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**EFRAG**

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4 May 2020

**Re: ED/2020/2 Covid-19-Related Rent Concessions (Proposed amendments to IFRS 16)**

Dear Jean-Paul,

We are pleased to have the opportunity to provide our comments on the EFRAG Draft Comment Letter on the Exposure Draft ED/2020/2 *Covid-19-Related Rent Concessions (Proposed amendments to IFRS 16)*.

We welcome the IASB initiative to propose an amendment to IFRS 16 to solve an urgent issue that we have been informed is very common.

Whilst we agree with the IASB proposals, especially considering the special effort in a so short time period, we have the following comments.

We would have preferred a more principle-based approach rather than a temporary practical expedient. We believe that IFRS 16 is not flawed, however it was thought to work in normal circumstances. The renegotiations that may happen normally should be treated as lease modification. However, those that happen in extraordinary circumstances, such as the current case of force major officially recognized by the local authorities, should be treated as variable lease payments. This is because those are not a consequence of normal negotiations but a sort of inevitable behaviour in those specific dramatic circumstances.

Articulating the amendment in this way could have been the merit to work also in the future for similar circumstances. What happens if as consequence of an earthquake lessors give concessions to lessees? We believe those should be treated similarly to what is proposed in the amendment.

However, we recognise that the IASB proposal is a pragmatic solution in these current difficult circumstances, therefore we support it, although it is a second-best solution.

In finalising the amendment, we suggest to extend the application of the practical expedient to payments originally due in 2020 and 2021 and over. We are aware of Covid-19 rent concessions that affect also payments due in 2021. We do not see why those should be excluded from the scope of the amendment.

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

Yours sincerely,  
Angelo Casò  
(Chairman)