



GROUP OF 100

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3 April 2014

The Hon Senator Matthias Cormann
Acting Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Senator Cormann

Remuneration Report Regulations

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness.

During 2013, Treasury prepared changes to the Corporations Regulations (Reg 2M.3.03) to move the Australian specific requirements in AASB 124 'Related Party Disclosures' on loans, equity holdings and other transactions into the Regulations. In this process differences between the drafting of the regulations and the drafting in AASB 124 have resulted in what we consider to be unintended consequences which are outlined below.

As the Regulations apply to financial years ending 30 June 2014, clarification of the requirements and the removal of the anomalies before 30 June is urgent.

The following three issues have arisen:

- 1. Disclosure Of Equity Holdings Of Key Management Personnel**
AASB 124 paragraph Aus29.7 has not been reflected for Item 18 of the Regulation in relation to the qualifying words "issued or issuable by the disclosing entity and any of its subsidiaries". The Regulation could therefore be read that disclosure is required in respect of any equity instrument of any entity.

Recommendation:

Amend the Regulation by including the above qualifying words in Item 18 (as is done for Item 17).

- 2. Level Of Detail Required For Disclosures Of Equity Holdings And Options And Rights Holdings**

AASB 124 paragraph Aus29.7 has not been reflected for Items 17, 18 and 19 of the Regulation. This paragraph is already included in the Regulations as 2M.3.03(3) in relation to existing Items 15 and 16. Without expanding 2M.3.03(3) to Items 17, 18 and 19, some entities may not separate their disclosures by each class of equity instrument.

Para Aus29.7 required the disclosures to "be separated into each class of equity instrument identifying each class by:

- a. The name of the issuing entity
- b. The class of equity instrument
- c. If the instrument is an option or right, the class and number of equity instruments for which it may be exercised."

Recommendation:

Amend the Regulation by expanding the scope of Regulation 2M.3.03(3) to include Items 17, 18 and 19.

3. Subregulation 2m.3.03(3a) – Transactions Involving Non-Recourse Or Limited Recourse Loans To Purchase Shares

The original AASB 124 wording was clear that non-recourse loans to purchase shares were outside the scope of the disclosures about loans provided to key management personnel required by AASB 124 Aus29.8 and 29.8.1. Instead, these arrangements formed part of the remuneration transaction disclosures. Without clarifying the requirement of Regulation 2M.3.03(3A), some entities may disclose limited- or non-recourse loan transactions as both a pure lending transaction and as a remuneration transaction, or may only disclose the transaction as a lending transaction implying there is no element of remuneration.

Recommendation:

The following proposed revision to 2M.3.03(3A) will address the risk of diversity in practice and address the reluctance of the drafters to use the words "in substance options" in the Regulation:

For items 20 and 21 of the table in sub regulation (1), loans do not include limited- or non-recourse loans involved in transactions to purchase equity instruments.

Please do not hesitate to contact me (02 9428 6376) should you require any further information.

Yours sincerely
Group of 100 Inc



Neville Mitchell
President

c.c. Ms Jan Harris – Executive Director, Corporations & Capital Markets, The Treasury

