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Project	Primary Financial Statements	
Paper topic	Management performance measures and the scope of public communications	
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Objective

1. This paper sets out staff analysis and recommendations on the scope of ‘public communications’ used in the definition of management performance measures, following the Board discussion of [Agenda Paper 21A](#) at the September 2021 Board meeting. This paper does *not* address the timing of public communications (for example, if the scope of public communications extends to forms of communication where performance measures are used outside of financial statements *after* the release of the financial statements).
2. In future papers, we plan to discuss:
 - (a) whether specific guidance is needed with regards to the timing of public communications (following up on related discussion in Agenda Paper 21A for the September 2021 Board meeting);
 - (b) whether specific guidance is needed for non-GAAP measures that are not management performance measures;
 - (c) disclosure requirements for management performance measures, including:
 - (i) the requirements relating to the reconciliation;
 - (ii) the requirement to disclose tax and non-controlling interests; and

- (iii) presentation restrictions, such as the restriction on the use of columns;
and
- (d) how management performance measure requirements work 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

- 3. The staff recommend the Board narrow the scope of public communications considered for the purposes of applying the definition of management performance measures to exclude oral communications, transcripts, and social media posts.

Structure of the paper

- 4. This paper is structured as follows:
 - (a) background (paragraphs 5–15):
 - (i) summary of proposals in the Exposure Draft (paragraphs 5–8);
 - (ii) feedback on ‘public communications’ (paragraphs 9–12);
 - (iii) staff recommendations in September 2021 (paragraph 13);
 - (iv) summary of Board discussion in September 2021 (paragraphs 14–15);
 - (b) staff analysis and question for the Board (paragraphs 16–48);
 - (i) what is understood as ‘public communications’ (paragraphs 18–24);
 - (ii) should the Board define public communications (paragraphs 25–26);
 - (iii) what additional guidance could be provided on public communications (paragraphs 27–30);

- (iv) should any forms of communication be excluded from the scope of public communications (paragraphs 31–48);
- (c) Appendix—Possible approaches to providing a cost relief for entities.

Background

Summary of proposals in the Exposure Draft

5. The Exposure Draft proposed that an entity disclose ‘management performance measures’ in a single note to the financial statements. The Exposure Draft defined management performance measures as subtotals of income and expenses that:
 - (a) are used in public communications outside financial statements;
 - (b) complement totals or subtotals specified by IFRS Standards; and
 - (c) communicate to users of financial statements management’s view of an aspect of an entity’s financial performance.
6. Paragraph B79 of the Exposure Draft explains that only subtotals that management uses in public communications outside financial statements meet the definition of management performance measures and provides the examples of management commentary, press releases and investor presentations.
7. Paragraph BC156 of the Basis for Conclusions describes the Board’s reasons for including public communications in the definition of management performance measures. The Board’s view is that performance measures used in public communications outside the financial statements should be consistent with the performance measures disclosed in the financial statements because:
 - (a) it is hard to justify that a measure, in management’s view, communicates performance if an entity is not using it in communicating performance; and
 - (b) it would be confusing if one entity were to provide two sets of management-defined measures, one within and one outside the financial statements.
8. Paragraph BC157 of the Basis for Conclusions explains that the Board considered defining management performance measures as all subtotals of income and expense included in an entity’s annual report. The Board rejected such an approach because:

- (a) consistent with the feedback received in response to the Exposure Draft on proposed amendments to IFRS 8 *Operating Segments*, it may not be clear what constitutes an annual report; and
- (b) management may include performance measures in an entity's annual report to comply with regulatory or other requirements.

Feedback on 'public communications'

- 9. A few respondents explicitly said that they agreed with including the reference to public communications in the definition of management performance measures.
- 10. However, many respondents said they were concerned that the reference to public communications was unclear or created too wide of a scope for the proposed requirements. These respondents said it would be challenging for an entity, and its auditor, to have to identify all public communications to find all management performance measures. For example, many said that the term public communications implied the inclusion of oral statements, transcripts, and social media posts. A few respondents said that the scope of the proposals was wider than that required by securities regulations as some securities regulators specifically exclude oral statements, transcripts, and social media posts from the scope of regulation.
- 11. Many respondents that raised concerns over the term public communications suggested approaches to restricting its scope:
 - (a) some suggested restricting public communications to those within the package of documents that contains the annual or interim financial statements;
 - (b) some suggested restricting public communications to those released at the same time as the financial statements and that relate to the period covered by the financial statements;
 - (c) a few suggested restricting public communications to communications regularly communicated by the entity; and
 - (d) one respondent suggested that the scope of public communications could be clarified by designating a function responsible for the entity's public communications and defining the scope of public communications as communications regularly communicated by this function.

