

PRESS RELEASE

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For immediate release

**Performance reporting and the pitfalls of non-GAAP metrics:
speech by Hans Hoogervorst**

Hans Hoogervorst, Chairman of the International Accounting Standards Board (the Board), has today highlighted the consequences of increased use of non-GAAP metrics in company reporting, and the associated challenges with defining performance.

Speaking at the annual conference of the European Accounting Association in Maastricht, the Netherlands, Mr Hoogervorst observed that there is evidence of increasing use of non-GAAP measurement, and that the difference between GAAP and non-GAAP numbers is widening.

He called for remuneration committees and investors to be aware of the potential pitfalls of basing policies and decisions on non-GAAP figures, which are often 'sugar-coated' adjustments made by management.

While cutting back on the use of non-GAAP measures is predominantly the task of securities regulators, Mr Hoogervorst believes the Board also has a role to play. IFRS Standards currently provide relatively little detail on the formatting of the income statement, which can encourage the use of non-GAAP measures.

Outlining potential remedies the Board may consider, Mr Hoogervorst said:

“We may need to define more subtotals in the income statement; provide a definition of operating income which does not allow for obfuscating restructuring or impairment charges; and create a rigorous definition of the commonly used non-GAAP metric EBIT. We may have to do all of the above – and maybe more.”

Mr Hoogervorst did, however, reaffirm that the bottom line, profit or loss, will remain the most important performance measure over time:

“No one can predict the extent to which seemingly extraordinary elements of income are recurring and not. That is why it is important that the bottom line is as inclusive as possible and that it shows everything, warts and all.”

In his speech, Mr Hoogervorst also recognised the importance of academic research in standard-setting and called upon academics to remain active in reviewing and commenting on IFRS Standards and the standard-setting process.

The full speech is available [here](#).

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About the IFRS Foundation

The IFRS Foundation is an independent, not-for-profit organisation, overseen by a Monitoring Board of public authorities. Its vision of a single set of global accounting standards is supported by G20 leaders and other international organisations with responsibility for the global financial system.

The mission of the IFRS Foundation is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world, fostering trust, growth and long-term financial stability. The International Accounting Standards Board is the standard-setting body of the IFRS Foundation, made up of independent experts from diverse professional and geographical backgrounds. IFRS Standards are adopted by more than 100 countries globally.

For detailed information on the organisation's structure, the standard-setting process and the spread of IFRS Standards, visit www.ifrs.org.