15 November 2005

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007
Email: standard@aasb.com.au

Dear Sir

Thank you for the opportunity to comment on Exposure Draft ED143: *Director and Executive Disclosure by Disclosing Entities: Removal of AASB 1046 and Addition to AASB 124*

AMP Limited is a top 20 ASX listed company. The AMP Group is a leading provider of wealth management products and services and one of the largest investment managers in Australia. AMP Capital Investors Limited ("AMPCI"), a wholly owned subsidiary of AMP Limited, holds an Australian Financial Services Licence and acts as Responsible Entity (RE) for in excess of 120 registered managed investment schemes (MIS). Only one of these schemes is listed on the Australian Stock Exchange.

General Comments

Our general view on the main proposals in the Exposure Draft, and on financial reporting regulation generally, is that the requirements should be meaningful and helpful to the users of financial reports and provide disclosure appropriate for good governance. Where possible, they should also seek to contain the administration and resources required to achieve those objectives.

In the case of disclosures about remuneration and other transactions between an entity and its directors and executives, we note that the requirements of International Standards are minimal.

We believe:

- Given that the Corporations Act section 300A are significantly more extensive than requirements of International Standards, we believe that the only changes made to AASB 124 should be those necessary to make the Standards as consistent as possible with section 300A and also to enable compliance with International Standards.

- There appears to be no case for including additional disclosures not required by the International Standards or the Corporations Act requirements.

We note that the existing Corporations Regulations allowing remuneration disclosures in the Directors' Report to satisfy the requirements of AASB 1046, and not requiring the information to be duplicated in the financial report, will need to be revised and reissued if AASB 1046 is removed and the equivalent requirements move to AASB 124. Further, this will have to be done prior to the application date of the proposed revised Standards.

Managed Investments Schemes

Our main concerns with the proposals in the Exposure Draft are in relation to MIS.

We do not believe that remuneration of directors and executives should be disclosed by a scheme except in the rare situation where remuneration is paid directly by the MIS.

The costs of governance of any MIS is covered by the aggregate fees paid by the scheme to the RE and any other service providers. AMP believes that the relevant information for users of MIS financial reports is the fees charged by the RE. This is especially so where one RE is responsible for many

schemes; in such cases, the amounts disclosed by each scheme will be the total remuneration applicable to the RE which will bear no relationship to the management fees paid by schemes with relatively low assets, and in some cases the remuneration paid to KMPs of the RE could be misleading in the context of the size of the assets of a particular MIS.

AMP believes the remuneration disclosures add to the difficulty in users reading financial statements. The Notes to the Financial Statements for the AMPCI Schemes were generally 10 – 12 pages in length with the AASB 1046 disclosures making up almost three pages, or 25%-30% of the Notes to the Financial Statements. This additional disclosure, not directly relevant to an investor in a scheme, would seem to be in conflict with the general objective of regulatory changes designed to provide clear and concise information to investors.

We note that the basic disclosures of AASB 124 will apply to all reporting entities, and the extensive additional disclosure proposed in paragraphs Aust. 25.1 to Aust. 25.7.3 would apply to all disclosing entities. We understand this is not consistent with the requirements for schemes in some other jurisdictions where disclosure requirements are limited to listed entities.

AMP and other Australian funds managers are activity promoting products offshore in keeping with broader economic aspirations for Australia. We believe that the disclosures proposed in this Exposure Draft are confusing and unnecessary in financial reports which will be used by investors and potential investors overseas.

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The attached schedule sets out our detailed comments on the “specific matters for comment” in the Exposure Draft.

We will be pleased to discuss any of the comments made in this submission further. Please contact Chris Maher 9257 5869 chris_maher@amp.com.au.

Yours faithfully

Simon Hoole
Group Finance Director
AMP Limited

Comments on Exposure Draft ED143: Director and Executive Disclosure by Disclosing Entities

1. Proposal to remove parent relief from AASB 124
Do you support the proposals to:
1(a) remove parent relief from AASB 124; and

No. Our general view is that required disclosures should be meaningful and helpful to the users of financial reports and, where applicable, provide disclosure appropriate for good governance. Where consolidated and parent financial information are provided in one report, we believe that relief should be provided from disclosing compensation in respect of the parent.

Do you support the proposals to:
1(b) rely on the definition of KMP and remove the requirement that the director and executive disclosures apply to the directors of the parent entity and at least five specified executives?

Yes. While it is essential that the requirements of the Standards and the Corporations Act should be as consistent as possible to avoid confusion to users and increased preparation costs, we believe that the definition of KMP is practically the same as the AASB 1046 requirements and is a more meaningful concept than the Corporations Act approach of a fixed nominated number of executives for all entities.