12. A few respondents suggested removing public communications from the definition of management performance measures and instead defining management performance measures as those measures used internally by management. Some of these respondents said that in their view measures used internally by management provide the most relevant information to users.

Staff recommendations in September 2021

13. In response to feedback that the reference to public communications is unclear or may create too wide of a scope the staff recommended that the Board provide application guidance clarifying that when used as part of the definition of management performance measures, ‘public communications’ refers only to forms of written communication regularly provided in the periodic reporting process.

Summary of Board discussion in September 2021

14. At the September 2021 Board meeting, the Board discussed the scope of public communications in the definition of management performance measures but did not reach any conclusions. The staff has identified the following main concerns and suggestions raised by Board members with regards to the staff recommendation:
- (a) definition of ‘public communications’:
 - (i) some Board members highlighted the need to clarify that ‘written’ includes any digital form of communication to ensure that the definition would capture future developments and because, as one Board member explained, ‘written’ is not seen as to include digital forms of communication in all jurisdictions.
 - (ii) some Board members agreed with using the term ‘written’ as being the basis because, in their view, management performance measures would be too important as to only be communicated orally and that entities would generally have governance controls in place to ensure that information communicated orally is not different to information communicated in writing.

- (iii) a few Board members raised concerns about limiting the scope to written communication as, in their view, such a requirement would not sit well with requirements in other standards (e.g., IFRS 15 *Revenue from Contracts with Customers*), pointing out that (most) contracts can be entered into not only in writing, but also orally or by conclusive behaviour.
 - (iv) some Board members pointed out that ‘regular’ or ‘periodic’ would exclude specific forms of communication (e.g., initial public offering documents or newly introduced forms of communication).
 - (v) one Board member questioned whether an item of communication would still be considered ‘regular’ if it had not been provided consecutively.
 - (vi) one Board member suggested to clarify that ‘reporting process’ would relate only to an entity’s external reporting process.
- (b) other concerns and suggestions raised:
- (i) a few Board members questioned whether an item of communication would have to be accessible to everybody to be considered ‘public’—acknowledging that regulations would usually prevent information from being disclosed only to a specific group of users, but that there could be situations where this is not the case. One Board member was of the view that information which is provided only to a specific group of users should not be considered ‘public’.
 - (ii) one Board member was of the view that the Board would not be able to avoid entities from using judgement in applying the definition and that the Board should be cautious of putting too much emphasis on individual words—pointing out that providing a more generalised definition or description of what was meant by ‘regular’ or ‘periodic reporting process’ would be better than relying on specific words as their meaning could be altered when translated into different languages.
 - (iii) some Board members said that the scope of public communications should be wide enough to ensure that entities would not be restricted from including subtotals of income and expenses that represent

management's view of performance and be wide enough to prevent the opportunistic avoidance of the disclosure requirements, but also not be too wide as to be unduly burdensome for entities, auditors, and enforcers. In addition, one Board member emphasised that the definition would have to be operational not only for entities but also for users and that users by and large would be interested in the 'headline' or 'key' measures.

15. Some Board members asked the staff to explore how to clarify the scope of public communications, considering the objective of the proposals for management performance measures and the extent to which detailed guidance is needed to meet that objective. Some Board members preferred a less prescriptive approach to defining the scope of public communications to avoid overcomplicating its application.

Staff analysis and question for the Board

16. Based on the feedback from respondents and the Board discussion in September 2021, we have identified two risks arising from the reference to public communications in the definition of management performance measures:
 - (a) the risk that there could be different interpretations of what communications are in the scope of public communications, which could result in some communications that are expected to be captured not being considered, which in turn could lead to measures which meet the definition of management performance measures not being identified as such;
 - (b) the risk that entities and their auditors and regulators will incur costs in reviewing a wide range of public communications, with most of that work being without benefit of identifying additional management performance measures.
17. Although our assessment is that the first risk is not significant, in the analysis we consider how we could manage both risks identified, by discussing:
 - (a) what is understood as public communications (paragraphs 18–24);
 - (b) whether the Board should define public communications (paragraphs 25–26);

- (c) what additional guidance could be provided on public communications (paragraphs 27–30); and
- (d) whether any forms of communication should be excluded from the scope of public communications (paragraphs 31–48).

