STAFF PAPER

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IASB® meeting

Project	**Primary Financial Statements**
Paper topic	Management performance measures—location and cross-referencing

CONTACT(S)	Nick Barlow	nbarlow@ifrs.org
	Aida Vatrenjak	avatrenjak@ifrs.org

Objective

1. This paper sets out staff analysis and recommendations relating to stakeholder comments on the location and cross-referencing of the management performance measures disclosures proposed in the Exposure Draft *General Presentation and Disclosures* (Exposure Draft).

2. In future papers, we plan to discuss:

   (a) the requirement to disclose the tax effect and the effect on non-controlling interests for each item disclosed in the reconciliation between a management performance measure and the most directly comparable subtotal specified by IFRS Accounting Standards;

   (b) presentation restrictions, for example, the restriction on the use of columns in the statement of financial performance;

   (c) whether specific guidance is needed on the timing of public communications (following up on the related discussion in Agenda Paper 21A of the September 2021 IASB meeting);

   (d) requirements relating to changes to management performance measures, including whether a change represents a change in accounting policy;

(e) how management performance measures interact with other requirements including:

(i) unusual income and expenses;

(ii) segment reporting;

(iii) subtotals in the statement(s) of financial performance; and

(iv) earnings per share measures.

Summary of staff recommendations in this paper

3. The staff recommend the IASB:

(a) confirm the requirement for an entity to disclose information about management performance measures in a single note to the financial statements; and

(b) not add specific requirements relating to including the management performance measures disclosures in the financial statements by reference to another document.

Structure of the paper

4. This paper is structured as follows:

(a) background (paragraphs 5–43):

(i) proposals in the Exposure Draft (paragraphs 5–10);

(ii) feedback on the proposals in the Exposure Draft (paragraphs 11–16);

(iii) feedback on cross-referencing (paragraphs 17–33);

(iv) cross-referencing in IFRS Standards (paragraphs 34–39); and

(v) summary of related tentative IASB decisions and discussions from its redeliberations to date (paragraphs 40–43);

(b) staff analysis and recommendations (paragraphs 44–71);

(i) disclosing management performance measures in a single note (paragraphs 45–50);

(ii) cross-referencing management performance measures disclosures (paragraphs 51–67);

(iii) disclosure of non-GAAP measures that are not management performance measures (paragraphs 68–71);

(c) Appendix—Extract from the Exposure Draft *Management Commentary*.

Background

Proposals in the Exposure Draft

5. The Exposure Draft carries forward from IAS 1 *Presentation of Financial Statements* the objective of financial statements and proposes guidance on the roles of the primary financial statements and the notes.

6. The objective of financial statements is to provide financial information about the reporting entity's assets, liabilities, equity, income and expenses that is useful to users of financial statements in assessing the prospects for future net cash inflows to the entity and in assessing management's stewardship of the entity's economic resources.

7. The role of the notes is to:

   (a) provide further information necessary for users of financial statements to understand the items included in the primary financial statements; and

   (b) supplement the primary financial statements with other information that is necessary to meet the objective of financial statements.

8. The Exposure Draft proposes that an entity be required to disclose specific information about management performance measures in a single note to the financial statements.

9. The application guidance in the Exposure Draft clarifies that in some cases one or more of an entity's management performance measures may be replicated in the operating segment information the entity discloses in accordance with IFRS 8

Operating Segments. In such cases, the entity may disclose the required information about those management performance measures in the same note it uses to disclose information about its operating segments provided the entity either:

(a) includes in that note all of the information required by the management performance measures disclosure requirements; or

(b) provides a separate note that includes all of the information required for management performance measures.

10. Paragraph BC163 of the Basis for Conclusions on the Exposure Draft explains the reason the IASB proposes that an entity disclose management performance measures and all related information in a single note. Disclosing management performance measures and the related information in a single location improves the transparency of those measures by:

(a) providing management performance measures together with the information needed to understand those measures; and

(b) helping users of financial statements to identify and locate the related information.

Feedback on the proposals in the Exposure Draft

11. Some respondents that agreed with disclosing management performance measures in a single note because it provides a single point of reference, which contributes to transparency. Many users supported the proposal for a single note on management performance measures, because it would address one of the biggest practical challenges users face currently—non-GAAP measures being included in multiple locations or documents.

