



**Organismo Italiano di Contabilità – OIC  
(The Italian Standard Setter)**

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**Re: IASB/AI/ED/2023/1 Annual Improvements - Volume 11**

Dear Wolf,

We are pleased to have the opportunity to provide our comments on the EFRAG Draft Comment Letter on the IASB Exposure Draft IASB/AI/ED/2023/1 Annual Improvements - Volume 11, issued on 12 September 2023 (the 'ED').

We agree with most of the proposed amendments, which mainly consists of minor changes that either clarify the wording or correct unintended oversights in IFRS requirements. We believe that these amendments would help to improve the consistent application of IFRS requirements.

However, we have some concerns on the proposed amendments to IFRS 9 on derecognition of lease liabilities. In our view, the proposed amendment will not resolve the conflict between IFRS 9 and IFRS 16 because a change in a lease arrangement that results in the extinguishment of a lease liability in accordance with IFRS 9 also meets the definition of a lease modification in Appendix A of IFRS 16. Indeed, for this reason, the IASB Staff in March 2023 recommended amending the definition of lease modification to exclude from that definition a change that solely results in a lease liability being extinguished in accordance to IFRS 9.

This issue was also addressed by the IASB in the time of Covid-19 with the temporary amendments to IFRS 16 issued in May 2020. These temporary amendments permitted lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and, instead, to recognise the effect of those rent concessions in profit or loss. In our view, this is an

indicator that the proposed amendments to IFRS 9 are not just intended to address an oversight and that the accounting treatment for this matter is unclear. Consequently, we suggest the IASB to clarify, in a separate project, the interaction between IFRS 9 and IFRS 16 following the results of the forthcoming PIR of IFRS 16.

Regarding the proposed amendment to IFRS 10 on de facto agents, we support the proposed amendments, because it removes the inconsistency between the requirement to use judgement in paragraph B73 and the conclusive language in paragraph B74.

However, we suggest the IASB to reconsider in a separate project whether an entity, in assessing if a party is a de facto agent, should look upward to the powers held by its parent over that party. In our view, this approach seems inconsistent with the well-established principle of considering only the powers held by an entity, i.e., downward look, in assessing control over other parties for the purposes of the entity's consolidated financial statements

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

Yours sincerely,

Michele Pizzo

(OIC President of the Board of Directors)

