case study 2.2

Telecom Corporation of New Zealand Limited’s Approach to Corporate Governance

Governance at Telecom

*The board and management are committed to ensuring that Telecom maintains international best practice governance structures and adheres to the highest ethical standards. The board regularly reviews and assesses Telecom’s governance structures and processes to ensure that they are consistent with international best practice, in both form and substance.*

Telecom’s approach to corporate governance

Framework

Telecom has a dual listing of its shares on the New Zealand Stock Market (NZSX) and on the Australian Securities Exchange (ASX). Telecom is required to comply with the full listing rules of the NZSX and ASX. American Depositary Shares (ADSs), each representing five ordinary shares and evidenced by American Depositary Receipts (ADRs), are listed on the New York Stock Exchange (NYSE). The Bank of New York Mellon is Telecom’s ADR Depositary.

As a result of Telecom’s stock exchange listings in New Zealand, Australia and New York, it is subject to the governance requirements of each of these jurisdictions. This includes: the NZSX Listing Rules and Corporate Governance Best Practice Code; the New Zealand Securities Commission’s report titled ‘Corporate Governance in New Zealand Principles and Guidelines’ (Securities Commission Principles and Guidelines); the ASX Listing Rules and ASX Corporate Governance Council’s Principles and Recommendations; the United States Sarbanes-Oxley Act of 2002 and United States Securities and Exchange Commission (SEC) rules and the NYSE corporate governance rules.

Where there are conflicts between the requirements or best practice recommendations of New Zealand, Australia and the United States, the board has adopted practices and policies consistent with the requirements across these jurisdictions. The board will continue to monitor developments in the governance area and review and update its governance practices to ensure the most appropriate standards of governance for Telecom are maintained.

SOURCE: *Telecom Corporation of New Zealand Limited Annual Report 2013*, Governance at Telecom, p. 133.

Questions

The financial statements of Telecom Corporation of New Zealand Group are prepared in accordance with International Financial Reporting Standards (IFRS), which differ in certain aspects from US Generally Accepted Accounting Principles (GAAP).

1 Describe what is meant by the term GAAP.

2 Describe what is meant by the term IFRS.

3 Outline the difference between ‘Telecom Corporation of New Zealand Group’ and ‘Telecom Corporation of New Zealand Limited’.

4 Telecom Corporation of New Zealand Group is required to file an annual report with the United States Securities and Exchange Commission on Form 20-F. Describe the process that is required.

5 How does this differ from previous practice?

6 Outline jurisdictional governance requirements that Telecom Corporation of New Zealand Group is subject to. How might the organisation comply with such requirements?