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Corporate Governance and Reporting Unit
Corporations & Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

10 May 2013

To whom it may concern

Submission on the Draft Corporations Legislation amendment Regulation 2013 (No. A)

Thank you for the opportunity to comment on the draft *Corporations Legislation amendment Regulation 2013 (No.A)* (the draft Regulations).

PwC supports the consolidation of all remuneration disclosures in one location, being the directors' report, and welcomes that the related requirements will in future only be included in two rather than three locations (section 300A of the *Corporations Act 2001* and *Regulation 2M.3.03*).

However, we note that the new disclosures extend beyond remuneration and now also require disclosure of loans to key management personnel (KMP) and other transactions with the KMP. Arguably, this information goes beyond the scope of section 300A. There are also a number of drafting issues with the proposed amendments which we have explained in the Appendix.

The disclosure requirements for remuneration reports are still very complex and contain a number of duplicate requirements in section 300A and CR2M.3.03. We encourage the Government to undertake a full review of all of the requirements and eliminate anything that is repetitive or no longer necessary.

We would welcome the opportunity to elaborate on our views if you wish and would gladly assist you identifying areas for improvement. Please contact me on (03) 8603 5371 if you would like to have a discussion.

Yours sincerely,

A handwritten signature in blue ink that reads 'Margot Le Bars'.

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Appendix: PwC's specific comments on the proposed amendments

Drafting style

We noted that the new items that are proposed to be added to Regulation 2M.3.03 are drafted in a different style to the existing items, which could be confusing for readers. For example, if Item 17 was written in the same style as the other items, the words “disclosure must be made of the number of rights and options” would be deleted from the left hand column and the right hand column would say something like “A reconciliation of options and rights (a) held at the start ... (b) granted during ...”.

Reconciliation of equity instruments held

Item 18 refers to options and rights in both columns, but this should read “equity instruments”.

Disclosure of loans to KMP

Item 20 incorporates the requirements of paragraphs Aus29.8 and Aus29.8.1 of AASB 124. However, the requirements in the accounting standard operate as follows:

- The disclosures in paragraph Aus29.8.1 must be made for all loans to key management personnel (KMP) in aggregate. There is no need to identify the individual KMPs that had loans outstanding at any point in time during the year, only the number of persons that are included in the group aggregate at the end of the reporting period.
- If an individual KMP had an aggregate loan amount of more than \$100,000 outstanding at any point in time during the reporting period, the disclosures in paragraph Aus29.8.1 must also be made for the individual KMP (identified by name) together with the highest amount of indebtedness during the reporting period.

In contrast, item 20 would appear to require disclosure of the highest amount of indebtedness for each KMP, regardless of the total loan balance outstanding. It is also not clear whether the remaining disclosures are similarly required for each KMP or could be provided on an aggregate basis. This should be clarified in the final regulations. If the Government intended to expand the disclosures to require separate disclosures for each KMP regardless of the loan amounts then the reason for this change should be explained in the explanatory memorandum.

Duplication of exception from disclosing ‘other’ transactions

Item 24 appears to be covering the same exception as subregulation 2M.3.03(3C) and should be deleted. This would also address another drafting issue with item 24. According to the preamble to Subregulation 2M.3.03(1), the items in the schedule are setting out prescribed details that must be disclosed. In contrast, item 24 lists conditions of when an exception can be applied.

Difference in scope between Regulations and AASB 124

Lastly, we note that the draft amendments carry forward an inconsistency in the definition of related parties between paragraph 9 and the Aus paragraphs in AASB 124 *Related Party Disclosures*.

According to the draft amendments, the disclosures must also be made in relation to entities that are directly or indirectly controlled, jointly controlled or significantly influenced by any of the key management personnel. This makes the draft Regulations broader in scope and includes entities that are no longer considered to be related parties under the definition in AASB 124/IAS 24. For example, transactions between the reporting entity (a) and an entity (B), over which a director of A has significant influence, would have to be disclosed in the remuneration report but not in the related party note in the financial statements.