12. In contrast, a few respondents raised concerns that the proposals could prevent them from presenting in the statement of profit or loss management performance measures that they find important to understanding the entity's financial performance. These respondents said that disclosure in the notes would not give these measures sufficient prominence.

13. A few respondents, including some users, suggested management performance measures should be permitted as an addendum to the statement of profit or loss, presented in a similar manner to earnings per share.

14. A few respondents said management performance measures may be better disclosed within different notes, rather than a single note because management performance measures are often related to information included in other notes. In their view, disclosing related information together is likely to be more informative than disclosing the information about management performance measures separately. For example, one preparer said it reported segment measures that would be management performance measures and was concerned it would be required to either include management performance measures unrelated to segments in its segment reporting note or duplicate its segment-related management performance measures.

15. A few audit standard-setters and accounting firms said they were concerned that expanding the scope of audit to management performance measures could increase confusion over which parts of an annual report are subject to audit and confusion over the level of verification an audit can provide.

16. Some respondents said that it was unclear whether non-GAAP measures that do not meet the definition of a management performance measure would be permitted to be disclosed in the financial statements. Many of these respondents requested additional guidance to clarify whether such disclosure would be permitted or prohibited and if permitted what additional disclosure requirements would be required.

Feedback on cross-referencing

17. This section outlines feedback from stakeholders on the topic of cross-referencing specific to the Exposure Draft—from comment letters and outreach—and feedback on cross-referencing discussed in other projects. The feedback includes:

    (a) comment letters on the Exposure Draft (paragraph 18);

    (b) outreach on the Exposure Draft—Capital Markets Advisory Committee and Global Preparers Forum (paragraphs 19–20);

(c) feedback on the Discussion Paper *Disclosure Initiative—Principles of Disclosure* (paragraphs 21–27);

(d) discussion of the IFRS Taxonomy Consultative Group (paragraphs 28–33).

Comment letters on the Exposure Draft

18. Some respondents suggested that entities should be permitted to comply with the disclosure requirements for management performance measures by referencing information disclosed in the management commentary or other public communications. These respondents said a cross-reference would allow them to have a single location for all of their non-GAAP measures because it would permit those measures that met the definition of management performance measures to be disclosed in the same place as useful non-GAAP measures that did not meet the definition.

Capital Markets Advisory Committee (CMAC) and Global Preparers Forum (GPF)

19. At the October 2020 joint CMAC and GPF meeting, members were asked to discuss the practicalities and risks of permitting entities to cross-refer to information about management performance measures included outside the financial statements rather than providing the disclosures in the financial statements. The discussion was in the context of possible responses to feedback from stakeholders that indicated the proposals for management performance measures disclosures would result in incomplete information and sometimes duplicate information outside financial statements.

20. Both CMAC and GPF members expressed concerns with cross-referencing, specifically:

(a) some GPF members had concerns that regulators in some jurisdictions might not permit cross-referencing. One GPF member was concerned that auditors might not accept the use of cross-referencing.

(b) some CMAC members said the use of cross-referencing would make it difficult to distinguish management performance measures from other measures provided in reports outside financial statements.

(c) most CMAC members said they wanted to see all information about management performance measures in a single note and were concerned this would not be the case if cross-references were used.

Disclosure Initiative—Principles of Disclosure

21. The Discussion Paper *Disclosure Initiative—Principles of Disclosure* considered whether the IASB should develop any requirements relating to:

(a) information that is necessary to comply with IFRS Accounting Standards ('information required by IFRS Standards') but is located outside the financial statements; and

(b) information that is not necessary to comply with IFRS Accounting Standards ('information not required by IFRS Standards') but is voluntarily included inside the financial statements.

22. At its July 2018 meeting the IASB tentatively decided not to develop requirements about information required by IFRS Standards outside the financial statements nor to develop requirements about information not required by IFRS Standards inside the financial statements.

