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Manager
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Dear Sir/Madam

Request for Feedback and Comments on Options Paper "Use of Standard Business Reporting (SBR) for Financial Reports"

We welcome the opportunity to comment on Options Paper "Use of Standard Business Reporting (SBR) for Financial Reports" (the paper) issued by the Australian Government in November 2012.

The use of XBRL has impacted BHP Billiton in a number of ways in recent years including:

- Together with 11 other US listed foreign private issuers who report using IFRS, BHP Billiton volunteered to participate in the IFRS Foundation inaugural pilot program in 2010 to produce IFRS financial reports in XBRL that were compliant with US SEC requirements. The aim of the initiative was to:
    - support preparers who use the IFRS Taxonomy in meeting the ruling issued by the US SEC on 17 December 2008 which required all US-listed foreign private issuers to submit their IFRS financial reports, in Interactive Data format, and specifically in XBRL, from 15 June 2011 (note this implementation date has been deferred pending finalisation of a suitable IFRS taxonomy), and
    - engage with preparers using the IFRS Taxonomy and obtain feedback on the usability of the taxonomy.

  Participants used the IFRS Taxonomy to produce 20-F filings in XBRL format that could be accepted by the US SEC EDGAR filing system. As part of that pilot program, "Level 1" XBRL tagging was applied to the 2009 financial statements (i.e. all items in the primary financial statements were tagged while notes were tagged as a single text block).
- In order to prepare for the mandatory XBRL filing imposed on foreign private issuers by the SEC, the detailed tagging was rolled forward to the 2010 primary financial statements as well as applying detailed tagging to 16 of the notes to the financial statements. This process has been continued for the 2011 and 2012 primary financial statements
- Submission of the 2011 tax returns and statutory financial reports for 12 companies in the United Kingdom using iXBRL for a limited number of data points

Whilst we have provided answers to the discussion points raised in the paper, we have provided some general comments below.

Details of options

The paper proposes three options to adopt XBRL, these being:

- Mandatory lodgement of financial reports using SBR in either an XBRL format with continued mandatory lodgement of paper/pdf copies of accounts or in an iXBRL format,
- Voluntary lodgement of financial reports in iXBRL format using SBR, or
- Status quo

We believe the paper does not include sufficient detail of these options for preparers to understand what is involved. For example, it is not clear whether the iXBRL or XBRL lodgement would involve detailed tagging of all data or whether only selected data would be tagged as is the case in the UK.

International trends

Throughout the paper, reference is made to the fact that a number of key international jurisdictions are mandating XBRL or iXBRL and that one of the benefits of Australia mandating XBRL or iXBRL is that the Australian capital markets would keep pace with developments in those countries. The UK and the USA are identified as two countries which have introduced mandatory XBRL/iXBRL reporting. Our experience in those countries indicates that their XBRL/iXBRL requirements are significantly less than what is being proposed for Australian companies.

In the USA, only companies with securities listed on a stock exchange are required to prepare statutory accounts using XBRL. To date, this has not yet included foreign private issuers as the SEC has not yet endorsed the IFRS taxonomy for use by investors to compare information with US domestic issuers. The SEC has deferred their endorsement because the different modelling in the IFRS taxonomy would lead to filings which can't be used by software developed for filings using the US GAAP taxonomy without significant program modifications.

In the UK, iXBRL is used to tag only selected information for a company's statutory financial report and those requirements do not extend to listed companies. iXBRL filings are effectively being used to satisfy regulatory/compliance objectives rather than capital markets objectives.

As a result, it is not entirely accurate to use these countries as justification for Australian companies moving to adopting the XBRL/iXBRL platform for financial reporting as:

- the requirements are different and less onerous than that being proposed for Australian financial reporting,
- given the UK does not mandate that listed companies provide information in an XBRL/iXBRL format and that foreign private issuers are not yet required to lodge in the US under XBRL, the capital market rationale for Australian companies to adopt XBRL/iXBRL is overstated, and
- two different platforms (iXBRL and XBRL) are being used in the UK and the USA.

Costs and benefits

The paper refers to a number of key benefits of moving to SBR, these being:

- Investors and analysts would be able to easily access financial reports and the use of tagging will enable them to more effectively compare financial and business performance across companies.
- Preparers have the capacity to simplify other business-to-government and business-to-business reporting, keep pace with international trends with the use of XBRL and use SBR to improve internal processes and reporting.
- Software providers will have an increased demand for their SBR enabled software and associated goods and services.
- The Productivity Commission's (PC) report concluded that "the benefits from the use of SBR are likely to be large and in the order of $500 million per annum".