Do you consider that the removal of parent relief from AASB 124 is appropriate and sufficient to ensure IFRS compliance in respect of both parent and group entities?

No specific comment

2. Scope of AASB 124
Do you agree with the proposal that AASB 124 be required to be applied by non-corporate for-profit entities (and not AAS 22)?

No specific comment

3. Amalgamation of AASB 1046 with AASB 124
Do you agree that the quality and quantity of disclosing entity disclosures will not be detrimentally affected by amalgamating AASB 1046 with AASB 124?

Yes.

4. Specified director, executive and specified executive
Do you agree with the proposal to use the term KMP and remove the definitions of specified director, executive and specified executive?

Yes.

5. Subtotals for compensation and loans for directors and non-director KMP
Do you agree with the deletion of the requirement to disclose subtotals for compensation and loans for directors and non-director KMP (i.e. requiring only one KMP total)?

Yes. Individual entities can introduce additional sub-totals

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6. Former KMP
Do you agree with the proposal to delete the requirement for separate disclosure of transactions or balances with former KMP?

Yes, there is no case for including additional disclosures not required by the International Standards or the Corporations Act requirements.

7. Prescribed benefits
Do you agree with the proposal to delete the AASB 1046 requirement for separate disclosure of prescribed benefits in each component of the five categories of compensation?

Yes

8. Entities that have to disclose details of KMP
Do you agree with the proposal that all entities covered by AASB 124, not only disclosing entities, be required to disclose certain minimum descriptive information in respect of each key management person (refer to paragraph Aus16.1) and information on changes that occur in the period after the reporting date and prior to the date when the financial report is authorised for issue (refer to paragraph Aus16.2)?

No. There is no case for including additional disclosures not required by the International Standards or the Corporations Act requirements. Therefore, the minimum descriptive information in respect of each key management person (paragraph Aus16.1) should be limited to disclosing entities.

9. Incorporation of section 300A(1)(ba) into AASB 124 paragraph Aus25.3
Do you agree with the Board's proposal to incorporate section 300A(1)(ba) of the Corporations Act into AASB 124?

We believe that the only changes made to the Accounting Standards should be those necessary to make the Standards as consistent as possible with section 300A and also to enable compliance with International Standards. However, It is debateable whether the Accounting Standards should also incorporate the section 300A requirements especially if the format and content cannot be replicated exactly.

10. Do you agree that the "other transaction" disclosures in paragraphs Aus25.5.3 to Aus25.7 should be by individual director when the disclosures in paragraph 18 are disaggregated into "key management personnel of the entity or its parent" and "other related parties"?

See comments on 8.

11. No Appendices to final revised AASB 124
Do you agree with the Board's proposal to delete all the Appendices to this ED when issuing the final revised AASB 124?

No. In general, Appendices relating to Aus. paragraphs can give valuable guidance on complex matters. However, if Appendices are included it must be clear that they are not, and should not be interpreted as, part of the Standard and are not mandatory.

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12. Transitional provisions
Do you consider that transitional provisions should be included in AASB 124 in respect of paragraphs Aus25.1 to Aus25.7.3, since it is the first time that disclosing entities are required to make the disclosures required by paragraphs Aus25.1 to Aus25.7.3 in respect of KMP rather than specified directors and specified executives?

Yes. For the Aus. paragraphs, relief should be given from all entities providing comparatives in the first year of adoption. In practice, many larger companies will provide comparative information.

13. Application to managed schemes (including MIS)

13(a) Do you agree that when a managed scheme (including a MIS) pays a management fee to its responsible entity, the managed scheme indirectly provides the compensation of the KMP for managing the MIS for the purposes of paragraph 16?

No. AMP does not agree with the Board's interpretation that management fees represent indirect compensation. There are a number of reasons for this view:

1. The remuneration paid to KMP does not represent the cost of governance for a scheme.
   i. We note the objectives of the Board to disclose the cost of governance for each Scheme.
   ii. We believe that the management fee paid to the RE, or the total Management Expense Ratio (MER) represents the cost of governance for a Scheme. The management fees paid by the Scheme to the RE (or any other related party) are disclosed in the financial statements and the MER is disclosed in the Product Disclosure Statements.
   iii. We believe the management fee to be the cost of governance to investors in the MIS as it represents their cost of placing money into a MIS as opposed to investing directly or via other means. The remuneration of individual directors and executives does not (unless paid for directly by the scheme) have any direct impact on investors in a Scheme. This differs to a company structure, where the shareholder / investor ultimately pays for the remuneration of its directors and executives.