23. Agenda Paper 11F of July 2018 concluded that the benefits of developing requirements for information required by IFRS Standards did not outweigh the concerns raised by stakeholders. The IASB received similar feedback from all stakeholder types, including users of financial statements. The primary benefit of developing such requirements was identified as providing flexibility about how best to communicate information. With respect to information required by IFRS Standards that is located outside the financial statements, respondents were primarily concerned about:

(a) the use of terms such as 'annual report'—in particular, respondents were concerned about terms that the IASB might use to define different locations (such as 'annual report') being interpreted differently in different jurisdictions.

(b) the excessive use of cross-referencing—respondents were concerned that, if entities used cross-references excessively, providing information required by IFRS Standards outside the financial statements would make the financial statements overly fragmented and difficult to understand. They were also concerned that users might have difficulty identifying the complete set of audited financial statements.

(c) ongoing access to and availability of information—that is, whether information required by IFRS Standards disclosed in a location other than the financial statements would be easily available to users in the long-term, and remain unchanged.

(d) the effect of technology and digital reporting—respondents thought advances in technology might make any requirements redundant. For example, respondents suggested that any descriptions of locations in which the IASB might permit information required by IFRS Standards could cease to have meaning in a digital reporting environment. Other respondents thought advances in technology might ease the risks relating to the availability of unchanged information.

24. Agenda Paper 11F also concluded that the IASB should not develop requirements for information not required by IFRS Standards inside the financial statements for three main reasons.

25. First, developing any requirements in this area would risk interfering with current practice and discourage entities from making voluntary disclosures that are useful to users.

26. Second, some stakeholders questioned how any requirements would interact with IAS 1. It may be difficult for the IASB to:

(a) identify an operational line between:

(i) information captured by paragraph 112(c) of IAS 1 (paragraph 96(c) of the Exposure Draft), and is therefore information required by IFRS Standards; and

(ii) information that is not captured by paragraph 112(c) of IAS 1, but is nevertheless useful to users of financial statements;

(b) justify time spent developing requirements about information that, by definition, is not required to achieve a faithful representation.

27. Finally, feedback received through comment letters and outreach did not identify any significant enough benefits to justify the IASB spending further time on the topic. The staff acknowledged that most stakeholders support information not required by IFRS Standards being permitted in the financial statements in some circumstances. Hence, in the staff's view any activity by the IASB would only help to refine something already happening. Hence, such activity would not lead to significant improvements in communication effectiveness.

IFRS Taxonomy Consultative Group (ITCG)

28. At its November 2021 meeting the ITCG members discussed one topic related to the digital reporting implications of the proposals in the Exposure Draft *Management Commentary.* The members discussed proposals for including information in management commentary by cross-reference to another report, especially a report provided in a separate file (see Appendix).

29. At the meeting members were asked to:

(a) share their experience with handling disclosures that include information provided by cross-reference to another file in digital format; and

(b) consider potential solutions to the issue.

30. Members had limited experience with tagging cross-referenced information but a few provided examples. One member:

(a) shared the experience of tagging information that was included in a separate report but in the same file. That member tagged the information in a separate report as if it were part of the main document.

(b) said that some insurance companies include cross-reference to information in the sustainability report. Currently, those companies only tag the cross-reference to the sustainability report but not the information included in the sustainability report.

31. One member said it is not clear how to tag cross-references from financial statements to other reports that are currently not required to be tagged, for example, a risk report. They said it is not helpful for users if the information required to comply with IFRS Accounting Standards is not tagged only because it is included by cross-reference to an untagged report. Finding a solution that would require tagging information provided in reports by means of cross-references would be helpful.

32. Two members questioned whether the discussion about the implications of requirements related to cross-referencing (for example tagging information in various documents, and audit and legal requirements) might cause preparers to avoid using cross-references.

33. One member said the objective of using cross-referencing in paper reporting is to avoid duplication, a consideration which is irrelevant for digital reporting. They wondered if this is more of a standard-setting, rather than digital reporting issue.

Cross-referencing in IFRS Standards

34. The following IFRS Accounting Standards specifically permit incorporation of particular disclosures by cross-reference from the financial statements to some other statement, such as a management commentary or risk report, that is available to users of the financial statements on the same terms as the financial statements at the same time:

(a) IFRS 7 *Financial Instruments: Disclosures*— disclosure requirements for hedge accounting and the nature and extent of risks arising from financial instruments;

(b) IFRS 14 *Regulatory Deferral Accounts*—explanation of activities subject to rate regulation; and

(c) IAS 34 *Interim Financial Reporting*—specified other disclosures.