With respect to costs and benefits, our experience with the introduction of iXBRL in the UK has shown the following;

- Relatively few users of the accounts (including investors and analysts) have the technical ability to properly exploit the data available. One of the main discussion points between the accounting bodies and HMRC post the adoption of iXBRL is what the HMRC intends to do with all the data they have now collected. Evidence that the HMRC had requested an excessive amount of data in the initial year of adoption is that, whereas the initial tagging requested all lines in the primary financial statements and many of the notes be tagged, the requirements appear to be reducing as HMRC work out what is and is not useful data.
- The primary beneficiaries of the move to iXBRL were the software companies who increased their sales of iXBRL enabled software and contractors/consultants/accounting firms who provided the labour to set up the financial reporting templates and complete the tagging.

- The entities lodging iXBRL filings were wholly owned subsidiaries, in which investors/analysts demonstrate little to no interest, and which are not seeking access to capital markets. Thus the investor evaluation and capital markets benefits are illusory.
- No incremental benefit flowed to the Group as a preparer of financial statements, as the iXBRL process neither replaced nor enhanced existing financial reporting processes. Rather, it added another step to our financial reporting compliance requirements. Most companies which already have robust internal processes to generate financial reports are likely to have the same experience.
- The cost to preparers was high and incremental as they often had to upgrade their financial reporting software to acquire a financial reporting tool with auto tagged templates and employ additional qualified staff to create tagged templates and complete the preparation of the tagged financial statements. For the 12 companies lodged in the UK, the additional cost of moving to iXBRL was approximately US$80,000. Alternatively, large accounting firms were quoting costs of GBP5,000 (approximately US$7,500) per company to lodge an iXBRL set of financial reports for a simple non trading company. A significant portion of these costs are ongoing.

Based on the above UK experience, we have significant doubt that any mandatory option to lodge financial reports in iXBRL or XBRL would result in a net cost saving for preparers. We query as to how the PC derived a $500 million benefit from the introduction of SBR. How has this been quantified and to which parties is this benefit attributable? Is this a net benefit after taking into account the significant costs to preparers? Does this benefit apply to the use of SBR for the broader range of reporting to Governments, and how does this relate to benefits arising from the preparation and filing of financial reports.

Other concerns regarding the costs and benefits of the proposed approach are:

- What is the benefit to analysts and investors of all financial reports being lodged using SBR? Given the limited trading by many dormant and investor companies, and no access to invest in many subsidiary companies, there are limited investor/analyst/capital market access benefits in moving these types of companies to SBR.
- Given different information is being collected by Government agencies for different purposes, unless all definitions are perfectly aligned with IFRS there will still be many versions of the same numbers being collected by those agencies.
- For those companies which lodge financial reports for numerous subsidiaries in their group, there will be a significant impost both in terms of time and cost to implement an SBR solution across their groups. For BHP Billiton, with over 50 Australian subsidiary companies, the cost of moving to an SBR platform would be excessive with very little, if any, cost benefits.

Discussion Points – For Providers of Financial Reports

Section 2 – The Problem

Question 1: 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.

BHP Billiton currently lodge all financial statements with ASIC and the ASX in pdf format. This mechanism is used because it is:

- A quick and effective way to submit information
- Requires very little or no additional effort or cost following the preparation of the financial reports using standard business tools (such as word processor, spread sheet, desktop publishing or dedicated report preparation software)
- It is in a format which all investors understand and can read.

Question 2: Has your business considered using SBR for the lodgement of financial reports in XBRL format? What are the barriers to adoption of the technology?

As noted above in our general comments, BHP Billiton has prepared selected financial information in XBRL format for the BHP Billiton group consolidated financial statements for the last three financial years in preparation for the anticipated mandatory XBRL filing requirement of the SEC. We have also submitted financial reports in the UK using iXBRL. We have not considered expanding the use of this technology to the lodgement in the Australian regulatory environment as there is no evidence that current stakeholders have the need or the technology to utilise this information.

We would not expand the use of XBRL to all Australian companies across the BHP Billiton group unless it was possible to demonstrate that this would generate a net benefit to the company (and therefore its shareholders). At this stage was have perceived no incremental benefit.

Section 4 – Analysis of Options (Option 1)

Question 1: What would be the costs associated with implementing this option for your business? Please include costs for XBRL and iXBRL?

BHP Billiton has in excess of 50 Australian companies which lodge financial statements. The costs of implementing either XBRL or iXBRL are impossible to reliably quantify at this point as we have not considered what the actual costs (either in-house or outsourced) of such requirements would entail. However, given the costs of the UK iXBRL experience (and the fact that these are smaller companies with limited tagging) it would not be unexpected for the cost to be at least $10,000 for each company that files statutory financial reports. Therefore we would expect the cost to provide financial statements across the Australian companies in the BHP Billiton group to be in excess of $500,000. Based on our experience with the XBRL tagging of our group financial statements, the initial cost of filing under XBRL, for a single large company, would approximate at least half of that amount again.

