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Dear Sir

Request for comment on ED 143 Director and Executive Disclosures by Disclosing Entities: Removal of AASB 1046 and Addition to AASB 124

General Comments

We are pleased to have the opportunity to provide our comments to the proposals contained in ED 143.

Having read the proposed changes to AASB 124 and seen how the new standard is likely to be presented, it is our opinion that combining AASB 1046 and AASB 124 is of no value to users. In fact, we consider it to be more beneficial to the Australian users to retain separate standards. The requirements of AASB 1046 are different and more detailed than those required by IAS 24 and it makes more sense, as a user of the standard, that they should be contained in a separate standard. AASB 124 should remain consistent with its international counterpart.

Also, where companies choose to take advantage of the relief provided by the Corporations Regulations and only include the detailed remuneration information in their Remuneration Report, their compliance statement required by AASB 101.14 can be made without confusion as to which disclosures are IFRS disclosures and which are AIFRS disclosures if the more detailed AIFRS disclosures are maintained in a separate standard.

Our preference is for the Board to continue with AASB 1046 as a separate standard. A comment in AASB 124 should highlight that, for Australian financial report preparers, compliance with the relevant paragraphs of AASB 1046 will ensure compliance with the KMP related paragraphs of AASB 124, to ensure there is no duplication of disclosures.

However, in the event that the Board does proceed with a single merged standard, we make the following comments in relation to the specific questions asked in the exposure draft.

Request for comment

Question 1

Do you support the proposals to:

- a) *Remove parent relief from AASB 124; and*
- b) *Rely on the definition of Key Management Personnel and remove the requirement that the director and executive disclosures apply to the directors of the parent entity and at least five specified executives?*

a) We do not support the removal of parent relief from AASB 124. This is consistent with our response to your request for comment on the exposure draft for AASB 7. We encourage the Board to reconsider its position on parent entity relief within AASB standards for disclosures, such as those required by AASB 7 and AASB 124, where the useful and meaningful information is provided by the group disclosures.

b) We support the proposal to use the definition of Key Management Personnel. While the definition is very broad, the intention is clear.

Question 2

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

We have no opinion on this question as it is not applicable to Telstra Corporation Limited or the Telstra Group.

Question 3

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

We refer you to our general comments at the start of this letter, that we would prefer to see the standards retained as separate for reasons of convenience and consistency.

However, in the event that the board proceeds with separate standards, we are concerned that in the amalgamation process, the removal of the majority of the guidance text previously in AASB 1046 will result in inconsistencies in application of the standard between companies and reporting periods. Please refer to Question 14 for further details of guidance text that we found useful and would like to see reinstated in the final standard.

Question 4

Do you agree with the proposal to use the term Key Management Personnel and remove the definitions of specified director, executive and specified executive?

We support the proposal to use the definition of Key Management Personnel. While the definition is very broad, the intention is clear.

Question 5

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

We do not consider that the inclusion or deletion of this specific requirement will make a difference to the quality of information provided.

Question 6

Do you agree with the proposal to delete the requirement for separate disclosure of transactions or balances with former Key Management Personnel?

We agree with the proposal to delete the requirement for separate disclosure of transactions or balances with former Key Management Personnel.

Question 7

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?

We agree with the proposal to delete the requirement for separate disclosure of prescribed benefits for each component of remuneration.

Question 8

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 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?

We do not agree with the proposal that all entities should disclose minimum descriptive information in respect of key management personnel. We do not consider that this information will be necessary for users of these types of entities' financial reports in the same way it is necessary for users of disclosing entities' financial reports.

Question 9

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

We agree with this proposal. Where companies choose not to take advantage of the Corporations Regulations exemption and choose to replicate information between the Remuneration Report and the Financial Report, the incorporation of the s300A(1)(ba) requirements will ensure that disclosures will be consistent between the two documents.

However, we draw the Board's attention to our comments in the General Comments section of this document. The incorporation of the s300A(1) requirements further complicates the Australian (AIFRS) requirements compared to the International (IFRS) requirements. Maintaining AASB 124 and AASB 1046 as separate standards will ensure that the different requirements of the AASB and the IASB are not confused.

Question 10

Do you agree that the 'other transaction' disclosures in paragraphs Aus 25.5.3 to Aus 25.5.7 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'?

