We are writing to comment on Exposure Draft General Presentation and Disclosures, issued by the IASB on 17 December 2019 (the ED).

SUEZ globally supports the draft of comment letter prepared by EFRAG regarding this exposure Draft.

However, SUEZ:

- Considers that paragraph 20D of IFRS12 should be further clarified (about Integral associates and joint ventures). See answer to question 7 below;
- Considers that the costs of implementing paragraph 72 of the ED (about the presentation of operating expenses by function and by nature) exceed the benefits.  See answer to question 9 below;
- does not consider that the paragraphs 106c and 106d of the ED (about the reconciliation between management performance measures and IFRS subtotals of income and expenses) improve the already existing accounting standards. See answer to question 11 below.

**Question 7**—Integral and non-integral associates and joint ventures:

Paragraph 20D of the draft of revised IFRS12 requires an entity to provide information about integral associates and joint ventures separately from non-integral associates and joint ventures.

The draft of revised IFRS12 provides a limited number of examples of significant interdependences between an entity and an associate or joint venture.

Despite these examples, EFRAG "highlights that such changes to the presentation requirements would involve significant judgement".

We believe the criteria to qualify the interdependence between an entity and an associate or joint venture should be clarified by providing additional examples:

- Either in the final revised IFRS12 standard itself: recurring billing of management fees, know-how fees, brand fees by the entity to the associate or joint venture would help supporting the interdependence;
- In illustrative examples. Would an entity meet the criteria if this entity and an associate have common investments in a third company and this third party is fully consolidated in the entity's accounts?

**Question 9**—analysis of operating expenses. Paragraph 72 of the ED proposes requiring an entity that provides an analysis of its operating expenses by function in the statement of profit or loss to provide an analysis using the nature of expense method in the notes.

The listed groups which publish consolidated income statements by function use a process of elimination of intercompany transactions also by function.

The presentation of all operating expenses also by nature would require these listed companies:

- to upgrade their IT systems in order to be able to implement a process of elimination of intercompany transactions by nature.
- to allocate dedicated personnel to address this additional process of elimination of intercompany transactions by nature on a recurring basis.

Moreover, these groups may not analyze all their operating expenses by nature on a detailed basis, because this analysis may not be deemed useful by their management.

IAS1 paragraph 104 already requires the presentation of some operating expenses by nature (including depreciation and amortization expense and employee benefits expense), when groups currently disclose their income statement by function.

We believe that the costs of implementing paragraph 72 of the ED would exceed the benefits. <u>Disclosing all operating expenses by nature, when the company discloses its consolidated income statement by function, would be too costly. In that case, w</u>e rather suggest that the new IFRS standard requires the disclosure of only certain significant operating expenses by nature such as:

- depreciation and amortization.
- employee benefits expense.
- impairment of assets.
- restructuring costs.

**Question 11**—management performance measures

Paragraph 106b) of the exposure draft requires "a reconciliation between the management performance measure and the most directly comparable subtotal (of income and expenses) included in paragraph 104." Then, any listed company using management performance measures such as Ebitda or Ebit will need to disclose a reconciliation between this measure and the operating income.

Paragraphs 106c) and 106d) also require that listed companies disclose the income tax effect and the effect on non-controlling interests for each item disclosed in this reconciliation. SUEZ Group considers that the costs of providing income tax effects and effects on minority interests for each reconciling item by far exceed the benefits for the following reasons:

- The tax effects on individual unusual items may not make sense on a stand-alone basis. In effect, they may result from tax effects on usual items within the same tax group. For example, there may be no tax effects (or only partial tax effects) on impairments of assets, because the relevant tax group generates usual tax losses. The paragraph 106 c) of the ED drives to the presentation of a tax proof on individual unusual items, whereas SUEZ considers that a tax proof is meaningful only at a tax group's level. Consequently, this information may not provide relevant answers to the users of the consolidated financial statements. Instead, it may raise more questions from them;

- Tax effects on individual unusual items may be confidential information, because they relate to individual transactions in identified countries;

- Providing effects of reconciling items on income taxes and minority interests will be time consuming for groups that own many subsidiaries; the benefit will be limited, especially because IAS12 already requires the presentation of a tax proof at the consolidated level in the notes to financial statements (IAS12, paragraph 81 c).

If you would like to discuss our comments further, please do not hesitate to contact us.

Yours sincerely,


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