opportunity to assist the Treasury in further developing its final position on this matter.

If you would like to discuss any of the matters addressed in our letter please do not hesitate to contact either Graham Duff on (02) 9257 6784, or via email to [graham\\_duff@amp.com.au](mailto:graham_duff@amp.com.au), or myself.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'S Hoole', written in a cursive style.

Simon Hoole  
**Group Finance Director**

## Appendix – Detailed responses to the Treasury’s Options paper on SBR

### General questions

- *How does your business lodge financial reports with ASIC or the ASX? Please describe why you use that mechanism and the key costs and benefits.*

Financial reports for AMP Limited and other entities within the AMP Group that are listed on the ASX are lodged in accordance with ASX requirements, being a PDF version lodged electronically as well as paper copies submitted to the ASX.

PDF versions of financial reports for non-listed entities within the AMP Group are lodged with ASIC electronically. No paper copies of these financial reports are submitted to ASIC.

The PDF files are prepared using financial data electronically mapped from a general ledger system with a standard chart of accounts using sophisticated excel based reporting tools to compile numeric data in the format required for financial reports. Microsoft Word tools are then used to add the extensive qualitative disclosures required by accounting standards and other requirements and also to provide additional disclosures and information to assist users to understand the financial reports. These Word files are the basis for the PDF and paper copies lodged with the ASX and ASIC and “glossy” format public reports distributed to shareholders and other users.

The current approach is already highly automated using electronic tools. Our expectation is that SBR would replace some of these existing electronic tools (with no or limited improvements to efficiency) rather than introducing new automation and efficiency.

- *Has your business considered using SBR for the lodgement of financial reports in XBRL format? What are the barriers to the adoption of the technology?*

AMP does not currently use SBR for the lodgement of financial reports because of the following:

- The use of the SBR does not eliminate the need for current forms of reporting.
- We are not aware of any appetite expressed by users of AMP financial reports for SBR reports.
- The potential cost of implementing SBR would be expected to exceed any potential benefits.

- *What would be the costs associated with implementing SBR for your business? Please include costs for XBRL and iXBRL.*

The cost of implementing SBR has not been quantified by AMP, however it is likely to be significant due to the inclusion of the following:

- System changes to allow the “tagging” of ledger accounts with the SBR taxonomy and to convert or replace existing electronic tools used to compile the financial reports;
- External expertise (required due to a lack of internal knowledge of XBRL or iXBRL and the taxonomy); and
- Training costs.

### **Specific questions**

➤ **Option 1 (mandatory use of SBR for lodgement of financial reports)**

- *What would be the costs associated with implementing this option for your business? Please include costs for XBRL and iXBRL.*

The cost of implementing SBR has not been quantified by AMP, however it is likely to be significant due to the inclusion of the following:

- System changes to allow the “tagging” of ledger accounts with the SBR taxonomy and to convert or replace existing electronic tools used to compile the financial reports;
  - External expertise (required due to a lack of internal knowledge of XBRL or iXBRL and the taxonomy); and
  - Training costs.
- *Do you agree/disagree with the benefits and costs listed under Option 1? Why?*

We believe that if financial reports were lodged using SBR then the reports might enable the electronic discovery, analysis and comparison of information in some cases. However, we believe that:

- Users have not expressed any appetite for financial reports in XBRL or iXBRL format.
  - Although it is argued that this type of reporting would generally allow investors and analysts to more effectively compare financial and business performance across different companies, in the case of major listed entities for example, users who analyse and compare financial information across companies also rely extensively on Investor Analysis packs and not only the statutory financial report.
  - The use of SBR does not eliminate the need for the current forms of financial reporting, as extracting the quantitative data without the accompanying qualitative explanations is of only limited benefit; and
  - The current SBR capability uses XBRL and the documents produced by XBRL are not presented in an easily understandable format, hence they are generally only machine-readable. Therefore, this means that if XBRL is used it would be necessary to continue with mandatory lodgement of financial reports in either paper or PDF form.
- *Are there any other impacts associated with implementing this option?*

AMP believes that:

- There is still appetite for text based financial reports. For example directors are required to sign the financial reports in accordance with the Corporations Act and there are also less sophisticated investors who would prefer a text based report rather than a financial report in XBRL or iXBRL format.
- While there may be benefits in applying SBR in some forms of regulatory reporting which largely consist of populating numerical values into pre-determined fields (such as many of the returns required by APRA and the ATO), the benefits of using SBR for financial reports are likely to be less due to the amount of judgement required to be applied by preparers in determining the specific line items and disclosures to be included in the financial report.

