
IASB[®] meeting

Date	December 2024
Project	Management Commentary
Topic	Cover paper
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS[®] Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB[®] *Update*.

Background

1. In June 2024, the International Accounting Standards Board (IASB) decided to finalise the Management Commentary project by making targeted refinements to the proposals in the Exposure Draft *Management Commentary* (Exposure Draft).
2. In September 2024, the IASB discussed the approach to possible targeted refinements set out in [Agenda Paper 15A Scope of possible refinements](#) for that meeting. The IASB noted that possible targeted refinements to the proposals in the Exposure Draft will be presented to the IASB for discussion if:
 - (a) many respondents questioned a particular aspect of the proposals, or asked for clarifications (for example, the relationship between the concepts of key matters and materiality); or
 - (b) a possible refinement relates to developments in the reporting landscape, such as the publication of the inaugural IFRS Sustainability Disclosure Standards and the IFRS Foundation taking ownership of the Integrated Reporting Framework (for example, the supporting description of the term 'ability to create value and generate cash flows').
3. Agenda Paper 15A included an appendix setting out topics identified for discussion.

Topics previously discussed

4. The IASB discussed the following topics at its September 2024 meeting:
 - (a) scope of possible targeted refinements;
 - (b) targeted refinements to proposals in Chapters 1–3 of the Exposure Draft; and
 - (c) indicative drafting—targeted refinements to proposals in Chapters 1–3 of the Exposure Draft.

5. The IASB discussed the following topics at its November 2024 meeting:
 - (a) the design of disclosure objectives;
 - (b) the definition of ‘material’; and
 - (c) the requirement to focus key matters.

6. Appendix A provides a summary of the IASB’s discussions and tentative decisions to date.

Papers for this meeting

7. The following papers will be discussed at this meeting:
 - (a) Agenda Paper 15A *Targeted refinements—Areas of content and related topics*.
This paper:
 - (i) recommends acknowledging in the main part of the Practice Statement that management commentary provides material information about governance-related matters as necessary to meet its overall objective set out in Chapter 3 and the disclosure objectives set out in Chapters 5–10;
 - (ii) discusses the location of requirements on information about opportunities and requests from some respondents for an exemption for commercially sensitive information; and

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- (iii) considers IFRS Sustainability Disclosure Standards in the context of the proposed areas of content and Appendix B of the Exposure Draft, which provides an overview of requirements and guidance that would apply to reporting on matters that could affect an entity's long-term prospects, intangible resources and relationships and environmental, social and governance (ESG) matters.
 - (b) Agenda Paper 15B *Targeted refinements—Terminology and supporting explanations*. This paper recommends:
 - (i) aligning the terminology used in the Exposure Draft with the terminology used in the *Conceptual Framework* for the same attribute;
 - (ii) retaining the plain language used in the supporting explanations for those attributes;
 - (iii) replacing the term 'investors and creditors' with the term 'primary users of general purpose financial reports';
 - (iv) clarifying that an entity's ability to create value for itself—and hence to generate cash flows—is inextricably linked to the value the entity creates, preserves or erodes for other parties, the economy and the natural environment across all time horizons, including in the long term; and
 - (v) removing the observation that some people refer to the value an entity creates for itself as 'enterprise value'.
 - (c) Agenda Paper 15C *Targeted refinements—Coherence*. This paper recommends:
 - (i) clarifying that the role of coherence includes effectively depicting the interactions between various matters;
 - (ii) specifying that coherence relates to information in management commentary and other general purpose financial reports provided by the entity, including the related financial statements and sustainability-

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- related financial disclosures, if those disclosures are provided in general purpose financial reports outside management commentary; and
- (iii) giving greater prominence to the attribute of coherence by positioning the requirements and guidance on coherence in a separate chapter in the revised Practice Statement.
- (d) Agenda Paper 15D *Due process steps*. This paper:
- (i) asks the IASB to consider whether it should finalise the revised IFRS Practice Statement 1 *Management Commentary* (revised Practice Statement) without re-exposing it for another round of public comments;
 - (ii) sets out the steps in the [IFRS Foundation Due Process Handbook](#) (Due Process Handbook) that the IASB has taken in developing the revised Practice Statement and asks the IASB to confirm that it is satisfied that all the mandatory due process steps have been taken;
 - (iii) requests permission for the staff to begin the balloting process for the revised Practice Statement; and
 - (iv) asks whether any IASB member intends to dissent from issuing the revised Practice Statement.

