IFRS Accounting

Staff paper

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Project	**Management Commentary**
Topic	**Targeted refinements—Areas of content and related topics**
Contacts	Jaco Jordaan (jjordaan@ifrs.org) Yulia Feygina (yfeygina@ifrs.org) Matt Chapman (mchapman@ifrs.org)

Purpose

1. This paper discusses possible targeted refinements to areas of content and related topics in the Exposure Draft *Management Commentary* (Exposure Draft) and asks the International Accounting Standards Board (IASB) to make decisions on aspects of these proposals for which the staff are recommending making targeted refinements. It covers:

   (a) areas of content proposed in chapters 5–10 of the Exposure Draft; and

   (b) the 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 provided with illustrative examples in Appendix B of the Exposure Draft.

Structure of the paper

2. The paper is structured as follows:

   (a) introduction (paragraphs 4–8);

   (b) information about governance-related matters (paragraphs 9–24);

(c) information about opportunities (paragraphs 25–45); and

(d) consideration of IFRS Sustainability Disclosure Standards (paragraphs 46–60).

3. Appendix A provides an extract from the requirements in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* on commercially sensitive information.

Introduction

4. The Exposure Draft proposed disclosure objectives for six areas of content:

(a) the entity's business model;

(b) management's strategy for sustaining and developing that business model, including the opportunities management has chosen to pursue;

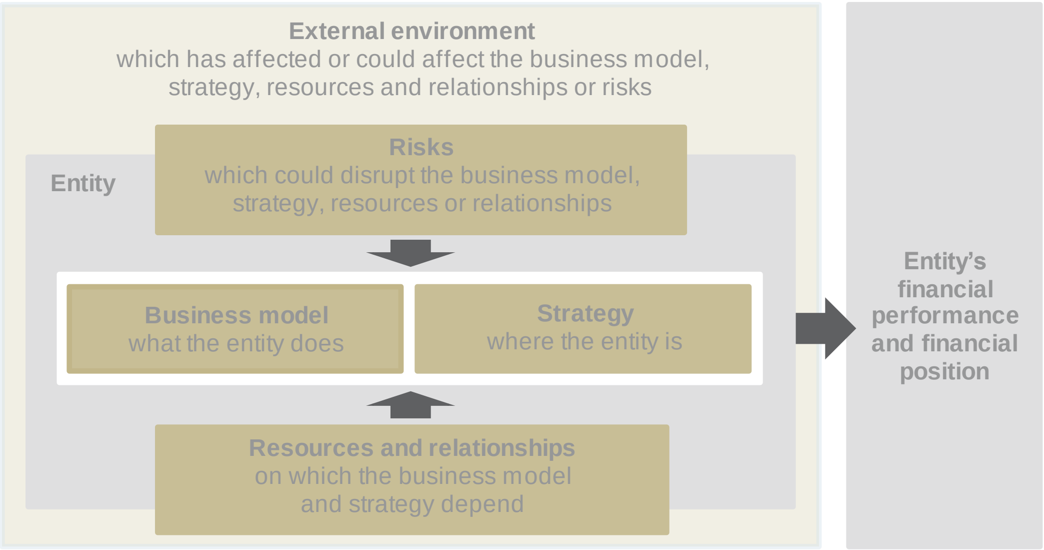
(c) the entity's resources and relationships, including resources not recognised as assets in the entity's financial statements;

(d) risks to which the entity is exposed;

(e) the entity's external environment; and

(f) the entity's financial performance and financial position—including how they have been affected or could be affected in the future by the matters discussed for the other areas of content.

Figure 1—Relationships between the six areas of content in management commentary



5. In deciding on the structure of the areas of content, the IASB considered the structure of frameworks such as those developed by the Taskforce on Climate-related Financial Disclosures (TCFD) and the Integrated Reporting Framework.

6. Paragraph BC68 of the Basis for Conclusions on the Exposure Draft, as well as the note to paragraph 4.5 of the Exposure Draft, explained that the IASB did not propose to *require* an entity to apply the structure, sequence or headings of the areas of content proposed in the Exposure Draft in preparing its management commentary.

7. The IASB noted particular interest in information about matters that increasingly affect the entity's ability to create value and generate cash flows, including in the long term—for example, information about intangible resources and relationships and about ESG matters. The proposed requirements and guidance that would apply to reporting on these topical matters were included throughout the Exposure Draft rather than in a separate section. The Exposure Draft also included an appendix with an overview of those requirements and guidance, together with illustrative examples.