We agree that the requirements of Aus 25.5.3 – Aus 25.5.7 should be disclosed by individual director; however we consider that these paragraphs make the requirements of paragraph 18 superfluous for KMP's.

While we understand that the reference to KMP in paragraph 18 must remain in the standard for the purposes of consistency with the international version, we would recommend the Board add a commentary paragraph to say that compliance with Aus 25.5.3 – Aus 25.5.7 will satisfy the requirements of paragraph 18 as long as totals are included for each of the Aus 25.5.3 – Aus 25.5.7 disclosures.

This is consistent with our suggestions made in relation to retaining AASB 1046 as a separate standard to AASB 124 in the General Comments section of this letter.

Question 11

Do you agree with the Board's proposal to delete all the Appendices to this ED when issuing the final version of AASB 124?

No, we do not agree with the proposal to delete all appendices – the requirements for remuneration disclosures are complex and often the subject of interest and discussion with individuals who are not accounting professionals or who do not have ongoing experience with financial statement disclosures. The guidance in the ED is useful for ensuring that the principles of the standard are consistently applied between companies and between reporting periods. In fact, we encourage the Board to consider including the guidance in Appendix 1 to AASB 1046 (the table of inclusions and exclusions from remuneration) as an appendix to the final version of AASB 124.

Question 12

Do you consider that the transitional provisions should be included in AASB 124 in respect of paragraphs Aus 25.1 to Aus 25.7.3 since it is the first time that disclosing entities are required to make the disclosures required by those paragraphs for 'Key Management Personnel' (KMP's) rather than specified directors and specified executives?

We do not have an opinion on this question. We do not feel that the change in terminology will impact the disclosures Telstra makes.

Question 13

Questions in relation to Managed Investment Schemes

Not applicable to Telstra Corporation Limited.

Question 14

Are there any other disclosure requirements that you believe should be added or deleted?

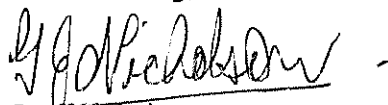
We have a number of comments that we encourage the Board to consider prior to releasing the final standard:

- Definition of "compensation" – for clarity it would be useful if the definition of compensation included reference to the fact that reimbursements are excluded. While it would seem an obvious point, where there are complex remuneration arrangements to disclose, the more clarity in the definition, the better.
- Guidance around what comprises 'termination benefits' – termination benefits are included in the definition of compensation, however the guidance previously included in AASB 1046.5.2.18 and AASB 1046.5.2.19 has been excluded. This guidance is useful for ensuring correct application of the principles in situations where remuneration arrangements are complex, and will ensure consistency in application.

- Other remuneration guidance – we noted that the guidance previously included in AASB 1046.5.2.1 to AASB 1046.5.2.19 has been removed. We have found this guidance to be useful on several occasions and encourage the Board to include it in the final standard, in particular the guidance around changing values of non-equity based remuneration in AASB 1046.5.2.4, and guidance in relation to post employment benefits in AASB 1046.5.2.8 and AASB 1046.5.2.9. Inclusion of the guidance will ensure consistency in application of the principles in the standard.
- ED 143 Aus 25.2.1 – the comments in relation to assuming that the Key Management Personnel remaining until the end of the reporting period. It is not clear what is intended by this comment. If the commentary is intended to be in relation to the calculation of the values to be disclosed, we suggest it be transferred to AASB 2, however in saying that, we question whether the comment is consistent with the requirements of AASB 2 paragraph 19 in relation to the assumptions involved in valuing an equity instrument.
- Part period Key Management Personnel – We consider that the requirements of AASB 1046.7.3 and AASB 1046.7.4 (including the guidance) were useful for ensuring consistency in application of the principles of the standard and ensured the information provided in the remuneration disclosures was meaningful for readers. We encourage the Board to include similar guidance in AASB 124.
- Comparative information – We noted there was no information in ED 143 detailing the requirements for comparative information. We consider that the guidance embodied in AASB 1046.11.1 and AASB 1046.11.2 were valuable and useful in applying the standard. We encourage the Board to include similar guidance in AASB 124.

We thank you for the opportunity to comment on these changes. Please contact Garth Campbell-Cowan on +61(3) 9634 6470 if you need any further explanation on any of the comments made in this submission.

Yours sincerely,



Geoff Nicholson
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Telstra Corporation Limited