35. The Basis for Conclusions on both IFRS 7 and IFRS 14 identify the avoidance of duplication of information as a reason for permitting the inclusion of information by cross-reference.

36. IAS 19 *Employee Benefits* permits cross-referencing of some information in specific cases. If an entity participates in a defined benefit plan that shares risks between entities under common control and accounts for an allocation of the net defined benefit cost or the contribution payable it is required to disclose information about the plan as a whole. The entity is permitted to disclose this information by cross-reference to disclosures in another group entity's financial statements if:

    (a) that group entity's financial statements separately identify and disclose the required information about the plan; and

    (b) that group entity's financial statements are available to users of the financial statements on the same terms as the financial statements of the entity and at the same time as, or earlier than, the financial statements of the entity.

37. The Exposure Draft *Management Commentary* also proposes permitting entities to include information in the management commentary by cross-reference to another report (see Appendix). The proposal permits cross-referencing when it does not make the management commentary less clear. It also specifies that the information becomes part of the management commentary meaning it must meet the same requirements and be available on the same terms as management commentary.

38. Paragraph BC121 of the Basis for Conclusions on the Exposure Draft *Management Commentary* explains that the IASB proposes permitting cross-referencing because:

    (a) doing so could help limit the duplication of information across an entity's reports;

    (b) most stakeholders consulted in developing the Exposure Draft *Management Commentary* agreed with this approach in at least some cases; and

    (c) doing so is allowed in some jurisdictions.

39. The Technical Readiness Working Group (TRWG), formed to provide a running start for the International Sustainability Standards Board (ISSB), published the *General*

Requirements for Disclosure of Sustainability-related Financial Information Prototype (The Prototype) in November 2021. The Prototype outlines the TRWG's recommendations for general requirements for a disclosure of sustainability-related financial information standard. The Prototype proposes permitting cross-references in the same way as proposed in the Exposure Draft *Management Commentary*—when information is available to users on the same terms and at the same time as the financial statements and does not make the general purpose financial reports less clear.

Summary of related tentative IASB decisions and discussions from its redeliberations to date

40. At its June 2021 meeting the IASB discussed the scope of the proposed management performance measures requirements. During the discussion some IASB members suggested that the staff consider whether compliance with the requirements could be achieved by cross-reference. These members said the requirements should specify that the information in the document being referred to would form part of the financial statements.

41. At its September 2021 meeting the IASB tentatively decided to amend the definition of management performance measures:

    (a) to remove the reference to complementing totals or subtotals specified by IFRS Accounting Standards; and

    (b) to state that totals and subtotals specified by IFRS Accounting Standards are not management performance measures.

42. The resulting revised definition is—management performance measures are subtotals of income and expenses not specified in IFRS Accounting Standards that:

    (a) are used in public communications outside financial statements; and

    (b) communicate to users of financial statements management's view of an aspect of an entity's financial performance.

43. At its November 2021 meeting the IASB tentatively decided to add application guidance on how an entity could apply the requirement to describe a management

performance measure in a clear and understandable manner that would not mislead users given the importance of this description to faithful representation. The guidance would address the need for an entity to be transparent about the meaning of the terms used and the methods applied, in particular when they differ from those used when applying IFRS Accounting Standards. In discussing the additional application guidance, some IASB members asked whether an entity could comply with the requirements by cross-referring to information included in other documents. For example, cross-referencing to a regulatory filing that includes a management performance measure and related information.

Staff analysis and recommendations

44. The staff analysis is structured as follows:

    (a) disclosing management performance measures in a single note (paragraphs 45–50);

    (b) cross-referencing management performance measures disclosures (paragraphs 51–66):

        (i) types of cross-referencing (paragraphs 52–53);

        (ii) what problems could cross-referencing solve (paragraphs 54–56)?

        (iii) what problems could cross-referencing create (paragraphs 57–62)?