8. There was broad support from respondents for the areas of content and for the disclosure objectives for those areas of content proposed in the Exposure Draft. Most respondents commented on these aspects of the proposals and, of those commenting, most respondents of all types expressed unqualified support or suggested only limited changes. There was also broad support for the proposed requirements and guidance that would apply to reporting on matters that could affect an entity's long-term prospects, intangible resources and relationships and ESG matters. This paper considers suggestions:

   (a) to add requirements to provide governance-related information in management commentary (see paragraphs 9–24);

   (b) to include requirements relating to opportunities together with 'risks' rather than together with 'strategy' and to provide an exception for commercially sensitive information (see paragraphs 25–45); and

   (c) to promote connectivity with IFRS Sustainability Disclosure Standards (see paragraphs 46–60).

Information about governance-related matters

Recap of the proposals

9. The IASB did not propose explicit requirements on reporting on an entity's governance. The IASB noted that local laws typically regulate governance and may require entities to provide specified information. However, paragraph B12 of Appendix B in the Exposure Draft explained that management commentary may provide insights into aspects or consequences of an entity's governance. For example, some insight may be drawn from management's description of its strategy, from information on progress in managing key matters, or from information about differences between metrics used for incentive plans and metrics used for monitoring progress in implementing management's strategy.

Feedback received

10. Many of those commenting on the requirements and guidance on the topical matters described in paragraph 7—including many standard-setters, accountancy bodies, accounting firms and investors—expressed a view that the Practice Statement should explicitly address reporting on governance-related matters in management commentary. This feedback is summarised in paragraphs 11–12 of this paper. See paragraphs 39–45 and the appendix to Agenda Paper 15B *Feedback summary—Long-term prospects, intangibles and ESG matters* for the April 2022 IASB meeting for more detailed feedback on this topic.

11. Almost all of those commenting on governance, including almost all investors commenting, suggested that reporting should focus on how governance-related matters could affect the entity's ability to create value and generate cash flows.

12. Some respondents commented specifically on *how* to incorporate requirements and guidance on reporting on governance-related matters in the Practice Statement, including:

    (a) some suggested that such requirements and guidance should be incorporated throughout requirements for areas of content, similar to the requirements and guidance on environmental and social matters; and

    (b) some suggested adding 'governance' as a distinct area of content.

Subsequent developments

IFRS Sustainability Disclosure Standards

13. In June 2023, the International Sustainability Standards Board (ISSB) issued the inaugural IFRS Sustainability Disclosure Standards, IFRS S1 and IFRS S2 *Climate-related disclosures*. The 'core content' sections of these Standards, which require an entity to provide information about its sustainability-related risks and opportunities, are aligned with the 'core pillars' in the recommendations of the TCFD:

(a) governance;

(b) strategy;

(c) risk management; and

(d) metrics and targets.

14. In IFRS Sustainability Disclosure Standards, 'governance' relates to the governance of sustainability-related risks and opportunities, rather than governance matters in general.

Integrated Reporting Framework

15. In August 2022, the Integrated Reporting Framework became part of the materials of the IFRS Foundation following the consolidation of the IFRS Foundation with the Value Reporting Foundation. In May 2023, the staff presented to the IASB an analysis of similarities and differences between the Exposure Draft and the Integrated Reporting Framework (see Agenda Paper 15A *Education Session—Comparison between Management Commentary Exposure Draft and the Integrated Reporting Framework*). The staff observed that the requirements proposed in the Exposure Draft and the Integrated Reporting Framework should result in similar information being provided in the reports, even though there are differences in how the requirements are specified. A more substantive difference is that the Integrated Reporting has detailed requirements relating to governance-related information in a separate area of content.

16. Following the IASB's decision to finalise the Management Commentary project, the staff and members of the IASB attended the June 2024 Integrated Reporting and Connectivity Council (IRCC) meeting followed by more in-depth discussions with members of the IRCC[1] and representatives of the Integrated Reporting Communities to seek their input on possible targeted refinements to the IASB's proposals to facilitate greater alignment between the revised Practice Statement and the Integrated

[1] ircc-terms-of-reference-2022.pdf (ifrs.org)

Reporting Framework. As part of these discussions, the staff invited views on a possible targeted refinement to clarify that management commentary provides material information about governance-related matters that could impact that entity's ability to create value and generate cash flows.

