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Performance Reporting


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Scope of discussion

- **Performance Reporting is about presentation of financial performance**
 - Definitions of reporting principles, objectives and formats are needed
 - Definition of financial performance
 - Reporting guidelines and frameworks would be beneficial for investors, prepares and regulators
 - Comparability of financial statements


- **Performance reporting is not about recognition of income**
 - The public discussion and the standard setters should focus on presentation
 - The need for revolutionary ideas in performance reporting is rather limited

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The objective: True, open and fair presentation (1)

- **True:**
 - The economic substance of the insurance business models must be reflected in the accounting model
 - The economic substance of earnings must be reflected in the definition of performance
 - The accounting model must allow for an intra and inter industry comparison of the financial performance
 - Accounting models must become more simple and thereby easier to understand, to explain and to use
 - Accounting models should not be subject to **drastic** and **frequent** changes. Figures do not become more true if computed with a more sophisticated methodology.
- **Open:**
 - Complete disclosure of relevant facts, circumstances and developments
 - Industry wide performance measures would be helpful to demonstrate openness and integrity; they should be developed by the industry
 - Transparent disclosure

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The objective: True, open and fair presentation (2)

- **Fair**
 - The investor should receive the same **business insight** as the management has.
 - The financial statements cannot reflect the full management view and therefore a separated MD&A or **management commentary** section is needed.
 - **Guidelines** addressing appropriate and fair MD&A presentations should be implemented. This can be done very simple, like:
 - Disclosure principles in respect of language, format and contend
 - Requirement for completeness of information
 - Use of Non-IFRS Measures
 - The industries must have the **flexibility** to change the way of financial reporting, if the underlying business changes. Flexibility is needed and is anyhow very much limited by the markets.
 - The financial reporting formats must be **simple** to understand. There can only be **one** income statement, which should reflect the financial **performance** of the period under review.

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Conclusions:

- Timely completion of IFRS 4 Phase 2 is **mandatory** for fair reporting.
- The Performance Reporting Project or other IASB projects (e.g. IAS 37) should **not** intervene with the results of phase 2.
- Unrealized gains and losses should not be considered as income of a period.
- The split under IFRS between Financial Statements and Management Commentary is **overdue**.
- There can be only **one** format to disclose the income of a period.