        (iv) staff recommendation (paragraphs 63–67); and

    (c) disclosure of non-GAAP measures that are not management performance measures (paragraphs 68–71).

Disclosing management performance measures in a single note

45. In the staff's view no changes to the proposal in the Exposure Draft are required in response to stakeholder comments on the presentation of management performance measures in the financial statements (see paragraphs 12–13). The proposals do not

prevent additional subtotals in statement of financial performance and specify that when such a subtotal is included it may be a management performance measure.

46. The staff think there are benefits to disclosing information about management performance measures together with related information in multiple notes as suggested by a few stakeholders (see paragraph 14). For example, the Exposure Draft proposes that an entity can present management performance measures and segment disclosures together (paragraph B83 of the Exposure Draft).

47. However, the Exposure Draft proposes a single location for information about management performance measures to enhance transparency. Transparency is particularly important with management performance measures because these measures are management-defined and vary between entities and from measures specified by IFRS Accounting Standards. For this reason, the Exposure Draft proposes that if an entity includes management performance measures information together with its segment disclosures it is required to disclose all management performance measures information in this note or to maintain a single management performance measures note (paragraph B83 of the Exposure Draft).

48. Many respondents agreed with disclosing information about management performance measures in a single note. Some, including many users, specifically said they agreed because of the enhanced transparency provided by a single location (see paragraph 11).

49. Whilst in theory, location of information should not matter for digital reporting, having information in one place for paper reporting also facilitates digital reporting because it:

    (a) makes it clear that having information together is important to users of financial information (both on paper and digitally); and

    (b) allows for the single note to be block-tagged (in addition to detail-tagging the specific disclosures), making it easier for users of financial information to access the information.

Staff recommendation

50. The staff recommend the IASB confirm the requirement for an entity to disclose information about management performance measures in a single note to the financial statements to enhance transparency.

Question for the IASB
Q1 Does the IASB agree with the staff recommendation to confirm the requirement for an entity to disclose information about management performance measures in a single note to the financial statements?

Cross-referencing management performance measures disclosures

51. The staff do not think that the requirement to disclose management performance measures in a single note precludes the use of cross-referencing. For example, paragraph 21B of IFRS 7 requires information about particular hedge accounting information to be disclosed in a single note or separate section in the financial statements but also specifically permits cross-referencing. The single note simply means all information, whether included directly or using a cross-reference is provided in a single location.

Types of cross-referencing

52. This section analyses the use of cross-referencing to comply with management performance measures requirements by disclosing required information outside the financial statements and including in the financial statements only reference to the location of the document containing the required information.

53. Cross-referencing can also be used to link together related information within a document or in different documents by alerting a user to the existence of the related information, though such information is not needed to meet a particular disclosure requirement. The analysis in this paper does not assess this form of cross-referencing.

What problems could cross-referencing solve?

54. Permitting cross-referencing prevents the duplication of information which can reduce the clarity of financial reporting (see paragraphs 34–38). At least some information about management performance measures will be duplicated because they are by definition measures used in public communications outside financial statements (see paragraph 42).

55. Some entities disclose all information about non-GAAP measures in a single location outside the financial statements, for example, in a single section of the management commentary. For such entities, disclosing information about management performance measures in a single note in the financial statements would separate the disclosure of those non-GAAP measures that meet the definition of management performance measures from those that do not, unless the information is duplicated in both locations.

56. In these cases, specifically permitting entities to incorporate management performance measures disclosures by cross-reference to some other document would allow all information about non-GAAP measures to be maintained in a single location without the duplication of information about management performance measures.

What problems could cross-referencing create?

57. When entities provide information about non-GAAP measures in multiple locations cross-referencing to another document fragments the information that would otherwise be disclosed in the financial statements. This fragmentation may:

    (a) make it more difficult for users to find relevant information about management performance measures. Many users said the presentation of non-GAAP measures in multiple locations was one of their biggest practical challenges (see paragraph 11). Most CMAC members said cross-referencing would make it more difficult to distinguish management performance measures from other measures and wanted to see information on management performance measures in a single note (see paragraph 20).

