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EFRAG´s Preliminary Consultation Document on the endorsement of IFRS 16 Leases

Sehr geehrte Frau Bachmann, sehr geehrter Herr Zimniok,

bitte finden Sie nachfolgend unser Rückmeldung als Munich RE zum Konsultationsdokument der EFRAG.

Appendix 1

- 1. Do you have any information or evidence on the extent to which leases (that you are party to or otherwise aware of) will be eligible for each of the short-term and low-value assets exceptions identified in paragraph 24? If so, please provide details.**

If you are a preparer, do you expect to use the exceptions?

Yes, we as a preparer expect to use the exceptions.

If so, please:

- (i) Quantify the number and annual lease payments for each category;**
- (ii) Indicate the proportion of your leases (by volume and/or value) you estimate to be covered by each of the exceptions.**

In general, we would not expect for Munich RE significant impacts by applying IFRS 16. Currently, the quantification is still ongoing therefore we could not numeralise the expected or estimated proportion of our leases which will be covered by each of the exceptions.

- 2. If you are a preparer, which approach to transition do you expect to take? Please explain your reasons for this decision.**

We expect to apply a modified retrospective approach under which comparative figures are not restated. Hence, we expect a reduction of preparation costs.

Appendix 2

- 3. Are you aware of:**
- (i) Any contracts that you consider to be leases that would not be classified as leases under IFRS 16; or**
 - (ii) Any contracts that you consider to be service contracts (or other non-lease contracts) that would be classified as leases under IFRS 16?**

If so, please provide details of these contracts and why you consider that the classification would not be appropriate.

Currently, we are not aware of any contracts that would not be classified as leases under IFRS 16 or any contracts that consider service components that would be classified as leases under IFRS 16.

- 4. EFRAG is interested in understanding whether leases of intangible assets (other than rights held by a lessee under licensing agreements within the scope of IAS 38) are common. Do you have any information or evidence as to how frequently such leases of intangible assets arise in practice?**

If so, please provide information about the types of intangible assets that are subject to leases and the significance in operating and monetary terms.

We do not have any information. But we assume that this subject could be more relevant for industrial companies.

Appendix 3:

- 5. Do you have any comments on the comparison of IFRS 16 with IAS 17?**

No comments.

6. Do you have any views or information on how IFRS 16 can be expected to affect the behavior of investors and/or lenders?

If so, do you have any reviews or information on whether and how IFRS 16 could, for European companies that apply IFRS, positively or negatively affect:

- (i) the overall cost of capital;
- (ii) access to finance and cost of credit?

Please provide any available evidence.

We do not have any information. But we assume IFRS 16 impacts industries differently with a divergent extent.

7. Do you have views or information on how IFRS 16 might affect entities' use of leasing? For example, do you expect lessees to:
- (i) reduce their use of leases with a corresponding increase in purchases of assets;
 - (ii) reduce their use of leases without a corresponding increase in purchases of assets;
 - (iii) seek to change the terms of new or existing leases?

Please provide any available evidence.

We do not have any information. But we assume that few entities may decide to stop leasing and seek to acquire their assets avoiding the new accounting treatment of leases (for example, subsequent measurement requirements).

Though, other entities may still continue leasing if the management focused the strategy of operational flexibility.

8. Do you have any additional information or views on how the endorsement of IFRS 16 can be expected to affect the leasing industry in Europe? EFRAG is particularly looking for views from the leasing industry.

Please provide any available evidence.

No comments.

9. Do you have any information or views on how the endorsement of IFRS 16 can be expected to affect SMEs in Europe?

Please provide any available evidence.

No comments.

10. Do you have any information or views on whether IFRS 16 is likely to endanger financial stability in Europe?

Please provide any available evidence.

We do not have any information. But we assume that IFRS 16 will not significantly endanger financial stability in Europe.

11. What is your view on the relative costs of applying IFRS 16 and US GAAP? Do you have any other views as to the advantages or disadvantages of IFRS 16 compared to US GAAP?

Please provide any available evidence.

Unfortunately a convergence with US GAAP is not achieved. Though, we would like to point out the two most advantages of IFRS 16 compared to US GAAP: the single accounting model and the omission of the classification test between finance and operating leases as well as the exemption rule for leases of items with a low value.

12. What is your view on the one-off and ongoing costs for preparers? (Please indicate whether you are (a) a lessee; (b) a lessor; (c) both a lessee and a lessor or (d) neither a lessee nor a lessor). Will preparers that already report finance leases have lower costs than preparers without finance leases?

We agree with the assessment by EFRAG regarding the one-off and ongoing costs for preparers.

As a lessee in most of the cases, we do not expect that preparers that already report finance leases will have significant lower costs than preparers without finance leases. Since these preparers have to analyse and assess their existing operating lease contracts as well as preparers without finance leases.

Please provide any evidence you have on the expected magnitude of the costs.

Currently, we could not numeralise the expected magnitude of the costs.

13. If you are a user, are you aware of any costs in addition to those identified by EFRAG in paragraphs 116 to 118 of Appendix 3?

Please quantify if possible and provide any available evidence.

No comments as we are not a user.

- 14. If a lessee has to develop new systems to support the accounting for leases, to what extent do you, as a lessee, expect internal benefits from the information provided by the new information? Please quantify to the extent possible.**

No comments.

Do you agree with the benefits for users and preparers identified above? Are there any additional benefits for users and preparers? Please provide any available evidence.

We agree with the benefits for preparers in most instances. We assume the elimination of the need to classify leases between operating and finance leases will reduce the existing judgment.

And finally...

- 15. Are there any issues that have not been raised in this Preliminary Consultation Document that should be considered by EFRAG? Please explain your view.**

We would appreciate, if the requirements of lease modifications would be more concretised and precisely described within IFRS 16. Currently, further and relevant explanations for this specific und complex subject preparers could only find in the Illustrative Examples and in the Basis of Conclusions, both accompanies, but are not part of IFRS 16.