Question 2: Do you agree/disagree with the benefits and costs listed above? Why?

We acknowledge the general nature of the benefits and costs described for this option, but disagree with the analysis suggesting the benefits outweigh the costs to those who will incur them. Refer to general comments noted above regarding “Costs and Benefits”.

Question 3: Are there any other impacts associated with implementing this option?

Refer to general comments noted above regarding “Costs and Benefits”. Until clear empirical evidence can be presented demonstrating that all participants in the financial reporting process would enjoy a net benefit from filing financial reports under SBR, we do not believe this option is justifiable.

Section 4 – Analysis of Options (Option 2)

Question 1: Would you/your business consider using iXBRL to lodge financial reports via SBR? Why/why not?

Refer to question 2 in “Section 2 – The Problem” above. We would not consider filing using iXBRL unless and until a net benefit to shareholders could be demonstrated.

Question 2: Do you agree/disagree with the benefits and costs listed above? Why?

We believe that the costs and benefits under Option 2 should be self-proving. That is, if entities found that filing under iXBRL on a voluntary basis generated a net benefit, they would logically choose to do so provided they had the resources to initiate the change.

Question 3: If XBRL was voluntarily adopted, what would be the costs associated with implementing this option for your business?

Refer to question 1 in “Section 4 – Analysis of Options (Option1)” above.

Question 4: Are there any other impacts associated with implementing this option?

Refer to general comments noted above regarding “Costs and Benefits”. We believe Option 2 is the most appropriate in current circumstances. It provides entities the opportunity to understand the effort and cost of filing under iXBRL and to evaluate the benefits. If a net benefit is derived, over time we would expect more entities to adopt this option. If the Government is concerned about slow take up under this option, it should consider the provision of grants or other forms of incentives to assist entities finance the initial implementation costs. Those costs may be sufficiently large to discourage change, even if there was a net long term benefit, because of capital constraints.

Section 4 – Analysis of Options (Option 3)

Question 1: Please outline the costs to your business of using SBR voluntarily as well as lodging a pdf/paper version of your financial report

There would be no additional cost. We would not voluntarily submit financial reports using SBR as we cannot see sufficient benefits to the company of this approach.

Question 2: Do you agree/disagree with the benefits and costs listed above? Why?

Please refer to general comments noted above regarding "Costs and Benefits". In addition, we question the assertion that implementation of XBRL assists in the automation of preparation of financial reports. Our experience with financial report preparation software is that is it generally incapable of dealing effectively with the complexities of financial reporting, and is little assisted by the addition of XBRL tagging.

Question 3: Are there any other impacts associated with implementing this option?

Please refer to general comments noted above regarding "Costs and Benefits".

Section 5 – Application and Implementation

Question 1: 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?

Yes, we do believe there is justification for excluding certain entities from a mandatory requirement to lodge financial reports via SBR, should that proposal proceed. Given there is limited interest and a small number of stakeholders in non listed companies, we believe that the SBR requirement should be limited to listed public entities. This would:

- meet the need of investors/analysts to access data to analyse the financial performance of publicly listed entities, and
- meet the needs of advancing the capital markets cause, and
- limit the compliance cost to preparers.

If the benefits can be proven then in future periods the scope of SBR filing could be extended to all general purpose financial statements but we are unconvinced that the benefits would outweigh the costs for these entities.

Question 2: Please list the entities whose financial reports are most useful for investment analysis? Why?

Refer to question 1 above.

Question 3: If SBR were mandated, what transitional period would be needed to ensure your business was ready to lodge financial reports?

The period required for transition depends on the extent of the requirements. If all data points in all financial reports were required to be lodged using SBR, then a transition period of at least three but possibly five years would be needed to manage the impact on the business community.

If only listed entities were required to use SBR the, the transition period would also depend on the extent of data which would be required to be tagged. If all primary financial statements and notes required detailed tagging, then we would require a transition period of at least 2 years. However, this is only due to extensive work done to date in readiness for the SEC requirements. For other entities who may be required to apply SBR to their listed company accounts, it is expected that a transition period of 3 years would be necessary.

Question 4: 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?

We agree that a phased approach would be important in managing the impact of cost and effort on the business community. As indicated in our responses to earlier questions, limiting the scope of a mandatory requirement to only public companies would be appropriate. That scope could be phased in over time, with the initial phase involving voluntary participants. The first phase should be followed by a cost benefit analysis using actual experience and empirical cost and benefit data before expanding the scope to all listed entities. Any further expansion to non-listed entities would need to be supported by further cost and benefit analysis from actual experience.

Please contact the undersigned if you would like to discuss any of our comments further.

Yours sincerely,

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