    (b) make it more difficult to understand the financial statements. Respondents to the Discussion Paper *Disclosure Initiative—Principles of Disclosure* said that overly fragmented financial statements would be difficult to understand (see paragraph 23). The Exposure Draft proposed disclosure in a single note because all of the information needed to understand management performance measures is together in one place (see paragraph 10(a)).

58. Not all entities would use cross-referencing. Diversity in the location of the management performance measures disclosures—sometimes in the financial statements and sometimes combined with other information that is not audited—makes it less clear which information is audited and which information is not. A few respondents raised concerns that management performance measures may contribute to this confusion (see paragraph 15). Some respondents to the Discussion Paper *Disclosure Initiative—Principles of Disclosure* were concerned about the audit implications of having information in different documents (see paragraph 23).

59. Information included in documents other than the financial statements may be subject to different levels of availability and ongoing access than if that information were disclosed in the financial statements. Respondents to the Discussion Paper *Disclosure Initiative—Principles of Disclosure* were concerned that information disclosed in a location other than the financial statements might not be easily available to users in the long term and may be subject to change (see paragraph 23).

60. Similar concerns over fragmentation and the availability of information outside financial statements were identified when the IASB was developing the proposal to permit cross-referencing in the Exposure Draft *Management Commentary*. The Basis for Conclusions explains that the proposed inclusion of information in management commentary by cross-reference could give rise to concerns about:

(a) fragmentation, especially if many cross-references are included, causing investors and creditors to look elsewhere for much of the material information, which could make management commentary less clear; and

(b) the status of the information included by cross-reference, its availability and whether that information is current.

61. Although cross-referencing is proposed in the Exposure Draft *Management Commentary* there are still questions over the practicalities of cross-referencing for

digital reporting. The experience of ITCG members with the digital reporting of cross-referenced information is limited. Also, entities might face technical challenges with making such information accessible digitally on the same terms as information included in the financial statements (see paragraphs 28–33).

62. Disclosing information about management performance measures in multiple locations may be challenging for digital reporting. Having multiple locations would risk fragmenting the information to be captured for digital reporting, or missing information because a document is not digitally tagged. This is because regulators specify what should be tagged, and would usually refer to paper-based documents, such as financial statements, which would exclude information physically not provided in that document.

Staff recommendation

63. The staff do not recommend the IASB add specific requirements relating to cross-referencing management performance measures disclosures. In the staff's view the problems that cross-referencing could create outweigh the benefits of avoiding duplication because:

(a) it is unlikely that duplicating information about management performance measures would contribute to disclosure overload. Including such information in a single note in the financial statements responds directly to user demands. Duplication is also unlikely to be excessively costly as it does not require any new information.

(b) permitting cross-referencing of management performance measures disclosures risks fragmenting the information necessary for an understanding of the measures and causing doubt about the ability of the information to be reported digitally, its longer-term availability, and its audit status.

64. The staff also do not recommend prohibiting cross-referencing because it may have unintended consequences. The staff think that many jurisdictions do not permit cross-referencing in the financial statements unless it is specifically permitted. Specifically prohibiting cross-referencing for the management performance measures disclosures

may lead to a change in interpretation of whether IFRS Accounting Standards that do not specifically prohibit use of cross-referencing permit its use.

65. The staff acknowledge that some of the concerns about cross-referencing can be mitigated by introducing specific requirements for how cross-referencing is permitted. For example, as in other IFRS Accounting Standards, concerns over the availability of information could be addressed by requiring information to be made available on the same terms and timeframe as the financial statements. However, transparency over management performance measures was an important reason for the proposed requirements and fragmentation caused by cross-referencing would reduce that transparency.

66. The staff acknowledge that the recommendation differs from conclusions drawn in other IFRS Accounting Standards (see paragraph 34). However, the costs and benefits of cross-referencing differ depending on the requirements of each Standard. For example, cross-referencing may undermine the objective of transparency for the information required by the management performance measures, however the breadth of interconnected information in the Exposure Draft *Management Commentary* may make duplication of information a higher stakeholder concern.

