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Dear Jean-Paul,

EFRAG's Draft Comment Letter to IASB ED/2017/2 *Improvements to IFRS 8 Operating Segments*

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on EFRAG's Draft Comment Letter (herein referred to as 'DCL') on the IASB's ED/2017/2 Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34) (herein referred to as the 'ED'). We appreciate the opportunity to respond to the DCL.

Overall, we agree with EFRAG's position depicted in the DCL. Like EFRAG, we think, that the addition in para. 7 of IFRS 8 that the CODM makes operating decisions could create new, and potentially more, difficulties in identifying the CODM. Further, we agree with EFRAG's preliminary view that defining the term 'annual reporting package' raises a number of concerns. Our biggest area of concern is the proposed requirement to explain in the notes why segment information presented in the financial statements and in other parts of the annual reporting package differ. We are not convinced by the IASB's arguments and do not believe that this issue should be addressed in IFRS 8.

Please find our detailed comments on the questions raised in the ED in the appendix to this letter which we also intend submitting to the IASB. If you would like to discuss our comments further, please do not hesitate to contact Ruediger Schmidt or me.

Yours sincerely,

Andreas Barckow

President

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Appendix – Answers to the questions of the ED**Question 1**

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?

We welcome the IASB's effort to provide more guidance on how to identify the chief operating decision maker (CODM). Therefore, emphasizing in para. 7 that the CODM makes operating decisions could be helpful in addressing identified issues.

On the other hand, this amendment could result in new difficulties in identifying the CODM. It is unclear to us whether the individual or group to be identified as the CODM has to perform all three or only some tasks (making operating decisions, allocating resources, reviewing the performance). This issue is particularly relevant in scenarios where operating decisions and decisions about allocating resources are made by different individuals/groups, e.g. because the entity considers the allocation of resources as strategic and something that is not made by the CODM. The issue highlighted becomes further complicated when operating decisions and decisions about the allocation of resources are made by individuals/groups on different hierarchy levels.

Therefore, we suggest that the IASB reconsider the proposed amendments regarding the tasks to be performed by the CODM. Rather than describing tasks that may or may not fall into the remit of a CODM, we believe it would be more beneficial to define and describe the underlying concept without becoming overly prescriptive as to the specific tasks typically performed by the CODM.

We agree with the other proposed clarifications, i.e.:

- that the CODM can be either an individual or a group;
- that the group identified as the CODM can include so called non-executive members; and
- that the title and the description of the role of the individual or the group identified as the CODM shall be disclosed.

Question 2

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?

We appreciate the IASB's efforts to address concerns around the consistency of segments information reported in the financial statements and elsewhere. We agree that reporting segment information consistently in any form of communication is certainly helpful for users and desirable from a conceptual point of view. However, we are in disagreement as to how the IASB proposes to address the issue.

Firstly, we are concerned that the proposed definition of what constitutes an 'annual reporting package' is not unambiguous and could cause problems in practice. We are aware that the term 'annual reporting package' does exist in some national laws where it is not necessarily defined in the same way. Further, the phrase 'at approximately the same time' could be interpreted differently by different people and might result in divergent information being reported. We therefore encourage the IASB to reconsider its proposed definition.

Secondly, we have significant doubts as to whether IFRS 8 is the appropriate place for addressing the problem of segment information provided outside of the financial statements not being reconcilable to the information provided in the financial statements. According to IAS 1, an entity must state compliance with all applicable requirements existing in IFRSs, which includes IFRS 8 for segment information. Hence, we would presume that when an entity prepares financial statements, it will have duly considered and appropriately applied the requirements in IFRS 8. The proposed requirement to disclose an explanation in the notes why segment information has been presented differently elsewhere seems to put the emphasis on the wrong end of the tail. The IASB's argument that the Board does not have any mandate to regulate information presented outside of the financial statements is not convincing to us. Such explanation does make perfect sense if provided in the communication where there is a deviation from the information provided in the financial statements but not in the financial statements where there is no deviation from the requirements. We urge the IASB to reconsider its proposal and engage into a dialogue with securities regulators where we believe such requirement would sit far better.

Notwithstanding our disagreement with the definition and the disclosure requirement noted above, we consider the proposed clarification of the aggregation criteria as being helpful and going in the right direction.

Question 3

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 amendments? Why or why not? If not, what do you propose and why?

In principle, we agree with the proposal. However, this requirement seems to be in conflict with the general principle of IFRS 8 according to which the information disclosed is reviewed by, or is regularly provided to, the CODM. Disclosing further information may be helpful for users but seems to be in conflict with the management approach. We therefore suggest that an entity be required to flag any information reported but not reviewed by, or regularly provided to, the CODM. Furthermore, additional information should not be presented more prominently than the information reviewed by, or regularly provided to, the CODM, and thus, should not mask the core messages provided in the segment report.

Question 4

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 amendments? Why or why not? If not, what do you propose and why?

We agree with the proposal.

Question 5

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 amendments? Why or why not? If not, what do you propose and why?

We agree with the proposal.