

10 May 2013

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

By email: CLAR2013@treasury.gov.au

Dear Sir/Madam

Corporations Legislation Amendment Regulation 2013

Thank you for the opportunity to make a submission on the draft regulations released by Treasury on 17 April for public consultation (Draft Regulations) which make changes to the *Corporations Regulations* including to incorporate various remuneration related disclosure requirements regarding related party transactions, following removal of these requirements from the relevant accounting standards (with effect from 1 July 2013).

Please find attached Telstra's submission in respect of this aspect of the proposed changes set out in the Draft Regulations.

If you have any queries or would like to discuss our submission further, please contact my office on (03) 8647 2629.

Yours sincerely



Damien Coleman
Company Secretary

Corporations Legislation Amendment Regulation 2013 - Draft regulations to make changes to the *Corporations Regulations* (“Draft Regulations”)

Submission by Telstra Corporation Limited

The Draft Regulations propose to make changes to transfer into regulation 2M.3.03 of the *Corporations Regulations* certain remuneration related disclosure requirements that were previously required by AUS29 of AASB 124 (that are not currently reflected in the Corporations Act or the *Corporations Regulations*), following the removal of these requirements from the Accounting Standards from 1 July 2013.

The disclosure requirements that are being transferred from the Accounting Standards to the *Corporations Regulations* relate to disclosures for KMP and certain of their related parties in relation to:

- rights and options they hold directly, indirectly or beneficially (paragraph Aus 29.7.3 of AASB 124);
- other equity instruments they hold directly, indirectly or beneficially (paragraph Aus 29.7.4 of AASB 124); and
- transactions involving equity instruments, other than share-based payment compensation (paragraph Aus 29.7.5 of AASB 124);
- loans made, guaranteed or secured by the disclosing entity or its subsidiaries (paragraphs Aus 29.8.1 and 29.8.2);
- transactions during the reporting period with the disclosing entity or its subsidiaries (except those in relation to rights and options or other equity instruments or otherwise excluded) (paragraphs Aus 29.9, 29.9.1, 29.9.2 and 29.9.3),

(‘Disclosure Requirements’).

Telstra makes the following submissions on these proposed changes.

Presentation of information on the Disclosure Requirements

While no material changes are proposed to *content* of the information to be disclosed, there are implications for *location* of the information relating to the Disclosure Requirements within an entity’s annual report. In particular, as the requirements are being transitioned into regulation 2M.3.03, this will mean that the relevant disclosures will need to be included in the remuneration report itself (even those disclosures that do not form part of KMP remuneration), rather than in other parts of the annual report together with a cross-reference in the remuneration report (which is permissible under the current regime).

Given current concerns from industry and key stakeholders regarding the length and complexity of remuneration reports (as canvassed in recent submissions to the Corporations and Markets Advisory Committee (CAMAC) in relation to the Discussion Paper regarding ‘The AGM and Shareholder Engagement’), we would welcome clarification regarding whether entities will be permitted to continue to present this information in other parts of the annual report (for instance, disclosures not related to KMP remuneration in the related party note to the financial statements or at another appropriate point in the annual report) with an appropriate cross-reference being provided in the remuneration report, in keeping with the current regime’s approach. We consider that the approach under the current regime has facilitated progress by Australian companies towards presentation of information on these Disclosure Requirements in a way that minimizes duplication and enhances the accessibility of information for shareholders.

Commencement arrangements

The Draft Regulations are unclear regarding the commencement date for changes.

The Draft Regulations are expressed as commencing on 1 July 2013. However, the Draft Regulations do not refer to “annual reports for financial years commencing on or after 1 July 2013”. Therefore, there is some ambiguity regarding whether these changes are to apply for reports prepared on or after 1 July 2013 (ie reports for the 2013 financial year) or for annual reports prepared for financial years

commencing on or after 1 July 2013 (ie reports for the 2014 financial year).

As you will be aware, AASB 124 has been amended to remove the AUS29 paragraphs effective for reporting periods commencing on or after 1 July 2013. However, the amending accounting standard (AASB 2011-4) does not allow entities to early adopt the changes. Therefore, entities will still be required to disclose these items in the notes to the financial statements for fiscal 2013 under existing AASB 124 requirements.

To ensure that there is no duplication in reporting requirements, it is important that the implementation of any proposed changes to the *Corporations Regulations* is coordinated with the effective date for the removal of the AUS29 paragraphs from AASB 124. Accordingly, the Draft Regulations should clearly provide that the changes to the *Corporations Regulations* are to take effect “for reporting periods commencing on or after 1 July 2013” rather than “commencing on 1 July 2013” as currently drafted. Failing that, entities would need to comply with both the AASB 124 and the *Corporations Act* requirements, resulting in a requirement to disclose the information twice in the fiscal 2013 annual report.

Telstra Corporation Limited

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