

18 June 2014

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Australian Securities and Investments Commission  
GPO Box 9827 Melbourne VIC 3001

By email: [deregulation@asic.gov.au](mailto:deregulation@asic.gov.au)

Dear Sir/Madam

**Report 391: ASIC's deregulatory initiatives**

Thank you for the opportunity to make a submission on *Report 391: ASIC's deregulatory initiatives* (Report 391), released by ASIC on 7 May 2014 for public consultation.

Please find attached Telstra's submission in respect of the initiatives to cut red tape and lower compliance costs that are discussed in Report 391. We would welcome the opportunity to further discuss these issues with ASIC.

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

## **Report 391: ASIC's deregulatory initiatives**

### **Submission by Telstra Corporation Limited**

On 7 May 2014, ASIC released Report 391 which outlines ASIC's ongoing and new initiatives to cut red tape and lower compliance costs for its regulated population. ASIC is seeking feedback on the specific initiatives that are discussed in Report 391 and, more broadly, on particular areas where ASIC can make it easier for businesses and individuals to meeting their obligations under the laws and regulations ASIC administers. In particular, ASIC is seeking views on:

- Any changes that might be made to ASIC forms;
- Suggestions for regulatory change that ASIC might discuss further with Treasury and the Government; and
- Any changes that might be made to ASIC processes or procedures.

Telstra is generally supportive of ASIC's initiatives to cut red tape and lower compliance costs which are outlined in Report 391. Our feedback in relation to some of the specific initiatives raised in the report is set out below.

#### **1. Initiatives discussed in Report 391**

##### **a) Changes to ASIC Forms (paragraphs 45-47 and paragraphs 60-61)**

We support ASIC's initiative to remove and consolidate the number of ASIC Forms in order to streamline the provision of information to ASIC and to remove redundant disclosures. We are also supportive of ASIC's proposals in relation to review and simplification to the substantial shareholder notification forms (Forms 603, 604 and 605).

In addition to the ASIC Forms identified for consolidation or simplification (Appendix 1, Table 2), we believe that a number of the current ASIC Forms which relate to notifications of changes to shares and share capital could also be further consolidated and simplified (eg. consolidation of Forms 208, 210, 2205 and 2560 with Form 484 (in addition to Form 211)).

We also acknowledge that with the implementation of SBR and the use of on-line interactive forms, further opportunities will arise for ASIC to streamline and simplify the provision of information to ASIC, further reducing compliance burdens for companies.

##### **b) Simplifying wholly owned financial reporting relief (paragraphs 49-50)**

The existing class order relief in CO98/1418 is complex. In particular, for large corporate Groups there is a significant administrative and compliance burden associated with maintaining and reporting on the deed of cross guarantee.

We acknowledge the changes that ASIC has already made to the class order to reduce, where possible, the administrative burden on companies in respect of establishing and maintaining the deed of cross guarantee - for instance removal of the need to lodge annual opt-in notices by subsidiaries.

We support ASIC's proposal that measures to further simplify the operation of wholly owned financial reporting relief, including through amendment to the Corporations Act, be considered. However, any measures will need to be carefully examined (including through further public consultation) to minimise any unintended consequences arising from changes to the current regime.

##### **c) Electronic disclosure (paragraphs 62-64)**

We support measures which aim to facilitate electronic disclosure of information to shareholders. We consider this would be an appropriate time to consider reform in this area in light of the experience with similar measures in the UK and the wide adoption of technology in this country. This represents an opportunity for shareholders to benefit from the cost efficiencies that could be realised through a move away from printed meeting materials, while at the same time preserving the ability of shareholders who require a hard copy to have that made available.

Currently, we have a process which allows shareholders to “opt in” to receive all shareholder communications electronically (not just the annual report), rather than in hard copy (eg. dividend statements, notice of meeting and other important shareholder communications). However, for those shareholders who have not “opted-in”, we are required to send them all shareholder communications in hard copy form.

