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Bruce Mackenzie
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Dear Sir

TENTATIVE AGENDA DECISION – DISCLOSURE OF REVENUE AND EXPENSES FOR REPORTABLE SEGMENTS (IFRS 8)

We are pleased to have the opportunity to provide our comments to the IFRS Interpretations Committee ("the Committee") tentative agenda decision on Disclosure of revenue and expenses for reportable segments (IFRS 8) included in the November 2023 IFRIC Update ("the TAD").

The JSE is the largest securities exchange in Africa and regulates issuers across both debt and equity markets. Nearly all of the issuers in our market are required to prepare financial statements in terms of IFRS. The regulatory activities of the JSE include the review of financial statements of these entities.

We believe that finalization of the TAD will both address divergent accounting practices that exist in our market and potentially better service investor needs.

We are supportive of the Committees' tentative decisions for the reasons detailed below.

Segmental information is of critical importance to investors in our market and they have previously raised concerns regarding the absence of useful information in segment reports of certain entities. This is particularly the case where the business model of an issuer necessitates or suggests a sum-of-the-parts valuation approach. We are charged with a legal responsibility to ensure that investors are presented with all the information that they are entitled to under the standards as they are written. This topic is therefore not a theorical question, but a real matter that we are addressing in our market and we are pleased that the matter has been brought before the Committee. In our view, the TAD as written will bring clarity to our issuers and will result in better and more consistent information for our investment community.

We support the approach of the Committee to focus on the words as written in the applicable IFRS standards. Consistent application of IFRS is critical and the best way to achieve this is to focus on the words in the standards. In particular, where the wording is clear, there should not be fall back to the work of other standard setters or to the intention of the standard setter. Any relaxation of this requirement risks a 'pick your desired outcome' approach to applying IFRS. Permitting or encouraging deviations from the words in the IFRS standards for practicality or other reasons will create diversity in practice, both in this context and in others. IAS 8.11 clearly sets out how to read the standards – we agree with the TAD that US GAAP (and in this context, its wording of 'unusual' items) does not override the wording in IFRS 8. The words should be taken as written, even if consequences are uncomfortable.

Our understanding is that the existing diversity in practice may have developed because of a potential concern of disclosure overload. However, in our view, nothing in the TAD implies that the segment report must mechanistically mirror the income statement and its accompanying notes for each reportable segment. In our view, materiality is a relevant consideration, and application of qualitative and quantitative materiality will appropriately lead to the aggregation of items that are material at an overall level, but immaterial at a segmental level. We believe the TAD could make this point more clearly, for example by further emphasizing that assessing what to include in a segmental report is not a purely mechanist process, that materiality is still applicable, and that it must be applied from the perspective of the financial statements as a whole.

Furthermore, we note that applying materiality appropriately in the segment report may result in differentiated reporting for individual segments. For example, cost-of-sale disclosures, including the breakdown thereof into various elements, may be relevant and material for some segments, but not for others. From our observations, this is not consistently applied in practice. Whilst we understand this may be considered beyond the scope of the TAD, we consider that making this point in the TAD would provide useful guidance. At the very least, we consider it important that nothing in the TAD should prevent this outcome.

For the sake of completeness, we wish to add that we found the wording in (d) of the Committees' observations of the TAD to be most helpful. The wording "without regard" explicitly addresses the fact that an item may be disclosed both under the requirements of an IFRS standards other than IAS 1 <u>and</u> under IAS 1.

We are happy to engage further, should you have any queries with regards to the content of this letter.

Yours faithfully

T I WIMBERLEY

HEAD: FINANCIAL REPORTING

ISSUER REGULATION