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**Re: Draft Comment Letter on Exposure Draft ED/2017/2 Improvements to IFRS 8  
*Operating Segments – Proposed amendments to IFRS 8 and IAS 34***

Dear Jean-Paul,

We are pleased to have the opportunity to provide our comments in order to contribute to the finalisation of your comment letter in response to the IASB ED Improvements to IFRS 8 *Operating Segments – Proposed amendments to IFRS 8 and IAS 34* (the "ED").

We welcome the IASB's project to improve IFRS 8. We generally support most of the proposed amendments to IFRS 8; however, we do not support the IASB's proposal to introduce the definition of an entity's annual reporting package. We understand that the IASB is trying to address the concerns raised by users about the lack of consistency in identifying segments across an entity's documents (ie financial statements and management commentary). We acknowledge that this is an issue; however, we think that the IASB should not address this inconsistency in this project. We think that the consistency between information included in an entity's documents is an important issue that the IASB should address in a broader project, such as the Disclosure Initiative project, taking into account that its role is to develop standards for financial statements and not for the management commentary or other reported documents.

We also question whether the IASB's proposals would effectively solve the issue that too much aggregation of segments takes place in practice. We think that operating segments with similar economic characteristics should normally have a range of measures in common, instead of depending on a single measure of financial performance.

Our detailed comments are set out below.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,

Angelo Casò

(Chairman)

## **Q1 – Identifying the chief operating decision maker (CODM)**

*The Board proposes to amend the description of the chief operating decision maker with amendments in paragraphs 7, 7A and 7B of IFRS 8 to clarify that:*

*(a) the chief operating decision maker is the function that makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity;*

*(b) the function of the chief operating decision maker may be carried out by an individual or a group—this will depend on how the entity is managed and may be influenced by corporate governance requirements; and*

*(c) a group can be identified as a chief operating decision maker even if it includes members who do not participate in all decisions made by the group (see paragraphs BC4–BC12 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

*The Board also proposes in paragraph 22(c) of IFRS 8 that an entity shall disclose the title and description of the role of the individual or the group identified as the chief operating decision maker (see paragraphs BC25–BC26 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

*Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?*

*Do you think that the ED provides sufficient guidance to support the application of judgement when identifying the CODM under paragraphs 7, 7A and 7B of the ED? If not please explain why, and provide examples of the cases in which you think the proposed guidance would not be sufficient.*

### **OIC's response**

We agree with the proposal to clarify the role and the description of the chief operating decision maker (CODM), because the identification of the CODM is fundamental to apply IFRS 8. For this reason, we also agree with the proposal to require an entity to disclose the title and description of the role of the individual or the group identified as CODM.

## **Q2 – Consistency and aggregation of reportable segments**

*In respect of identifying reportable segments, the Board proposes the following amendments:*

*(a) adding a requirement in paragraph 22(d) to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity's annual reporting package (see paragraphs BC13–BC19 of the Basis for Conclusions on the proposed amendments to IFRS 8); and*

*(b) adding further examples to the aggregation criteria in paragraph 12A of IFRS 8 to help with assessing whether two segments exhibit similar long-term financial performance across a range of measures (see paragraphs BC20–BC24 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

*Do you agree with the proposed amendments? Why or why not? If not, what do you propose and why?*

*The EFRAG Board plans to discuss, at a future meeting, the boundaries of the IASB's mandate and whether the IASB should address matters that go beyond the contents of IFRS financial statements. Do you agree with EFRAG's preliminary reservations over the proposal in paragraph 22(d) of the ED*

*to require an entity to explain in the financial statements how and why the reportable segments identified in the financial statements differ from those identified in other parts of the 'annual reporting package'. If not why? In addition, if you agree with EFRAG's preliminary position, what steps, if any, do you think the IASB could take to address the lack of consistency in identifying operating segments across an entity's communications as to address users' and regulators' concerns?*

## **OIC's response**

We do not support the IASB's proposal to introduce the definition of an entity's annual reporting package. We understand that the IASB is trying to address the concerns raised by users about the lack of consistency in identifying segments across an entity's documents (ie financial statements and management commentary). We acknowledge that this is an issue; however, we think that the IASB should not address this inconsistency in this project. We think that the consistency between information included in an entity's documents is an important issue that the IASB should address in a broader project, such as the Disclosure Initiative project, taking into account that its role is to develop standards for financial statements and not for the management commentary or other reported documents.

We also question whether the IASB's proposals would effectively solve the issue that too much aggregation of segments takes place in practice. We think that operating segments with similar economic characteristics should normally have a range of measures in common, instead of depending on a single measure of financial performance.

## **Q3 – Disclosure of other information**

*The Board proposes a clarifying amendment in paragraph 20A of IFRS 8 to say that an entity may disclose segment information in addition to that reviewed by, or regularly provided to, the chief operating decision maker if that helps the entity to meet the core principle in paragraphs 1 and 20 of IFRS 8 (see paragraphs BC27–BC31 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

*Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?*

## **OIC's response**

We agree with the proposal in paragraph 20A of the ED. This is a clarification that does not change the existing requirements in IFRS 8.

## **Q4 – Describing the reconciling items in sufficient details**

*The Board proposes a clarifying amendment in paragraph 28A of IFRS 8 to say that explanations are required to describe the reconciling items in sufficient detail to enable users of the financial statements to understand the nature of these reconciling items (see paragraphs BC32–BC37 of the Basis for Conclusions on the proposed amendments to IFRS 8).*

*Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?*

## **OIC's response**

We agree with the proposal in paragraph 28A of the ED, because in our view all material reconciling items must be identified and explained in detail.

### ***Q5 – Restated segment information for all interim periods under IAS 34***

*The Board proposes to amend IAS 34 to require that after a change in the composition of an entity's reportable segments, in the first interim report the entity shall present restated segment information for all interim periods both of the current financial year and of prior financial years, unless the information is not available and the cost to develop it would be excessive (see paragraphs BC2–BC10 of the Basis for Conclusions on the proposed amendments to IAS 34).*

*Do you agree with the proposed amendment? Why or why not? If not, what do you propose and why?*

## **OIC's response**

We agree with the proposed amendment to IAS 34, because this is consistent with paragraph 29 of IFRS 8, which states that if operating segments change, an entity must restate comparatives including interim periods, in line with the new operating segments unless the information is not available and the cost to develop it would be excessive.