17. Most of these integrated reporting stakeholders supported including an explicit statement in the revised Practice Statement that management commentary should provide material information about governance-related matters. However, some of these stakeholders recommended including specific requirements relating to governance-related matters in a separate area of content, which they suggested would also facilitate connectivity with IFRS Sustainability Disclosure Standards.

Staff analysis

18. The staff acknowledge the feedback from respondents who asked the IASB to increase the prominence of requirements to provide information relating to governance matters that could affect the entity's ability to create value and generate cash flows.

19. The staff note that paragraph 4.5 of the Exposure Draft states:

> Management evaluates whether the information needed to meet the disclosure objectives for the areas of content is sufficient to meet the objective of management commentary set out in paragraph 3.1. If the information is insufficient, management identifies additional information needed to meet that objective.

20. Therefore, if there is material information about a governance-related matter that could affect the entity's ability to create value and generate cash flows, an entity would be required to disclose it even in the absence of a specific requirement. Furthermore, there are several disclosure objectives across areas of content that touch on governance-related matters, including the examples given in paragraph B12 of the Exposure Draft.

21. Furthermore, paragraph 4.16 of the Exposure Draft observes that investors and creditors are particularly interested in information about matters that could affect an entity's long-term prospects, including governance matters. Paragraph 4.17 of the Exposure Draft states that management commentary provides material information about such matters to meet its overall objective set out in Chapter 3 and the disclosure objectives set out in Chapters 5–10.

22. The staff therefore think that there is already an implicit requirement to provide material information about governance-related matters that could affect the entity's ability to create value and generate cash flows. Considering that the IASB's agreed approach to its redeliberations is to focus on targeted refinements only, the staff think that this requirement can be made more explicit without creating a separate area of content for governance or adding additional specific disclosure requirements to the existing areas of content.

23. The staff think that the statement in paragraph B12 of the Exposure Draft that management commentary might provide insights into some aspects of an entity's governance should be clarified to say 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. The staff also think it would be appropriate to increase the prominence of this statement by moving it into the main body of the Practice Statement.

Staff recommendation

24. The staff recommend acknowledging in the main body 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.

Question 1 for the IASB

Do you agree with the staff recommendation in paragraph 24 to acknowledge in the main body 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?

Information about opportunities

Recap of the proposals

25. As part of the Strategy area of content, paragraph 6.6(a) of the Exposure Draft proposed to require management commentary to provide information about the drivers of management's strategy, including the opportunities management has chosen to pursue.

26. The Risks area of content proposed in the Exposure Draft would require information about how the entity manages risks that could disrupt the entity's business model, its strategy or its resources and relationships. The External environment area of content would require information about the factors or trends in the external environment that have affected or could affect the entity, both positively and negatively.

27. The Exposure Draft proposed no exception for commercially sensitive information. Paragraph BC113 of the Basis for Conclusions explained that:

> The Board's Management Commentary Consultative Group discussed whether there should be an exception permitting an entity not to disclose information that is material but commercially sensitive. Members of the Consultative Group expressed mixed views. Furthermore, the disclosure requirements of IFRS Standards do not generally include exceptions for commercially sensitive information: there is an exception in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, which applies only to 'extremely rare' cases in which disclosure of information could prejudice seriously the entity's position in a dispute with other parties.

Feedback received

28. Although most respondents supported the proposed areas of content (see paragraph 8), some respondents suggested broadening the Risks area of content to include both risks (possible future developments or events that could negatively affect the achievement of an entity's aims) and opportunities (possible future developments or events that could positively affect the achievement of those aims). Those respondents argued that:

    (a) although opportunities are covered in the Strategy area of content, within that area of content the term is used with a meaning other than 'upside potential'. It is used to mean the options, possibilities or paths that management has chosen to pursue. Referring only to opportunities linked to the strategies management has chosen to pursue is, they argued, too restrictive.

    (b) if the Practice Statement gives insufficient prominence to future developments and events with upside potential, there is a possibility that an entity's management commentary will provide an incomplete and unbalanced view of the uncertainties affecting the entity's future prospects.

    (c) it is important to acknowledge that some of the most important contemporary risks—for example, climate change—could have both downside and upside potential.

29. In contrast, a few investors expressed support for the proposals to identify risks (but not opportunities) as a separate area of content, and to include disclosure objectives for information about opportunities within the Strategy area of content. These investors suggested that:

    (a) structuring the requirements in this way could help to counteract the tendency for management commentary to place undue emphasis on positive aspects of the entity's performance and prospects; and

    (b) the opportunities that are most relevant to an assessment of an entity's future prospects are those that management has chosen to pursue.

