

July 27, 2017

Submitted electronically via www.ifrs.org

International Accounting Standards Board
30 Cannon Street, 1st Floor
London EC4M 6XH
United Kingdom

Subject: Improvements to IFRS 8 Operating Segments Exposure Draft

Dear members of the International Accounting Standards Board (IASB),

The Canadian Securities Administrators (CSA) is an organization of Canada's provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee is comprised of the Chief Accountants from the provinces of Alberta, British Columbia, Ontario and Quebec. We are submitting this letter to you in response to the Invitation to Comment on the Exposure Draft, *Improvements to IFRS 8 Operating Segments- Proposed amendments to IFRS 8 and IAS 34* (the "Exposure Draft").

We welcome the IASB's efforts to make improvements to IFRS 8 and we appreciate the opportunity to comment. We have focused our comments on questions 1, 2 (a), and 3.

Question 1 – Description of the chief operating decision maker

We note that proposed paragraphs 7A and 7B use the Board of Directors as an example of a group that could be identified as the chief operating decision maker (the "CODM"). We suggest that the IASB clarify or provide examples within the application guidance of when it may be appropriate to have the Board of Directors as being identified as the CODM. Given that Boards of Directors typically receive information and provide guidance at a higher level than management, having the Board identified as the CODM may result in too few segments being identified and therefore inadequate information provided to investors.

Additionally, based on the current drafting of proposed paragraph 7 and the wording in existing paragraph 5(b), it is unclear if resource allocation is viewed as an operating decision or not. Proposed paragraph 7 describes the CODM as the function that "*makes operating decisions and decisions about allocating resources to, and assessing the performance of, the operating segments of an entity.*" However, existing paragraph 5(b) describes an operating segment as a component of an entity whose "*operating results are regularly reviewed by the entity's CODM to make decisions about resources to be allocated to the segment and assess its performance*". Existing 5(b) does not refer to "making operating decisions" as a distinct component of the CODM's function, which seems to create an inconsistency. It is not clear whether one should

presume that “operating decisions” must include decisions regarding resource allocation and assessment of performance.

Question 2 (a) - Explanation of why segments identified in the financial statements differ from segments identified in other parts of the entity’s annual reporting package

As confirmed by the Basis for Conclusions on IFRS 8 (the “BC”) in paragraphs BC8 to BC17 (as originally drafted) and paragraph BC3 (as amended), segment information is reported using the management approach. As such, there should be consistency in the reporting segments identified in the financial statements with other parts of the annual reporting package.

Therefore, we disagree with the proposal in paragraph 22(d) of the Exposure Draft to add a requirement to disclose in the financial statements an explanation of, and the reasons why, reportable segments identified in the financial statements differ from segments identified in other parts of the entity’s annual reporting package (if there is such a difference).

If the IASB were to move forward with such a requirement, we are of the view that such a requirement would be difficult to operationalise in practice. In particular, in our experience, issuers generally do not explicitly identify different operating segments in documents outside of the financial statements, but rather disclose information that suggests that there may be additional reportable segments compared to those disclosed in the financial statements. The proposed disclosure requirement would not address this discrepancy. Instead of proposed paragraph 22(d), perhaps paragraph 22 could explain that disclosure about components of the business that an entity provides outside the financial statements may raise questions about the determination of reportable segments. Therefore, an entity should ensure that the disclosure required by paragraphs 22(a) and 22(aa) about factors used to identify the entity’s reportable segments and the judgements made in applying the aggregation criteria is sufficiently detailed.

Furthermore, we note that Canadian securities’ legislation requires an issuer in its Management’s Discussion and Analysis (MD&A) to address operating segments that are reportable segments as those terms are described in the issuer’s GAAP. An issuer that discusses reportable segments in its MD&A that differs from those disclosed in its financial statements would not be in compliance with securities legislation.

Question 3 – Clarifying amendment regarding disclosure of additional segment information

Paragraphs 1 and 20 of IFRS 8 require an entity to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. As a consequence, an entity is already required to disclose additional information about its reportable segments if it is necessary to meet the core principle in paragraphs 1 and 20. Therefore, we do not believe that the first sentence of proposed paragraph 20A is necessary. Also, if the first sentence is added, it should read as follows, to bring further prominence to the core principle: “...*an entity may shall disclose additional information about its reportable segments if that helps it is necessary to meet the core principle...*”

As for the second sentence of proposed paragraph 20A in IFRS 8, we suggest that the Board include examples within the application guidance of additional information about reportable segments that would be required to meet the core principle in paragraphs 1 and 20, and that is not reviewed by, or regularly provided to, the CODM.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

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