2. Obligations of the RE exist regardless of management fee revenue and scope of services provided.

   The RE is obliged to provide services to each scheme in accordance with the obligations set out in the Scheme Constitution, Product Disclosure Statement and as specified in the Corporations Act. Only the RE is licensed to perform this activity under the law and with this authorisation comes the responsibility to provide services to the scheme. The decisions made by the RE to discharge its obligations are independent of its decisions made to remunerate its KMPs. For this reason, there is no relevant connection between management fee revenue from Schemes and remuneration.

   As examples:

   i. When a new scheme is established, it would be typical for the scheme to be unprofitable for some period. This does not diminish the obligation of the RE to properly manage the Scheme. The investors in the scheme are not exposed to this risk however, and the cost of the services provided will not exceed the management fee permitted. The RE will continue to pay its KMP market rates for the services provided to the RE rather than the services provided to any particular scheme.
   ii. Many schemes have more than one class of unitholder, with fees differing between classes eg wholesale class, retail class. The RE's obligations remain the same, regardless of the fees paid. However, to an investor, the relevant information remains their management fee.

In the case of AMPCI, we note that this is further complicated by the diverse nature of its activities noting that:

- more than half of its net revenues are sourced from activities other than those relating to the provision of services for schemes; and
- it provides services to more than 120 schemes

This in our view further questions the connection between management fees and KMP remuneration.

3. The services provided by the RE differ significantly between schemes.

   Although the RE remains fully responsible for the activities of its management investment schemes, in practice the level of services provided vary significantly. In AMP's case, the investment management services vary as follows:

   i. Manager of all of funds assets - AMP retains all of the management fees paid by the Scheme, other than for 'back office' services.
   ii. Manager of other managers (fund of fund) - Most of the management fees received will be on-paid to other fund managers.
   iii. RE for hire - Effectively acting as a Trustee only, and the RE retains only a nominal fee for this risk.

   Fees provided by the scheme are therefore used to varying extents to pay for many different aspects of operating the scheme. AMP therefore does not see the nexus between the management fees received from the scheme and that of director or executive remuneration.

For these reasons, AMP does not support remuneration disclosures based on the concept of 'indirect remuneration', unless these are paid directly from the scheme.

13(b) Do you agree that the KMP of managed schemes that are disclosing entities (including MIS) should be subject to the same disclosure regime as all other disclosing entities in paragraphs Aus25.1 to Aus25.7.3 or should be required to make fewer disclosures, and perhaps only those required by paragraphs 1 to 22 of AASB 124?

AMP is of the view that the remuneration of KMPs by a RE is fundamentally different to remuneration paid by a corporate entity. This is because the remuneration does not, unless directly paid by the scheme, have any impact on the financial returns of the investor in the scheme.

If the revised Standard determines that remuneration disclosures should be made for KMP of the responsible entity, AMP believes that KMPs should be limited to directors of the Responsible Entity, given the specific regulatory obligations placed on them (the Board) in the operation of a scheme.

13(c) Do you agree that the KMP of a managed scheme are among the individuals paid by the responsible entity (or by another entity that provides services to the responsible entity)?

AMP believes that KMPs should be limited to individuals paid by the RE (including contractors etc) of the RE.

AMP does not believe it appropriate or practical to include KMPs of personnel employed by other entities providing services to the RE. From a legal perspective, the RE remains accountable for all services provided to the MIS. The RE is paid a fee from the scheme for these services and in recognition for the risks accepted by the RE.

The arrangements for each scheme differ considerably, and these arrangements are adequately explained to investors in a Product Disclosure Statement. From a practical perspective, we note the difficulties this would represent in the case of the AMPCI schemes. AMPCI engages numerous

service providers to assist in the operation of its schemes. These service providers are generally paid by the RE out of its management fees from the scheme, and therefore are not directly relevant to investors in the scheme. As examples, we have set out the services provided to AMP's various schemes by entities other than the RE:

Investment management services:
- Investment management for entire Scheme
- Investment management for a portion of the Scheme's assets
- Building management services

Back office services:
- Custody
- Accounting and unit pricing
- Registry
- Investment administration

These entities may be related, or unrelated, to AMP.

14. Are there any other disclosure requirements you believe should be:
(a) added; or
(b) deleted?

No.

15. Are the proposals in the best interest of the Australian economy?

Potentially, the references we have made throughout our response particularly in relation to the usefulness of disclosures in financial reports and the significant resources required in preparing that information could have some negative impact on the Australian funds management industry.