What is understood as ‘public communications’?

18. The terms ‘public’ and ‘public communications’ are not defined in IFRS Standards or the *Conceptual Framework*. However, the term ‘public’ is used in various IFRS Standards in different contexts.
19. The staff think the common interpretation of ‘public’ is wide in scope. For example, the Merriam-Webster definition for public as an adjective is: (a) exposed to general view: open, (b) well-known, prominent, (c) perceptible, material.
20. At its September 2021 Board meeting some Board members were of the view that public communications are those communications that are both reported externally and made available to a wide audience. It was also discussed whether a form of communication that was provided only to a specific group of users (e.g., debt investors) would be considered public communication.
21. The staff think that it would be rare for a non-private entity to report a performance measure to an individual or small group at the exclusion of others because many securities regulators require such information to be communicated publicly to provide fair and equal access to all investors and potential investors.
22. Many securities regulators use similar concepts of publicly available information for purposes of regulation. For example, the staff identified guidance issued by the U.S. Securities and Exchange Commission (SEC) as part of its Regulation FD (Fair Disclosure) over what would be considered ‘public disclosure’. The Fair Disclosure regulation prevents an entity providing financial information to a subset of users (e.g., professional investors) at the exclusion of other users to ensure there is no unfair advantage. In this context, the regulation requires an entity to make public disclosure of such information. That guidance includes as ‘public disclosure’ sources of information ‘provided by a non-exclusionary method of disclosure that is reasonably designed to provide broad public access’.

23. Another example in a different context is the EU Prospectus Directive which gives guidance on when a prospectus shall be deemed available to the public by providing an exhaustive list of forms of communication an entity can choose from—focussing on written forms of communication (including electronic forms of communication), such as:
- (a) by insertion in one or more newspapers circulated throughout, or widely circulated in, the Member States in which the offer to the public is made or the admission to trading is sought; or
 - (b) in an electronic form on the issuer's website and, if applicable, on the website of the financial intermediaries placing or selling the securities, including paying agents.
24. The two examples in paragraphs 22 and 23 show that different approaches can be taken in describing what is considered ‘publicly available information’ or ‘deemed available to the public’—a definition (SEC Regulation) or an exhaustive list of forms of communication (EU Prospectus Directive).

Should the Board define public communications?

25. If the Board were to provide a definition of public communications this could have unintended consequences for other standards as various standards refer to the term ‘public’ (for example, IAS 37 *Provisions Contingent Liabilities and Contingent Assets* refers to the term ‘public statement’ in the context of constructive obligations). Hence, the staff question whether the Board should define public communications *solely for the purposes of defining a management performance measure*, given the latent risk of unintended consequences. In addition, the staff do not think the Board should define ‘public’ or ‘public communications’ for wider application as this would be beyond the scope of the project.
26. Hence, the staff think that the Board should refrain from defining public communications, but rather consider providing either:
- (a) additional application guidance (paragraphs 27–30); or
 - (b) an explicit cost relief for entities (paragraphs 31–48).

What additional guidance could be provided on public communications?

27. Paragraph B79 of the Exposure Draft explains that:
- Only subtotals that management uses in public communications outside financial statements, for example, in management commentary, press releases or in investor presentations, meet the definition of management performance measures.
28. The Board could give additional guidance on public communications by stating that when identifying public communications an entity would not only consider the forms of communication described in paragraph B79 of the Exposure Draft but also other forms of external communication that are:
- (a) required by regulation;
 - (b) common practice in the entity’s industry or jurisdiction; and
 - (c) established by an entity’s past practice.
29. The staff is of the view that adding guidance to the proposals would not create significant benefit (if any) for the purposes of managing the risk identified in paragraph 16(a), that is the risk of entities communicating measures which meet the definition of management performance measures but the measures not being identified as such. This is because we expect management performance measures to generally already be included in the specified communications listed in paragraph B79 of the Exposure Draft (that is, management commentary, press releases, investor presentations). In other words, we think this risk is low and does not require managing.
30. In addition, the staff question whether additional guidance, such as that described in paragraph 28 would help manage the risk that the costs of checking a wide range of public communications would exceed the benefits. This is because such broad guidance would capture communications which may be time-consuming to check but which are not expected to result in additional management performance measures being identified. Such an approach would therefore not address the concerns raised by many respondents that the scope of public communications was too wide (paragraph 10).