- Financial reports, which are already prepared under the regime of comprehensive international financial reporting standards, contain qualitative as well as quantitative data. SBR's focus on quantitative data could detract from the usefulness of these reports to users.
- Financial reporting requirements change continually, with annual improvement programs changing what is reported. Therefore SBR will need to be changed to keep up to date with these changes which may be an onerous requirement, especially when some standards apply to some companies earlier and some companies may choose to early adopt new standards.
- For many of the financial statements prepared by AMP group entities (for example wholly owned subsidiaries which are not reporting entities), there are few or no users of these documents. In the absence of users, the benefit of adopting SBR is difficult to demonstrate.

➤ **Option 2 (voluntary lodgement of financial reports with SBR or mandatory PDF or paper lodgement if SBR is not used)**

- *Would your business consider using iXBRL to lodge financial reports via SBR? Why/Why not?*

AMP does not currently expect to voluntarily adopt SBR for the following reasons:

- While there may be benefits in applying SBR in some forms of regulatory reporting which largely consist of populating numerical values into pre-determined fields (such as many of the returns required by APRA and the ATO), the benefits of using SBR for financial reports are likely to be less due to the amount of judgement required to be applied by preparers in determining the specific line items and disclosures to be included in the financial report.
- Financial reports, which are already prepared under the regime of comprehensive international financial reporting standards, contain qualitative as well as quantitative data. SBR's focus on quantitative data could detract from the usefulness of these reports to users.
- Whilst the adoption of SBR for financial reports may provide some benefits to the users of these reports, the costs of adopting SBR are likely to be substantial.
- Reporting under SBR is not expected to result in efficiencies or other cost savings for AMP.
- Users of AMP's financial reports have not expressed an appetite for reporting under SBR.

AMP, however, continues to monitor developments in technology and the needs of the users of our financial reports and we would consider adopting SBR if the benefits become sufficient to justify the associated costs.

- *Do you agree/disagree with the benefits and costs listed for Option 2? Why?*

We believe that if financial reports were lodged using SBR then the reports might enable the electronic discovery, analysis and comparison of information in some cases. However, we believe that:

- Users have not expressed any appetite for financial reports in XBRL or iXBRL format.

- Although it is argued that this type of reporting would generally allow investors and analysts to more effectively compare financial and business performance across different companies, in the case of major listed entities for example, users who analyse and compare financial information across companies also rely extensively on Investor Analysis packs and not only the statutory financial report.
- The use of SBR does not eliminate the need for the current forms of financial reporting, as extracting the quantitative data without the accompanying qualitative explanations is of only limited benefit; and
- The current SBR capability uses XBRL and the documents produced by XBRL are not presented in an easily understandable format, hence they are generally only machine-readable. Therefore, this means that if XBRL is used it would be necessary to continue with mandatory lodgement of financial reports in either paper or PDF form.

Options 2 is, however, preferable to option 1, in that it allows companies to choose to adopt SBR based on an assessment of the potential costs and benefits based on their own specific circumstances.

