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Dear Ms Colban

Improving the Quality of Reporting by Smaller Listed and AIM Quoted Companies

Standard Life Investments, which is a subsidiary of Standard Life plc, is a major global investor, based in Edinburgh, with assets under management of ££258.5 billion as at 31 March 2015. We manage assets on behalf of clients worldwide in a range of asset classes including equities, bonds, real estate, private equity and multi-asset solutions. In fulfilling our responsibilities on behalf of our clients, we place due reliance on financial statements and hence we are keen to ensure that company reporting is robust and of an appropriate standard. Accordingly we welcome this review and the opportunity to provide comments.

We are members of the Investment Association (IA) and have reviewed their draft comments on the Discussion Paper. We are supportive of all the comments made by the IA and would specifically highlight the importance that we place on the Annual Reports issued by companies, and particularly smaller companies, for the reasons given by the IA. We would also add the following comments of our own in relation to the points raised in the Discussion Paper.

Smaller companies often continue to be founder led and/or managed, which can bring additional risk to the interests of minority shareholders. The Annual Reports are the best source of assured information on these companies, particularly in relation to items such as governance, remuneration and audit. Although progress has been made in these areas for larger companies, we continue to be disappointed in the standards of communication delivered by smaller companies. We would agree that smaller companies cannot be held to the same standards of reporting as larger companies, but believe that if companies used the annual reports as an opportunity to communicate meaningfully to shareholders, rather than an opportunity to merely comply with reporting standards, then the quality of reporting would be improved. For example, aspects such as the business model, strategy and risks are already covered in the more general investor relations communication which should dovetail with what is communicated in the Annual Report.

In general we would agree with the aim of achieving a common standard of reporting across all listed companies, but we do recognise that access to technical advice and resource needed for the interpretation and implementation of such standards can be commensurately more difficult for smaller companies. We are therefore sympathetic to differences we experience; however we do not see this as an issue of AIM listed companies versus main listed ones. The range of sizes of companies on AIM leads us to have a range of expectations for such companies. For instance, although AIM listed companies are not required to provide remuneration reports and accompanying shareholder votes, we expect larger AIM companies to provide a remuneration report and shareholder votes. Should these not be provided, we will take appropriate voting action. In setting standards for AIM companies we would propose that the FRC engages with other policy makers, including BIS and the Listing Authority, to explore ways to provide for improved reporting that takes the size dimension into account.

It is important to us that companies do not hide behind the lower level of standards for AIM and smaller companies. However, there should be an allowance for flexible application of the standards based on engagement between companies and their major shareholders. Such engagement may satisfy the FRC's proposed action to create more pressure on investors to provide feedback to companies on their annual report.

We hope that you find these comments of use and would be happy to discuss them further should you wish to do so.

Yours sincerely

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