Should any forms of communication be excluded from the scope of public communications?

31. In general, the form of communication should not determine whether a performance measure is a management performance measure.
32. However, narrowing the scope of public communications could address the risk discussed in paragraph 16(b) that the cost of checking a broad range of public communications exceeds the benefits. On the other hand, it could increase the risk that measures that would meet the definition of management performance measures are not identified as such, because they are used in communications which are excluded from the scope. However, as discussed in paragraph 30, the staff expect management performance measures to generally already be included in the specified communications listed in paragraph B79 of the Exposure Draft.
33. Hence, the staff think the advantages of providing a cost relief for entities by excluding specified forms of communication from the scope of public communications *for the purposes of defining a management performance measure* might outweigh the (potential) disadvantages of narrowing the scope.
34. The Board could narrow the scope of public communications by considering one of the following approaches:
 - (a) provide a mandatory, exhaustive list of specified public communications to consider when identifying management performance measures (such as in paragraph B79 of the Exposure Draft); or
 - (b) include in the scope of public communications only written forms of communication (including digital forms of communication); or
 - (c) exclude from the scope of public communications:
 - (i) oral communications; or
 - (ii) oral communications and transcripts; or
 - (iii) oral communications, transcripts, and social media posts.
35. The Appendix gives an overview of which types of communications would be in the scope as a consequence of applying the respective approaches described in paragraph 34(b)–(c).

Mandatory, exhaustive list of specified public communications

36. The staff think a mandatory, exhaustive list of specified public communications might not be a suitable approach as different jurisdictions have different forms of communication or label such communication in a different way.

Written communication

37. If the Board were to include only written forms of communication in the scope of public communications, it would have to make clear that it considers digital forms of communication to also be written communication—as in some jurisdictions ‘written’ does not refer to digital forms of communication (paragraph 14(a)(i)). The Board would also have to address specific cases, such as video recordings, which could be considered both ‘digital’ and ‘oral’ communication. In addition, limiting the scope to written forms of communication might not provide significant cost relief to entities as:
- (a) the staff expect oral communication to often be transcribed to written; and
 - (b) social media posts would still be in the scope, for which the staff expect that they would not include performance measures not already identified in other forms of communication (paragraph 30).

Oral communication

38. Likewise, excluding oral communication, although perhaps easier to apply than the notion of written communication, might not achieve a different outcome than including in the scope only written communication—as the staff expect oral communication to often be accompanied by transcripts and because social media posts, being both digital and written, would remain in the scope.

Oral communication, transcripts, and social media posts

39. To further reduce unnecessary costs, the Board could consider excluding from the scope of public communications not only oral communications but also:
- (a) transcripts; or
 - (b) transcripts and social media posts.
40. The approach described in paragraph 34(c)(iii) would narrow the scope of public communications significantly. Feedback from a few respondents to the Exposure

Draft had explained that some securities regulators exclude oral communications (including transcripts) and social media posts from the scope of regulation (paragraph 10). Furthermore, the staff do not expect such communications to include performance measures that have not already been included in other forms of communication, such as management commentary's or press releases.

41. The staff acknowledge that cost implications of different forms of public communications differ in that:
 - (a) purely oral communications may be more difficult to audit, as auditors may not be able to make use of technology to trace and evaluate such communications.
 - (b) social media posts might be more difficult to identify for entities who typically do *not* use such technology as the departments involved in the periodic reporting process (e.g., accounting, investor relations) typically differ from those departments that communicate social media posts (e.g., external communications). Hence, entities would have to implement new processes and controls to monitor these forms of communication.

42. Even though it is arguably less costly for entities to apply the requirements that include social media in the scope, the staff doubt this would lead to more management performance measures being identified—as the performance measures communicated in social media posts typically build on other forms of communication (e.g., management commentary, investor presentations) and it is generally not in the remit of external communications departments to 'create' additional performance measures.