- *If iXBRL was voluntarily adopted, what would be the costs associated with implementing this option for your business?*

The cost of implementing SBR has not been quantified by AMP, however it is likely to be significant due to the inclusion of the following:

- System changes to allow the “tagging” of ledger accounts with the SBR taxonomy and to convert or replace existing electronic tools used to compile the financial reports;
  - External expertise (required due to a lack of internal knowledge of XBRL or iXBRL and the taxonomy); and
  - Training costs.
- *Are there any other impacts associated with implementing this option?*

AMP believes that:

- There is still appetite for text based financial reports. For example directors are required to sign the financial reports in accordance with the Corporations Act and there are also less sophisticated investors who would prefer a text based report rather than a financial report in XBRL or iXBRL format.
- While there may be benefits in applying SBR in some forms of regulatory reporting which largely consist of populating numerical values into pre-determined fields (such as many of the returns required by APRA and the ATO), the benefits of using SBR for financial reports are likely to be less due to the amount of judgement required to be applied by preparers in determining the specific line items and disclosures to be included in the financial report.
- Financial reports, which are already prepared under the regime of comprehensive international financial reporting standards, contain qualitative as well as quantitative data. SBR’s focus on quantitative data could detract from the usefulness of these reports to users.
- Financial reporting requirements change continually, with annual improvement programs changing what is reported. Therefore SBR will need to be changed to keep up to date with these changes which may be an onerous requirement, especially when some

standards apply to some companies earlier and some companies may choose to early adopt new standards.

➤ **Option 3 (Status quo – mandatory lodgement of financial reports with PDF or paper form and voluntary lodgement of financial reports using SBR)**

- *Please outline the costs to your business of using SBR voluntarily, as well as lodging a PDF/paper version of your financial report.*

The cost of implementing SBR has not been quantified by AMP, however it is likely to be significant due to the inclusion of the following:

- System changes to allow the “tagging” of ledger accounts with the SBR taxonomy and to convert or replace existing electronic tools used to compile the financial reports;
- External expertise (required due to a lack of internal knowledge of XBRL or iXBRL and the taxonomy); and
- Training costs.

Having prepared a financial report using XBRL/iXBRL, the incremental cost of converting this to PDF and lodging electronically with ASIC is likely to be minimal

- *Do you agree/disagree with the benefits and costs listed above? Why?*

We consider that lodging financial reports in XBRL or iXBRL might allow comparison of financial data of companies, but there will remain difficulty in comparing financial reports. This is due to the complexities and the differences between the different entities and jurisdictions.

Therefore, it is our view that large corporations will have to incur costs for preparing their systems to lodge the financial reports using SBR while there will not be a clear benefit for most of the relevant stakeholders.

- *Are there any other impacts associated with implementing this option?*

None noted.

**Discussion points**

- *Is there any justification for excluding certain entities from the mandatory requirement to lodge financial reports via SBR (option 1). Which entities should be excluded and why? Should this exclusion be temporary or permanent?*

In our view it would be appropriate to exclude entities operating in the financial services industry from mandatory use of SBR due to the focus of users on non-IFRS profit measurers such as “underlying profit” or “cash profits” and other non-IFRS information which is provided outside the financial report.

- *Please list the entities whose financial reports are most useful for investment analysis? Why?*

No comment.

- *If SBR were mandated, what transitional period would be needed to ensure your business was ready to lodge financial reports. Why?*

Whilst it is difficult to accurately estimate a reasonable timeframe for a transitional period without more detail on how SBR would be implemented and what its detailed requirements would be, a minimum period of at least two years would be recommended. We also recommend a consultative approach to the detailed requirements and implementation date to ensure the adoption is efficient.

- *If SBR were mandated for financial report lodgement, would a staged approach be a better option? For example, applying the mandate initially to the top 300 listed entities first, with other entities covered by the mandate being phased in at a later date. Alternatively, is it preferable to set a single date from which all reports (for entities covered by the mandate) must be lodged using SBR. Why?*

For simplicity purposes we believe a single implementation date for all SBR financial report lodging would be more appropriate.

#### **General discussion points**

- *Please state your preferred option and/or provide any alternative options for the lodgment of financial reports via SBR.*

AMP's preferred option would be option 2. We believe that:

- SBR should not be mandated for financial reports until a significant demand from users has been identified; and
- at this stage, the potential costs expected to be incurred in implementing SBR is likely to outweigh the expected benefits.