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Berne, 22 August 2019

Comment Letter on the Exposure Draft "Annual Improvements to IFRS Standards 2018-2020"

Dear Madam, dear Sir

SwissHoldings, the Swiss Federation of Industrial and Services Groups in Switzerland, represents 58 Swiss groups, including most of the country's major industrial and commercial enterprises. We very much welcome the opportunity to provide comments to this Exposure Draft (ED).

We support the proposed amendments as outlined in our response (in the appendix) which has been prepared in conjunction with our member companies. Please contact us if you require additional information.

Yours sincerely

SwissHoldings
Federation of Industrial and Service Groups in Switzerland

Dr Gabriel Rumo
Director

Denise Laufer
Member Executive Committee

cc SH Board

SwissHoldings

APPENDIX

QUESTIONS FOR RESPONDENTS

Do you agree with the Board's proposal to amend the Standards and accompanying documents in the manner described in the Exposure Draft? If not, why not, and what do you recommend instead?

Proposed amendment to Illustrative Examples accompanying IFRS 16 Leases

We support the proposed amendment. We agree that due to the limited facts provided in example 13, one could be mistaken to conclude that **any** reimbursement relating to leasehold improvements is not a lease incentive. Indeed, some of our member companies have already raised such concerns with their respective auditors.

A modification to example 13, to incorporate additional facts and circumstances, could have clarified why, in this specific case, the reimbursement is not a lease incentive. However, we note that BC2 clarifies the Boards intention that reimbursement of a payment, which is not associated with the lease, and was for improvements made to the lessor's asset are not lease incentives.

Should the Board make any further changes to IFRS 16 at some future date, additional guidance incorporating the above would be welcome as there is at present only limited guidance on lease incentives in IFRS 16.

Proposed amendment to IFRS 9 Financial Instruments

We support the proposed amendment. Paragraph 3.3.2 in IFRS 9 considers the substantial modification of the terms of an existing financial liability. Therefore, we agree that fees related to the change of an existing contract but paid to or received from parties not involved in the contract should not be taken into consideration.

Proposed amendment to IFRS 1

Swissholdings agrees in principle with the Board's proposal to include the cumulative translation differences (CTD) in the exemption of IFRS 1.D16. However, we wonder whether this amendment might introduce some unintended consequences.

By including the proposed amendments in IFRS 1.D16, first-time adopters would have the option either to measure its assets, liabilities and the CTD at the carrying amount that would be included in the parent's statement (IFRS 1.D16(a)) or at the carrying amounts otherwise required by IFRS 1. It follows that a first-time adopter that chooses to present its CTD at the amount of zero as permitted by IFRS 1.D13 is precluded from choosing to apply the revised IFRS 1.D16(a) even in respect of assets and liabilities. In our view, it makes sense for first-time adopters to be able to choose the carrying amount of the parent for assets and liabilities while still being able to choose a "zero" approach for the CTDs. This is because it will not always be possible to identify the CTDs attributable to the first-time adopter from the parents' balance sheet. We therefore ask the board to remove the proposed amendment from IFRS 1.D16 and relocate it to IFRS 1.D13, thus allowing first-time adopters to apply the different approaches irrespective of the option of IFRS 1.D16 chosen.

With regard to the transitional provisions, we note that previous first-time adopters are not eligible for a retrospective application of the standard. While the arguments presented in ED/IFRS 1.BC5 are fair, we wonder whether there may be situations in which a retrospective application for

previous first-time adopters may make more sense. A first-time adopter may have chosen to present the CTD at the amount of zero in accordance with IFRS 1.D13 because a full retrospective application may have required too much effort and judgement. Hence, the existing CTD will be most likely be attributed to retained earnings applying the current version of IFRS 1.D16(a). In a subsequent disposal of a foreign operation, the gain or loss would not include any amounts that were previously recognized within the CTD of the parent entity.

With reference to ED/IFRS 1.BC5(b), we wonder whether it is even more confusing to see differing gains or losses resulting from a disposal of a foreign operation between the first-time adopter and its parent entity. We think there may be situations in which a one-time adjustment within equity is more easily explained than a potentially recurring (in case of the disposal of multiple foreign operations) difference in the gains or losses upon disposal.

Hence, we are of the opinion, that the transitional provisions should be reconsidered, allowing for voluntary retrospective application of the amendment of previous first-time adopters.