30. Some respondents suggested adding an exception for commercially sensitive information. Suggestions for exceptions included:

    (a) providing an exception like that in IAS 37 for information whose disclosure would seriously prejudice the interests of the entity;

    (b) limiting such an exception to information about impending developments or matters in the course of development; or

    (c) combining an exception with a requirement to disclose summarised information about the matter if such information could be disclosed without seriously prejudicing the interests of the entity.

31. See paragraphs 43–51 of Agenda Paper 15E *Feedback summary—Disclosure objectives and areas of content* for the March 2022 IASB meeting for more detailed feedback on this topic.

Subsequent developments

32. IFRS Sustainability Disclosure Standards require disclosure of information about sustainability-related risks and opportunities. Consequently, disclosure requirements for opportunities are pervasive and included together with disclosure requirements for risks. For example, both the Strategy and the Risk management sections of IFRS S1 and IFRS S2 address both risks and opportunities.

33. IFRS S1 specifies a targeted exemption from providing information about a sustainability-related opportunity if that information is commercially sensitive. The exemption applies in limited specified circumstances. For example, an entity would not qualify for the exemption unless disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity and disclosure of information on an aggregated basis is not possible. An entity that applies the exemption is required to disclose that it has done so for each item of information omitted. Appendix A

provides an extract from the requirements in IFRS S1 on commercially sensitive information.

Staff analysis

Location of requirements

34. In the process of developing the proposals, the staff discussed whether to include requirements to provide information about opportunities as part of the Risk or Strategy areas of content with the Management Commentary Consultancy Group. Agenda Paper 15C *Strategy* for the April 2020 IASB meeting discussed the rationale for requiring management commentary to provide information about the opportunities that management has chosen to pursue as part of the discussion of management's strategy for sustaining and developing the entity's business model:

> Investors have highlighted the importance of discussing opportunities that management chose to pursue and its rationale for doing so. That information is useful both for assessing management's stewardship of the entity's economic resources and assessing how the pursuit of such opportunities might shape the entity's future financial performance and its future cash flows. Management commentary may discuss various types of opportunities that management chooses to pursue.
>
> […]
>
> Opportunities are discussed as part of strategy given that there are a multitude of opportunities in entities' operating environment but investors are interested in those seized or pursed by management and its rationale for selecting such opportunities.[2]

35. The interplay between risk and opportunities is acknowledged in the Exposure Draft across different areas of content:

    (a) strategy—the note under paragraph 6.6(a) acknowledges that responding to risks could be a driver of management's strategy;

[2] See paragraph 61(a) and the first item of the table in Appendix B of the April 2020 Agenda Paper 15C *Strategy*.

(b) risks—there is a link under paragraph 8.1 to the requirement in paragraph 6.6 to provide information on the opportunities that have driven management's strategy for sustaining and developing the entity's business model; and

(c) external environment—the examples of key factors or trends in the entity's environment in paragraph 9.9 discuss possible negative and positive impacts on the entity and therefore capture the 'upside potential' which respondents referred to in advocating combining information about risks and opportunities in a single area of content.

36. The staff note that feedback from investors supports the IASB's original decision to specify separate disclosure requirements for information about risks that an entity is exposed to and about the opportunities that management has chosen to pursue (see paragraph 29).

37. The staff also note that the note accompanying paragraph 4.5 of the Exposure Draft acknowledges that the areas of content are interrelated and that information provided to help meet the disclosure objectives for one area might also help meet the disclosure objectives for other areas. The proposals in the Exposure Draft contain requirements to provide material information to investors about both risks and opportunities. An entity may decide to organise its management commentary to provide information about risks and opportunities together, even if the requirements in the revised Practice Statement relating to risks and opportunities are specified in different areas of content.

38. Finally, that staff observe that the structure of the requirements for reporting on opportunities in the revised Practice Statement is not comparable to the structure of the requirements in IFRS Sustainability Disclosure Standards because disclosure requirements for opportunities are included together with disclosure requirements for risks throughout those.

39. The staff therefore think that the location of requirements relating to opportunities proposed in the Exposure Draft should be retained.

