

Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York  
NY 10017  
USA

22 May 2014

Dear Sir

**Exposure draft – Developing and Reporting Supplementary Financial Measures—Definition, Principles, and Disclosures**

Deloitte Touche Tohmatsu Limited is pleased to respond to the Professional Accountants in Business Committee (PAIB) of the International Federation of Accountants (IFAC) on its exposure draft for an International Good Practice Guidance (IGPG) on *Developing and Reporting Supplementary Financial Measures—Definition, Principles, and Disclosures*.

The topic of the information accompanying the presentation of supplementary financial measures (SFMs) – sometimes referred to as ‘non-GAAP financial measures’ or ‘alternative performance measures’ – in various types of communications by issuers to the investor community is current and is gaining importance. The use and presentation of SFMs, whether included inside financial statements or outside, are widespread and there is diversity how these are presented and explained around the world. In that respect, we support the objective of achieving a set of commonly shared guidelines on the presentation of, and information about, SFMs, whose objective would be ensuring the quality, transparency and usefulness of the financial information provided to users, regardless of the placement of SFMs used by entities.

We note various recent or expected actions from national and supranational regulatory bodies on the subject (e.g. in Australia, Canada, Europe with ESMA’s proposed Guidelines on Alternative Performance Measures published in February 2014 and globally with IOSCO’s expected guidelines on the use of non-GAAP financial measures). Independent actions by these bodies could result in varying recommendations and/or requirements in different jurisdictions. We also note that the IFAC PAIB proposes to define SFMs as “*financial measures not specifically identified by a GAAP framework*”. However, there is not always a clear understanding nationally or globally of what is a ‘GAAP financial measure’. At a global level, whilst

the IASB has not, to date, produced guidance addressing the subject thoroughly<sup>1</sup>, it has recently indicated an intention to research the presentation and disclosure of non-IFRS financial information as part of its Disclosure Initiative project<sup>2</sup>.

Therefore, due to the global nature of the subject and the varied placement of SFMs (i.e. inside/outside financial statements), care should be taken that actions or guidance targeted at a global audience do not conflict with global initiatives undertaken by global accounting standard-setters and regulators. We therefore strongly suggest that the IFAC PAIB liaises in particular with the IASB and IOSCO so as to coordinate its actions, as well as obtain input from them on any proposed IGPG on SFMs. In this way, we believe that the IFAC PAIB can most effectively contribute to the aim of high quality financial reporting applied without regional variation.

Finally, we broadly agree with the IFAC PAIB's proposed IGPG's principles for the development and reporting of SFMs as laid out in the exposure draft. However, we note that the proposed IGPG does not make reference to disclosure of the level of external assurance attached to SFMs presented by issuers. As a member of IFAC, we consider that this information would be useful for users. Therefore, we suggest that this point be added to any final release of an IGPG on SFMs.

If you have any questions concerning our comments, please contact Veronica Poole in London at +44 20 7007 0884 or Jeff Potts in Rotterdam at +31 88 28 87 824.

Yours faithfully



Veronica Poole  
Global IFRS Leader



Jeff Potts  
Managing Director, Global Regulatory and Public Policy

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<sup>1</sup> The only reference to the use of non-GAAP measures by the IASB is in their IFRS Practice Statement *Management Commentary*. Paragraph 40 of this statement indicates that "*If information from the financial statements has been adjusted for inclusion in management commentary, that fact should be disclosed. If financial performance measures that are not required or defined by IFRSs are included within management commentary, those measures should be defined and explained, including an explanation of the relevance of the measure to users. When financial performance measures are derived or drawn from the financial statements, those measures should be reconciled to measures presented in the financial statements that have been prepared in accordance with IFRSs.*"

<sup>2</sup> IASB Update – April 2014.