67. The IASB decided not to develop requirements about information required by IFRS Accounting Standards outside financial statements in response to the Discussion Paper *Disclosure Initiative—Principles of Disclosure*. That decision was made in part based on stakeholder concerns similar to those raised in the feedback to this project (see paragraph 23). Feedback on the Exposure Draft *Management Commentary* is still being analysed and IFRS Sustainability Disclosure Standards are under development. Future developments on these projects and the evolution of digital reporting may prompt the IASB and ISSB to reconsider guidance for cross-referencing across IFRS Standards.

Question for the IASB
Q2 Does the IASB agree with the staff recommendation not to add specific requirements relating to including the management performance measures disclosures in the financial statements by reference to another document?

Disclosure of non-GAAP measures that are not management performance measures

68. The staff do not think the IASB should develop specific guidance relating to including in the financial statements information about non-GAAP measures that do not meet the definition of management performance measures (see paragraph 42), in contrast to the suggestion of some stakeholders to provide such guidance (see paragraph 16). The IASB decided not to develop general requirements for information not required by IFRS Standards in responding to feedback on the Discussion Paper *Disclosure Initiative—Principles of Disclosure* (see paragraphs 24–27).

69. In the staff's view developing guidance specific to information outside of the scope of the management performance measures proposals has similar risks and challenges:
    - (a) it risks discouraging current best practice for voluntary disclosures that are useful to users; and
    - (b) it will be challenging to identify an operational line between:
        - (i) information captured by paragraph 96(c) of the Exposure Draft, and is therefore information required by IFRS Standards;
        - (ii) information that is not captured by paragraph 96(c) of the Exposure Draft, but is nevertheless useful to users of financial statements; and
        - (iii) information, if any, that for some reason should be excluded from the financial statements, for example because it obscures information about management performance measures.

70. For example, net debt is a measure outside the scope of the management performance measures requirements that is not specified in IFRS Accounting Standards. Net debt is

often disclosed in the notes to the financial statements. Additional guidance would require identifying when such a measure would be permitted or prohibited and how it differs from other measures which might be treated differently.

71. In the staff's view it would be challenging to identify the scope of specific information to permit or to prohibit and doing so may have implications for the applicability of the general guidance to information outside the scope of other IFRS Accounting Standards. The IASB decided against expanding the scope of management performance measures because of similar challenges. We do not think that this work is necessary to achieve the project objectives or is feasible in the context of timely delivery of the project. Hence, the staff do not intend to pursue the matter further.

Question for the IASB
Q3 Does the IASB have any questions or comments regarding the disclosure of non-GAAP measures that are not management performance measures?

Appendix—Extract from the Exposure Draft *Management Commentary*

Material information included by cross-reference

13.19 Information required by this [draft] Practice Statement might be available in another report published by the entity. That information may be included in management commentary by cross-reference to the other report if including the information in this way rather than directly within the management commentary does not make the management commentary less clear.

Note Including information in management commentary by cross-reference to another report can reduce duplication and hence make management commentary more concise. Including information by cross-reference might also make management commentary clearer, for example, by separating information about developments in the reporting period from standing information that remains unchanged, or changes little, from one period to the next—an entity could publish standing information in a separate report, with management commentary including that information by cross-reference to that report. However, including information by cross-reference to another report fragments management commentary, so including extensive information by cross-reference can make management commentary less clear.

13.20 If material information in another report is included in management commentary by cross-reference to that other report, that information becomes part of the management commentary. This means that, for example:

(a) information included by cross-reference needs to comply with the requirements of this [draft] Practice Statement. For example, it needs to be complete, balanced and accurate.

(b) the report in which the information is located needs to be available whenever the management commentary is available, and on the same terms.

(c) the body(s) or individual(s) who authorise the management commentary for issue take the same degree of responsibility for information included by cross-reference as they do for information included directly within the management commentary.

13.21 If management commentary includes information by cross-reference to another report:

(a) management commentary shall identify the report clearly and explain how to access it;

(b) the cross-reference shall be to a precisely specified part of that report;

(c) the information included by cross-reference shall be as up to date as if it had been included in the management commentary directly; and

(d) if the information is in a report for a period ending before the end of the reporting period covered by the management commentary, the management commentary shall:

    (i) state the cut-off date for that information; and

    (ii) if necessary to meet the requirements of this [draft] Practice Statement, provide further information up to the end of the period covered by the management commentary.