Commercially sensitive information

40. The staff considered requests for an exception to be included for commercially sensitive information, noting that IFRS S1 includes an exemption for information about sustainability-related opportunities in limited circumstances. Furthermore, as part of the Business Combinations—Disclosures, Goodwill and Impairment project, the IASB proposed an exemption from disclosing specified information about a business combination if doing so can be expected to prejudice seriously the achievement of any of the acquirer's acquisition-date key objectives for the business combination.[3] The IASB is in the process of considering feedback on this proposal. However, the staff think it is necessary to consider the differences in requirements relating to information about opportunities proposed in the Exposure Draft, the requirements in IFRS S1 and the proposed requirements relating the business combinations.

41. In the Exposure Draft, paragraph 6.6(a) requires management commentary to provide information about the drivers of management's strategy, including the opportunities management has chosen to pursue. Paragraph 15.7 provides examples of information about the drivers of management's strategy that might be material:

    (a) descriptions of what is driving the strategy and why;

    (b) assumptions about the external environment driving the strategy (for example, assumptions about trends in customer demand)—what the assumptions are, their bases and the time horizons they cover; and

    (c) if the drivers of the strategy differ from those discussed in management commentary for the previous reporting period, an explanation of how they have changed and why.

42. The proposals in the Exposure Draft would require an entity to provide high-level, aggregate information about how the opportunities that management has chosen to

[3] See paragraphs B67D–B67G of the Exposure Draft *Business Combinations—Disclosures, Goodwill and Impairment*.

pursue drive their strategy. The staff think that an entity would be able to meet the objectives of the disclosure requirements in the revised Practice Statement without prejudicing seriously the economic benefits the entity would otherwise be able to realise in pursuing specific opportunities. This is different from the requirements in IFRS S1, which require more granular information about sustainability-related risks and opportunities. It is also different from the proposed requirements relating to business combinations, which require granular information about a business combination. The staff are therefore of the view that an exception from the requirements in paragraph 6.6(a) on the grounds of commercial sensitivity is unnecessary.

43. Furthermore, the staff note that paragraph 2.6 in the Exposure Draft permits an entity to include a qualified statement of compliance:

> Management commentary that complies with some, but not all, of the requirements of this [draft] Practice Statement may include a statement of compliance. However, that statement shall be qualified, identifying the departures from the requirements of this [draft] Practice Statement and giving the reasons for those departures.

44. Therefore, in the unlikely scenario that an entity concludes that it is unable to provide information about the opportunities management has chosen to pursue at an aggregate level without prejudicing seriously the economic benefits the entity would otherwise be able to realise in pursuing these opportunities, it can provide a qualified statement of compliance identifying commercial sensitivity as the reason for departure.

45. Therefore, the staff think that it is not necessary to include an exception for information about opportunities in the case of commercial sensitivity.

Question 2 for the IASB
Do IASB members have questions or comments on staff analysis in paragraphs 39–45?

Consideration of IFRS Sustainability Disclosure Standards

Areas of content

46. As noted in paragraph 13, the 'core content' sections of IFRS Sustainability Disclosure Standards, which require an entity to provide information about its sustainability-related risks and opportunities, are aligned with the 'core pillars' in the recommendations of the TCFD:

    (a) governance;

    (b) strategy;

    (c) risk management; and

    (d) metrics and targets.

47. The Exposure Draft proposed to require an entity to disclose information about its business model, strategy (including opportunities management has chosen to pursue), resources and relationships, risks, external environment and financial performance and position. As discussed in paragraph 7, requirements that would apply to reporting on particular matters—such as governance-related matters—are embedded across areas of content rather than being positioned as a separate area of content. Similarly, there is no separate *area of content* on metrics and targets in the Exposure Draft, which states that material information relating to all areas of content is likely to include metrics, and provides requirements for metrics as a separate chapter in Part C of the Exposure Draft, on the *selection and presentation of information*.

48. Although most respondents asked for connectivity between the revised Practice Statement and the Standards issued by the ISSB, most respondents also expressed unqualified support for, or suggested only limited changes to, the areas of content proposed in the Exposure Draft and for the proposed disclosure objectives for those areas of content. The staff think that any differences in the *structure* of requirements do not necessarily imply a lack of connectivity and in fact may be appropriate. For example, as discussed in paragraph 32, IFRS Sustainability Disclosure Standards

address reporting on opportunities together with risks across all the requirements in those Standards, consistent with the objective set out in IFRS S1 to require an entity to disclose information about its sustainability-related *risks and opportunities* (emphasis added). In contrast, the revised Practice Standard would focus on disclosure of opportunities *as drivers of management's strategy* for sustaining and developing the entity's business model, consistent with the overall disclosure objective for Strategy proposed in the Exposure Draft and supported by respondents.