43. The staff also considered suggesting narrowing the scope of public communications to forms of communication that are (see Appendix for an overview of the types of communications that would be in the scope as a consequence of applying the respective approaches):
 - (a) regulated; or
 - (b) provided regularly (in the periodic reporting process).

Regulated communication

44. For example, the scope of the ESMA Guidelines on Alternative Performance Measures is limited to 'regulated information'. However, the staff is of the view that

since what is regulated is jurisdiction-specific, limiting the scope to regulated forms of communication would put entities in jurisdictions where the scope of regulated information is wide at an unfair disadvantage (e.g., social media posts are regulated forms of communication in some jurisdictions).

Communication regularly provided in the periodic reporting process

45. The term ‘regular’ is not defined in IFRS Standards. In the staff’s view ‘regular’ would have to refer to ‘being provided regularly in the periodic reporting process’. In general, it might not be difficult to identify forms of communication that are provided regularly in the periodic reporting process. The staff expect that most entities (and auditors) would mainly incur one-off costs at the introduction stage of the new proposals. However, for some forms of communication, such as profit warnings, it might be unclear whether they would be considered as provided regularly in the periodic reporting process. In addition, the Board would have to clarify if a form of communication would still be considered as provided regularly if it was not provided consecutively (for example, not provided in one specific reporting period).
46. Furthermore, the Board would also have to address how to deal with newly introduced forms of communication or initial public offering documents—although the staff think this issue could be addressed by describing that ‘being provided regularly in the periodic reporting process’ would refer not only to forms of communication that have been provided regularly in the past but also to forms of communication for which the entity expects that they will be provided regularly in the future.
47. In addition, oral communication, transcripts, and social media posts are likely to also be provided on a regular basis. Hence, these forms of communications would still be in the scope of public communications, although the staff’s expectation is that no additional performance measures would be identified in these types of communication (paragraph 42).

Staff recommendation

48. In conclusion, the staff recommend the Board exclude from the scope of public communications oral communications, transcripts, and social media posts as the staff think such an approach would:

- (a) continue to meet the objective set out in paragraph BC156 of the Basis for Conclusions;
- (b) provide significant cost relief to entities and auditors; and
- (c) be easier to apply than other approaches considered.

Question for the Board

Does the Board agree with the staff recommendation to narrow the scope of public communications considered for the purposes of applying the definition of management performance measures to exclude oral communications, transcripts, and social media posts?

Appendix—Possible approaches to providing a cost relief for entities

Type of communication/scope	Include in the scope written communication (including digital communication)	Exclude from the scope oral communication (but <i>not</i> transcripts and social media posts)	Include in the scope communication that is regulated	Include in the scope communication provided regularly (in the periodic reporting process)	Staff recommendation: exclude from the scope oral communication, transcripts, and social media posts
Management commentary	In scope	In scope	Expected to be in scope	Expected to be in scope	In scope
Investor presentations	In scope	In scope	Expected to be in scope	Some expected to be in scope	In scope
Press releases	In scope	In scope	Depends on jurisdiction – diverse outcomes in respective jurisdictions expected	Some expected to be in scope	In scope
Video recordings	Not in scope	Not in scope ¹		Some expected to be in scope	Not in scope
Transcripts	In scope	In scope		Some expected to be in scope	Not in scope

¹ Could additionally be considered ‘digital communication’.

Type of communication/scope	Include in the scope written communication (including digital communication)	Exclude from the scope oral communication (but <i>not</i> transcripts and social media posts)	Include in the scope communication that is regulated	Include in the scope communication provided regularly (in the periodic reporting process)	Staff recommendation: exclude from the scope oral communication, transcripts, and social media posts
Social media posts	In scope	In scope	Depends on jurisdiction – diverse outcomes in respective jurisdictions expected	Some expected to be in scope	Not in scope
Ad-hoc announcements (e.g., profit warnings)	In scope	In scope		Probably not in scope	In scope
Initial public offering documents	In scope	In scope		Probably not in scope	In scope
Newly introduced communication other than initial public offering documents (e.g., introduction of a management commentary)	In scope if written	In scope if written		In scope if expected to be communicated regularly in the future (and if the Board clarifies that such communication would then be considered ‘provided regularly’)	In scope if not oral communication, transcript, or social media post