THE 100 GROUP

Stakeholder Communications and Reporting Committee

International Accounting Standards Board
7 Westferry Circus
London
E14 4HD

15 October 2025

Dear Board Members,

Please find enclosed our response to: **Post-implementation review IFRS 16 *Leases***

This response has been prepared by the 100 Group Stakeholder Communications and Reporting Committee. The 100 Group membership represents around 90% of the FTSE100 market cap as well as a number of equally significant sized unlisted businesses. While this response is intended to speak on behalf of the Group as a whole, the views expressed are not necessarily those of individual members nor their respective employers.

We thank you for the opportunity to comment on this consultation and would invite any further dialogue which you would deem of value.

Question 1 – Overall assessment of IFRS 16

Members have a mixed view on the implementation of IFRS 16 with some considering that IFRS 16 is generally working as intended and it provides information about leases in a manner that faithfully represents those transactions. Other members note that investors and analysts find it difficult to understand and the application in certain sectors has reduced the comparability of finance arrangements. Several members of the 100 Group have submitted entity specific responses to this consultation.

The costs and effort to implement the standard were high and, for this reason, many would prefer to avoid significant changes to the standard which may require more time and effort to implement both system and accounting changes. The members which have large lease portfolios consider the effort and costs to monitor the lease portfolio to be a high ongoing cost so simplification of certain requirements would help to reduce ongoing costs (refer to Question 4).

Question 2 – Usefulness of information resulting from lessee's application of judgement

The application of the terms 'reasonably certain' criterion for lease extension and termination options under IFRS 16, emphasizes the role of management and can often be difficult to apply in practice to the individual terms and conditions of lease agreements resulting in diverse accounting treatments.

Assessing whether an entity is reasonably certain to exercise an option can be challenging due to the significant judgement involved as some entities are interpreting reasonably certain at a higher threshold than others for similar circumstances.

We consider it could be beneficial for the IASB to provide additional guidance and practical examples on lease modifications and the terms "reasonably certain" or possibly align with other thresholds of "virtually certain", "highly probably", "more likely than not". This could help entities apply these concepts to the individual terms and conditions of lease agreements, potentially reducing diversity and improving consistency in their key judgements

Question 3 – Usefulness of information about lessee's lease-related cash flows

There are many different treatments in terms of how IFRS16 flows through the cashflow which leads to some lack of comparability across entities.
There is lack of clear guidance on the treatment of lease incentives and the classification of related cash flows, debating whether these should be considered financing, operating, or capital expenditures.

Question 4 – Ongoing costs for lessees of applying the measurement requirements

For some entities, the ongoing cost of applying IFRS 16 is significantly higher than the costs associated with IAS 17, principally in relation to systems and controls, the accounting for modifications and the cost for external auditors in auditing the accounting.

Some members commented that determining discount rates (lessee's incremental borrowing rate) remains costly and challenging due to complexity. The requirement to determine revised discount rates when remeasuring lease liabilities contributes to the high ongoing costs of applying IFRS 16. We encourage the IASB to consider ways to simplify the requirements to account for lease modifications, as we believe the ongoing costs incurred exceed the benefits of that information to users.

A further ongoing cost was the elimination of intercompany leases and related party transactions which given the asymmetry between accounting by lessors and lessees can be complex and have practical difficulties to implement.

There are also practical challenges and cost implications of dual running lease ledgers due to the interaction between IFRS 3 and IFRS 16, focusing on the need to measure leases using discount rates prevailing at the time of completion of an acquisition while maintaining pre-existing discount rates and right of use assets for statutory accounts.

Question 5 – Potential improvements to future transition requirements

Members understand the rationale for different transition approaches, however note that the provision of optionality can and does lead to significant differences in accounting and reduces understandability and comparability between entities. We would recommend that the IASB carefully considers, for future standard setting, whether an objective of providing greater transparency and comparability can be met with the availability of different implementation options. A specific point on low-value assets has been raised in Question 6.4 .

Question 6.4—Other matters relevant to the assessment of the effects of IFRS 16 Are there any further matters the IASB should examine as part of the postimplementation review of IFRS 16?

Whilst the standard did not assign a monetary threshold for low-value assets. The Basis for Conclusions does, however, suggested that the IASB had in mind leases of underlying assets with a value, when new, of US$5,000 or less. Members consider this value to be extremely low and consider the basis should be updated with a more meaningful value to apply to allow for greater consistency in application of the low-value asset exemption.

Members also noted the inconsistency of application with US GAAP which leads to a lack of common understanding for investors who often ask for reconciliations and supplemental information to assist the users of the financial statements. Some members view this as a competitive disadvantage for UK stocks.

We would recommend, consistent with previous exposure drafts (such as ED/2021/3 on the disclosure requirements in IFRS Standards—A pilot approach proposed amendments to IFRS 13 and IAS 19), that IFRS 16 could introduce certain non-mandatory disclosure requirements, that if material to users of financial information to enhance the understanding and comparability of financial results of a specific sector or entity, that such information could be disclosed

Timeliness of conducting post-implementation reviews

We consider that a critical factor in assessing the effectiveness of a PIR is the timeliness of its undertaking. Leaving a PIR too long after implementation reduces the relevance of and impact of the PIR. While we appreciate the need for due process, with IFRS 16 being issued by the IASB in 2016 and effective for reporting periods beginning on or after 1 January 2019 (unless early adopted), we feel that conducting a post-implementation review more than 5 years post-implementation (and more than 9 years post-issuance) is too long a period.

We would recommend that the objectives of PIRs going forward incorporate defined timeframes for their undertaking, which we would recommend be not more than 3 years post implementation.

We hope you find that they provide helpful insight as you move to the next stage of the project and invite you to contact us via our secretariat Claire Gallimore (secretariat@the100group.co.uk) should you wish to discuss any of our comments in further detail.

Yours sincerely,

Stephen Daintith,
Chair of the 100 Group Stakeholder Communications and Reporting Committee