Next steps

8. The IASB will begin the balloting process for finalising the revised IFRS Practice Statement 1 *Management Commentary*. The IASB expects to issue the revised Practice Statement in the first half of 2025.

Appendix A—Summary of IASB discussions and tentative decisions to date

Date	Topic	IASB discussions and tentative decisions
June 2024	Project direction (Agenda Paper 15)	The IASB met to discuss the direction of the project. The IASB decided to finalise the project by making targeted refinements to the proposals in the Exposure Draft <i>Management Commentary</i> .
September 2024	Scope of possible targeted refinements (Agenda paper 15A)	The IASB discussed its approach to redeliberations and the scope of possible targeted refinements to proposals in the Exposure Draft <i>Management Commentary</i> . The IASB was not asked to make any decisions.
September 2024	Targeted refinements to proposals in Chapter 1–3 of the Exposure Draft (Agenda Paper 15B)	<p>The IASB tentatively decided to clarify that:</p> <ul style="list-style-type: none"> (a) the term ‘management’ can include a governing board of an entity; and (b) the revised Practice Statement does not specify who is required to authorise management commentary for issue. <p>The IASB tentatively decided to acknowledge in the objective of management commentary:</p> <ul style="list-style-type: none"> (a) the concept of management’s perspective. (b) information about sustainability-related factors. <p>The IASB tentatively decided:</p> <ul style="list-style-type: none"> (a) to acknowledge that management commentary complements other information in general purpose financial reports, including information in sustainability-related financial disclosures, if that information is provided outside of management commentary. (b) to extend the requirements for identifying the financial statements related to management commentary to identifying sustainability-related financial disclosures, if these disclosures are not part of the larger report that includes management commentary. (c) to require an entity to disclose the basis on which sustainability-related financial disclosures are prepared, if an entity prepares such disclosures. (d) to give greater prominence to the requirements that apply to situations in which an entity is required by local law or regulation to include specific information in management commentary. <p>The IASB tentatively decided:</p>

Date	Topic	IASB discussions and tentative decisions
		<p>(a) to make the definition of ‘general purpose financial statements’ consistent with the definition set out in IFRS 18 <i>Presentation and Disclosure in Financial Statements</i> and in the <i>Conceptual Framework for Financial Reporting</i>; and</p> <p>(b) to include in the defined terms the definition of ‘sustainability-related financial disclosures’ set out in IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i>.</p>
September 2024	Indicative drafting—targeted refinements to proposals in Chapters 1–3 of the Exposure Draft (Agenda Paper 15C)	The IASB discussed indicative drafting changes to the proposals in Chapters 1–3 in the Exposure Draft. The IASB was not asked to make any decisions.
November 2024	Targeted refinements—Design of disclosure objectives (Agenda paper 15A)	The IASB tentatively decided to simplify the disclosure objectives proposed in the Exposure Draft <i>Management Commentary</i> by changing the assessment objectives from requirements to explanations.
	Targeted refinements—Material information (Agenda paper 15B)	<p>The IASB tentatively decided to align the proposed definition of ‘material’ more closely with the definitions in the <i>Conceptual Framework for Financial Reporting</i> and IFRS Standards by:</p> <p>(a) referring to decisions made on the basis of the entity’s general purpose financial reports, which include the management commentary and the related financial statements;</p> <p>(b) stating in the definition that those reports provide information about a specific reporting entity; and</p> <p>(c) replacing the defined term ‘material’ with the term ‘material information’.</p>
	Targeted refinements—Key matters (Agenda paper 15C)	<p>The IASB discussed targeted refinements:</p> <p>(a) to clarify the role of the requirement to focus on key matters, including how it relates to the disclosure objectives and the requirement to provide material information;</p> <p>(b) to improve the terminology used to refer to key matters; and</p>

Date	Topic	IASB discussions and tentative decisions
		(c) to distinguish between the requirement to focus on key matters relating to each area of content and the requirement to provide coherent information about various matters affecting the entity. The IASB was not asked to make any decisions.