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Paris, le 05 juin 2014

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N° 15

M. Steven MAIJOOR
Chair
European Securities and Markets Authority
103, rue de Grenelle
75007 PARIS

Re: Consultation paper on Guidelines on Alternative Performance Measures

Dear Mr Maijoor,

I am writing to communicate the views expressed by the Board of the Autorité des Normes Comptables (ANC) on 5th June 2014 on the above-mentioned consultation paper.

The ANC welcomes the opportunity to provide its perspectives on the guidelines that ESMA proposes to apply as regards Alternative Performance Measures (APMs). We consider it important that issuers and NCAs agree and understand how APMs should be applied and how enforcement will ensue.

APMs are indeed not only widely used by issuers but also very diversified by nature in that management has discretion about the APMs it wants to communicate upon to reflect the way they see their business. It is therefore extremely important that parties interested in the issuers are able to understand the way they are defined so as to make informed decisions, which includes being in a capacity to compare with other issuers, as well as to compare with measures stemming from financial statements.

However, we have some concerns as to the proposed guidelines which most importantly but not exclusively are scope issues as explained hereafter.

Financial statements performance measures

We understand that the draft guidelines are proposed to apply to “the presentation of APMs by issuers in publications such as financial statements and management report [...] and public disclosures[...]”.

We note that APMs defined in the financial statements are proposed to be exempted from reconciliation to the most relevant amount presented in the financial statements, as this obviously is self-explanatory. However, such APMs would not be exempted from disclosure in the list giving definitions of the APMs used which would be required to be appended to each public document.

We note that IFRS provide little guidance as to the headings, subtotals and line items in IFRS financial statements and especially with respect to the statement of profit or loss and other comprehensive income. Issuers therefore present such headings, subtotals and line items as they see necessary in their financial statements and in compliance with other requirements in IAS 1. As the Consultation paper points out, IFRS financial statements are considered by ESMA to provide the most relevant numbers to be reconciled to as these are subject to supervision and enforcement but also to external audit. In addition, we note that the IASB is proposing to provide more guidance related to such headings, subtotals and line items as part of its disclosure initiative (ED/2014/1, §§85A-B).

Therefore, as any presented headings, subtotals, line items within IFRS financial statements are defined and reconciled by definition within the financial statements, and, in accordance with IFRS, are applied consistently over time, we consider the requirement to disclose the definition of these APMs for each public document where they are used to be not only unnecessary but also overly burdensome in addition to potentially adding confusion, all of this with limited, if any, additional usefulness. Where used in other public documents, those specific APMs should be referred back to the annual or half-yearly report where they have been defined and reconciled within the IFRS financial statements.

We understand that ESMA has recently expressed concerns towards the IFRS Interpretations' Committee about such items included in the financial statements not being homogeneous. We however consider that these concerns should be resolved within the IFRS set of standards, if considered necessary, and not with requirements which would in effect attempt to compensate for perceived deficiencies of the applicable financial reporting framework.

Emphasis of APMs vs measures stemming directly from financial statements

Whilst we understand and concur with the need to contrast APMs to measures stemming directly from financial statements, we are not convinced that the presentation of the latter necessarily needs to be more prominent than the former, as long as it is provided. Such a requirement in effect would undermine the objective of APMs themselves which is to provide the possibility for management to tell their business as they see it. In addition, it is not clear how ESMA proposes that this be applied. As long as the reconciliation between APMs and the nearest subtotal under IFRSs is provided, we think the only need for users of the financial statements would be to have a clear view on the elements being part of the reconciliation.

In this respect, we note that the last question refers to neutrality, without defining it, and we question the notion in the context of the "through the eyes of management perspective".

Non-financial statements performance measures

The ANC considers that more clarity needs to be provided as to what type of measures are included, especially as regards measures which are based on financial statement performance measures.

Our understanding of the proposals is that such measures are included in the scope of the proposed guidelines as per §22 of the Consultation Paper. However §24 of the same Paper seems to contradict that understanding. In view of our previous comment, we consider that quantitative measures designed to demonstrate or illustrate financial statement performance measures should not be included in the scope of the guidelines.

List of measures appended to and reconciliation to financial statements' numbers in each public document

The ANC is concerned that the proposed list of APMs and reconciliations that are to be provided which each published document is overly burdensome. There may be other ways to make the same information available such as, as previously explained, by referring to the annual or half-yearly report where these are included, where applicable.

In addition, for consistency purposes, we consider that the guidelines on APMs, subject to our previous comments, should also be applicable to prospectuses and other related documents, which include APMs, except for other measures and information which have specific requirements set out in the Prospectus Directive or Prospectus Directive implementing regulation, as is currently the case in France under AMF Position-Recommandation n° 2010-11 dated 17 November 2010.

As a concluding remark, we note that the fact that issuers feel the need to communicate on APMs that differ from items stemming from IFRS financial statements could and should be reflected upon in terms of the relevance of information resulting from the application of IFRS standards themselves.

If you have any questions concerning our comments, we would be pleased to discuss them with you.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Gérard Gil', is written over a horizontal line.

Gérard Gil
ANC Board Member
ANC IFRS Commission Chair