



International Accounting Standards Board
30 Cannon Street
London EC4M 6XH

Dear Board Members,

RE: Exposure Draft ED/2017/2 IMPROVEMENTS TO IFRS 8 OPERATING SEGMENTS – PROPOSED AMENDMENTS TO IFRS 8 AND IAS 34

The Committee on Corporate Reporting (CCR) of Financial Executives International Canada (FEI) is pleased to respond to the International Accounting Standards Board's ("IASB's") request for comment on the **exposure draft ED/2017/2 Improvements to IFRS 8 Operating Segments (Proposed amendments to IFRS 8 and IAS 34) ('the exposure draft')**.

FEI Canada is the all-industry professional membership association for senior financial executives. With eleven chapters across Canada and more than 1,500 members, FEI Canada provides professional development, thought leadership and advocacy services to its members. The association membership, which consists of Chief Financial Officers, Audit Committee Directors and senior executives in the Finance, Controller, Treasury and Taxation functions, represents a significant number of Canada's leading and most influential corporations.

CCR is one of seven thought leadership committees of FEI Canada. CCR is devoted to improving the awareness of issues and educating FEI Canada members on the implications of the issues it addresses, and is focused on continually improving the standards and regulations impacting corporate reporting.

FEI supports the IASB's efforts to improve IFRS 8. In general, FEI is supportive of proposed amendments that provide clarity over existing requirements and of amendments that should improve the quality of disclosure of operating segment information. However, in our view, regarding certain proposed amendments, we believe the value added by the additional disclosures is not greater than the added cost to preparers, and the clutter or confusion it may create for financial statement users. We also believe that certain proposed amendments may have unforeseen consequences beyond the intended scope.



Issues raised would welcome and benefit from reconsideration or further clarification as included in our detailed responses to the questions in the invitation to comment provided in the Appendix to this letter.

Thank you for the opportunity to respond to this Exposure Draft

Sincerely,

A handwritten signature in black ink that reads "Susan Campbell". The signature is written in a cursive, flowing style.

Susan Campbell
Chair — Committee on Corporate Reporting

Appendix

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?

FEI generally agrees with the proposed amendments, however we do not consider that the proposal to disclose the title and description of the role of the individual or the group identified as chief operating decision maker will add relevant information or add value to the decision-making of financial statement users. We believe the additional disclosures rather than add value will clutter the financial statements thereby undermining its usefulness.

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?

With respect to the proposed paragraph 22(d), FEI believes that there may be challenges and difficulties in practice for entities to comply with the proposed requirement to disclose an explanation of why segments identified in the financial statements differ from segments identified in other parts of an entity’s reporting package due to the following:

- IAS 1.14 states that “Many entities also present, outside of financial statements, reports and statements such as environmental reports and value added statements, particularly in industries in which environmental factors are significant and when employees are regarded as an important user group. Reports and statements presented outside financial statements are outside the scope of IFRSs”. As such, we believe that a requirement to provide an explanation why segments identified in the financial statements differ from segments identified in documents outside of them is beyond the scope of IFRSs.
- Compliance with the proposed amendment may not be practicable or auditable as it relates to documents outside the financial statements. The proposed amendment would require auditors to review information reported outside of the financial statements to enforce compliance. This would increase auditor scope beyond the financial statements, potentially increasing auditor fees and overall auditor and company compliance work. Additionally, often such documents outside the financial statements are not subject to the same governance as the financial statements and often are not available at the time the financial statements are approved. This would make compliance with the proposed amendment challenging and result in an undue burden on preparers. Additionally, we believe it would be more practical and advisable to include such explanations in management commentary or in the respective documents outside of rather than in the financial statements.

- The ‘Annual reporting package’ is subject to jurisdictional, legislative and industry specific reporting requirements. Entities may also find it necessary to aggregate reportable segments or disclose disaggregated details to facilitate other users of information or address frequently asked questions. As such, the documents comprising the ‘Annual reporting package’ will differ amongst entities and industries, and may be prepared for users other than the users of the financial statements. The lack of a consistent set of documents making up an annual reporting package may lead to inconsistent interpretations of which documents to review, particularly those prepared for non-financial reporting purposes. Therefore, as mentioned above, we believe it would be more practical and advisable to include such explanations in management commentary or in the respective documents outside of the financial statements rather than in them.

With respect to the proposed amendments to paragraph 12A, we are in agreement with the clarifications over the criteria that must be satisfied before two or more operating segments may be aggregated. However, we noted the addition of the wording “, and only if” in paragraph 12. We have interpreted the addition of this wording as a way of IASB to stress that the aggregation criteria is only met under the circumstances described in paragraph 12 (a) to (c) and the amendment would have no implications or changes to the current application of the standard within Canada.

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

FEI is in agreement with the proposed amendment allowing for the voluntary decision by an entity to disclose additional information in order to meet the core principle in paragraphs 1 and 20 of IFRS 8.

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

FEI is in agreement with the proposed amendment in paragraph 28A of IFRS 8. We do not believe the proposed amendment to paragraph 28A, including the addition of the wording “sufficient detail” will change the current application of the standard within Canada.

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

FEI is in agreement with the proposed amendment to IAS 34.