



Member of the Management Board  
Chief Financial Officer

International Accounting Standards Board (IASB)  
Columbus Building  
Westferry Circus  
Canary Wharf  
London, E14 4HD  
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Tuesday 22 December 2020

Dear Mr. Hoogervorst,

We appreciate the opportunity to comment on the Discussion Paper (DP) *Business Combinations – Disclosures, Goodwill and Impairment* issued by IASB in March 2020.

Vivendi is committed to high quality financial reporting. As such, since first adopting IFRS in 2005, we have strictly adhered not only to the requirements of IFRS, but to the principles therein. We also always favour and support IASB efforts to improve the quality of accounting and reporting standards (accuracy and relevance versus local application of IFRS, and consistency within and across industries).

We believe that our analysis of the proposals contained in the Discussion Paper merit our commenting formally, notably regarding the new disclosures requirements about the subsequent performance of an acquisition (questions 2 to 5 raised in the Discussion Paper) as we consider that the costs for preparers outweigh the benefits of such proposals.

We acknowledge the fact that the DP's proposals answer a legitimate demand made by investors and the benefits for them would be obvious as additional disclosures, notably on the subsequent monitoring whether the objectives of the acquisition are met, may enhance their understanding of the strategy of the company.

And, if we understand that the notion of stewardship developed in the Conceptual Framework makes the management of a company accountable to users of the financial statements, we however think that stewardship should not lead to transparency at all costs against companies' interests.

Indeed, we consider that the costs for the preparers to comply with the new disclosure requirements would be high and not reasonable as they may conduct companies to sometimes provide non-relevant information, and above all often highly sensitive forward-looking and highly confidential information such as:

- providing investors but also competitors with strategic information; Vivendi considers that this information should be kept confidential; investors may also be competitors and in requiring the disclosure of such strategic information, the Board may penalize European listed companies for the benefit of non-IFRS or non-listed companies;
- engaging the legal responsibility of the Management Board by providing forward-looking information which may also prove difficult to be audited;
- publishing non-relevant information while the integration process following an acquisition may make rapidly impracticable the subsequent performance monitoring of the acquired business.

We participated in the field-test recently organized, with EFRAG staff participating in meetings, to test the Board's preliminary views on disclosures and our comments are based on this practical experience. We compared the information already published by Vivendi through its website and notably in annual reports, investors' presentations, press releases and other internal documentation with the DP's requirements and we comment on whether Vivendi considers relevant to disclose the potential missing information.

Vivendi generally provides the following information required by the DP in either the notes to the financial statements, or other parts of the Universal Registration Document (URD) or in other publications:

- the description of the key procedures for financial and accounting information relating to investments, including a post-acquisition audit for major acquisitions,
- the qualitative information relating to an acquisition, i.e. the strategic rationale for undertaking an acquisition and the management's objectives for this acquisition,
- the financing and defined benefit pension liabilities, and the pro forma contribution of the acquired business.

Vivendi does not provide and does not wish to provide in the future the quantitative information relating to the acquisition, even if available, i.e.:

- in the year to which an acquisition occurs, the metrics that management will use to monitor whether the objectives of the acquisition are being met,
- the extent to which management's objectives for the acquisition are being met using those metrics for as long as management monitors the acquisition against its objectives,
- the factors that make up goodwill, and notably the expected synergies.

Indeed, we consider that companies should not have to disclose information that could prove sensitive internally or in terms of competition:

- internally: providing the information on cost synergies means generally that a company may restructure the acquired business by organising lay-offs; but this requirement could conflict in some jurisdictions with the social regulation which imposes to consult the employees' representatives or the trade unions prior to being effectively allowed to restructure;
- competition: an acquisition may be a brick in the building of an overall strategy; providing the information on revenue synergies, or on the metrics that management uses to monitor whether the objectives of the acquisition are being met, may give an insight to the financial markets (users, but moreover competitors) on the future coming bricks to complete the company's overall strategy, which would be detrimental to the company;
- legal responsibility of the company and its management: by concentrating the disclosure on an acquisition only, for which the interest may also be understood by the next acquisition(s), a company and its management could be subsequently accused of having lied by omission which is a serious concern.

Regarding subsequent accounting for goodwill (questions 6 to 9 raised in the Discussion Paper), we consider that this accounting treatment is an accounting convention; whichever convention will be ultimately decided by IASB will be applied by a company in its consolidated financial statements.

Even if favourable arguments go for either reintroducing amortisation of goodwill or for retaining the impairment-only model for the subsequent accounting for goodwill, Vivendi's preference goes for the Board's preliminary view to retain the impairment test, as:

- amortisation of goodwill will add a recurring item of reconciliation between EBIT and organic/adjusted EBIT (a non-GAAP measure), similarly as what is already widespread for amortisation of intangible assets acquired in a business combination; but, one objective for new requirements introduced in a standard should be that a company's financial communication should depart the least possible from GAAP measures,
- reintroducing amortisation of goodwill will not suppress the testing for impairment of goodwill, and will not provide a significant relief of what some may consider as an accounting administrative burden,
- Vivendi currently organises the impairment test of goodwill so that it is not just an accounting administrative burden: actually, on a yearly basis, it is a mean for Vivendi's management to appreciate the recoverable value it attributes to each business, their evolution over time and hence, from a group's perspective, the best capital allocation which could optimise the return on investments for shareholders to which Vivendi's management is accountable.

Moreover, Vivendi supports the Board's preliminary view that consists in retaining at this stage the requirements in IFRS 3 and IAS 38 *Intangible Assets* while recognizing intangible assets separately from goodwill. Vivendi looks forward to working with IASB on any further evolution of those requirements, particularly in the context of a potential subsequent revision of IAS 38.

We remain at your disposal should this letter require any additional comment.

Yours faithfully,

/s/ HERVE PHILIPPE

  
Hervé Philippe  
Member of the Management Board &  
Chief Financial Officer