We would be supportive of a move from an “opt-in” to an “opt-out” regime, where shareholders receive all communications electronically (eg. via announcement to the ASX, placement on the company’s website or an email notification) unless they “opt-out” to receive them in hard copy. A similar regime has been implemented in the UK for a number of years. We acknowledge that such a move would require amendments to the current provisions of the Corporations Act and, accordingly support from the Government.

We would welcome the opportunity to further discuss this topic with you.

**d) Improvement to auditor resignation requirements (paragraphs 74-75)**

We support ASIC’s proposal to change its policy in relation to providing ASIC’s consent to auditor resignations of a public company, in order to allow an auditor to resign at any time rather than at the next AGM. We believe that this will allow for greater flexibility for public companies to change their auditor during the year, without the need to make a specific application to ASIC seeking permission.

In addition to this change, we would also support a review of the current approach to notifying changes to the auditor to ASIC. Currently, only the resignation of the existing auditor is required to be notified at the time of the change. The appointment of the new auditor is not notified until the company lodges its next financial report with ASIC on ASIC Form 388. For those public companies who do not lodge a financial report/Form 388 with ASIC (for instance a listed entity that relies on the dual lodgment relief), there is no ability for ASIC to be directly notified of the change except via the annual review statement process or a separate stand-alone letter that the entity provides to ASIC at the time of the change. This can result in information on ASIC’s public register being inaccurate.

We would also support a broader review of the auditor appointment and removal provisions in Division 6 of Part 2M.4 of the Corporations Act to remove unnecessary administrative requirements - for instance the requirement in section 328B to include copy of the auditor nomination with the notice of meeting; and the application of the requirements in sections 327A and 327C (which provide that where the directors of a public company have appointed an auditor, the auditor holds office until the company’s first/next AGM) in the context of sole member public companies who are not ordinarily required to hold an AGM.

**2. Suggestions for regulatory change**

In addition to the areas identified by ASIC in Report 391 and those discussed above, we have identified the following areas for regulatory change that ASIC may wish to discuss further with Treasury and the Government:

**a) Streamlined Annual Report disclosures**

We consider current reporting requirements result in Annual Reports that are lengthy, duplicative in many sections and potentially confusing to shareholders. In our view, this is affecting the utility of the Annual Report to shareholders. For this reason, Telstra strongly supports the simplification of existing reporting requirements to enhance shareholders’ understanding of the companies in which they have invested.

For instance, in relation to the current legislative framework regarding remuneration disclosure, Telstra considers the framework complex and unnecessarily prescriptive. This results in remuneration reports which are lengthy and complex, and may not be well understood by all shareholders.

We are supportive of current proposed reforms aimed at simplifying remuneration reports by removing unnecessary or duplicative disclosure requirements relating to the value of lapsed options and the percentage of remuneration that consists of options<sup>1</sup>.

However, Telstra would welcome a broader review of the different pieces of legislation and the Accounting Standards with a view to deleting duplication and reducing reporting requirements, to provide for a simpler, more effective, reporting framework for shareholders. We refer to previous submissions to the Corporations and Markets Advisory Committee (CAMAC) by industry bodies and corporates (including Telstra) on this subject, most recently in relation to the CAMAC discussion paper on 'The AGM and Shareholder Engagement'.

Telstra also supports the concept of restructuring existing reporting requirements to provide companies with flexibility to make the complex, more prescriptive financial and other information, publicly available by other means. Such an approach would provide companies with the ability to streamline and tailor the content of their Annual Reports to target their shareholder audience in a more effective and meaningful way. In this regard, we note the recent reforms implemented by the ASX and the ASX Corporate Governance Council which enable an entity to publish its corporate governance statement on its website rather than in the Annual Report.

**Telstra Corporation Limited**

**18 June 2014**

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<sup>1</sup> As set out in the exposure draft of the *Corporations Legislation Amendment (Deregulatory and Other Measures) Bill* released for public consultation by Treasury on 10 April 2014.