

Mr Bruce Mackenzie

**IFRS Interpretations Committee**

*Columbus Building,  
7 Westferry Circus, Canary Wharf  
London E14 4HD  
United Kingdom*

La Défense, 6 February 2023

**Tentative Agenda Decision – IFRIC Update November 2022 – Definition of a Lease—  
Substitution Rights (IFRS 16)**

Dear Bruce,

MAZARS is pleased to comment on the above IFRS Interpretations Committee Tentative Agenda Decision, published in the November 2023 IFRIC Update.

We welcome the tentative agenda decision as it provides, in its first part, useful guidance on how to assess whether a contract relies on an identified asset, and whether a substitution right is substantive. We consider this agenda decision to be valuable educational material.

We agree with the Interpretations Committee tentative decision that in the fact pattern described in the submission, the level at which to evaluate whether a contract contains a lease is that of a single battery, rather than all batteries considered together.

Applying the guidance in the tentative agenda decision to the fact pattern described in the submission, we also agree with the Interpretations Committee's tentative decision that the supplier's substitution right is not substantive throughout the period of use and therefore the contract relies on identified assets.


We nevertheless regret that in the tentative agenda decision, the Interpretations Committee does not pursue the analysis to the end.

We believe that information in the fact pattern described in the submission is sufficient for the Interpretations Committee to conclude whether the contract is a lease of the identified assets, instead of just ending the analysis by concluding that the contract involves identified assets.

In addition, concluding that the contract is a lease would have allowed the Interpretations Committee to answer the question in the submission regarding the lease term. Indeed, once it is concluded that the contract is a lease, it is still unclear whether it has a lease term of 3 years (expected duration before the supplier exercises its substitution right), 8 years (expected maximum period before replacement of a battery – after 8 years a battery will not meet the performance requirements in the contract anymore), or 10 years (duration of the contract). It would be useful if the Committee answered that question, which was also specifically raised by the submitter.

Should you have any questions regarding our comments on the tentative agenda decision, please do not hesitate to contact me (+33 6 62 99 57 81).

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Edouard Fossat', with a stylized flourish at the end.

Edouard Fossat

*Financial Reporting Technical Support*