49. Furthermore, as noted in the recap of the proposals in paragraph 6, an entity would not be required apply the structure, sequence or headings proposed in the Exposure Draft in organising the information in management commentary in order to comply with the requirements in the Practice Statement. Similarly, IFRS Sustainability Disclosure Standards do not prescribe a particular structure for sustainability-related financial disclosures. Therefore, a difference in how disclosure requirements themselves are organised would not prevent applying the revised Practice Statement and IFRS Sustainability Disclosure Standards together.

50. A detailed comparison of differences between core content in IFRS Sustainability Disclosure Standards and the areas of content proposed in the Exposure Draft is outside the scope of the project. As noted above, such differences would not prevent applying the two sets of requirements together. Therefore, the staff think that the proposed areas of content for management commentary should be retained in finalising the revised Practice Statement.

Information about long-term prospects, intangible resources and relationships and ESG matters

51. As discussed in paragraph 7, the IASB noted particular interest in information about matters that increasingly affect the entity's ability to create value and generate cash flows, including in the long term—for example, information about intangible resources and relationships and about ESG matters.

52. The proposed requirements and guidance that would apply to reporting on the topical matters referred to in paragraphs 51 were included throughout the Exposure Draft rather than in a separate section. This is because:

    (a) these matters may affect various aspects of the entity and its operations and so may need to be described throughout management commentary; and

    (b) there is an overlap between these matters, for example, a relationship with the entity's specialist employees could be viewed as a key intangible relationship, a key social matter or a key matter affecting the entity's long-term prospects.

53. As a tool to help preparers, the Exposure Draft included Appendix B which provided:

    (a) an overview of requirements and guidance included throughout the Exposure Draft that management would likely need to consider in deciding what information to provide about topical matters; and

    (b) examples showing how management might consider those requirements and guidance in identifying which matters are key and which information is material in the fact patterns described.

54. Paragraph B13 of Appendix B refers to paragraph 12.6 in the chapter on making materiality judgements:

> Narrative reporting requirements or guidelines published by, for example, an industry body or an organisation with an interest in sustainability reporting could help management identify information that might be material. This is more likely to be the case if the requirements or guidelines have a reporting objective that, like the objective of management commentary set out in this [draft] Practice Statement, focuses on the information needs of investors and creditors. If the requirements or guidelines have a different reporting objective, they might not specify all information about a matter that is material to investors and creditors or, conversely, might specify some information that is not material to investors and creditors

55. The Invitation to Comment asked respondents whether the requirements and guidance proposed in the Exposure Draft would provide a suitable and sufficient basis for management to identify material information about topical matters.

56. More than half of the respondents commented on the question about the proposed requirements and guidance as a basis for reporting material information about topical matters. Most of these respondents broadly agreed that the proposals in the Exposure Draft would provide a suitable and sufficient basis for management to identify material information about topical matters that investors need. Some of the respondents commented specifically on the overview of requirements and guidance and the examples in Appendix B and expressed a view that they would be helpful to preparers. Some respondents highlighted the need for connectivity between the requirements on topical matters, in particular on ESG matters, in the revised Practice Statement and the Standards issued by the ISSB. See Agenda Paper 15B *Feedback summary—Long-term prospects, intangibles and ESG matters* for the April 2022 IASB meeting for more detailed feedback on this topic.

57. Given the broad support for the proposals in Exposure Draft relating to these topical matters, specifically the view expressed by some respondents that the overview of requirements and guidance and the illustrative examples in Appendix B would be helpful to preparers, the staff think that the Appendix should be retained.

58. The staff acknowledge calls to provide clarity about the relationship between the proposals relating to the topical matters and the requirements issued by the ISSB. A detailed consideration of the interaction between the proposed requirements and guidance in the Exposure Draft that would apply to the topical matters and the requirements issued by the ISSB would fall outside the scope of targeted refinements. Nonetheless, the staff note that there is a close relationship between the topical matters covered in Appendix B and sustainability-related risks and opportunities covered by IFRS Sustainability Disclosure Standards.

59. In September 2024, the IASB tentatively decided to explicitly acknowledge the role of information about sustainability-related factors as part of the objective of management commentary. The staff therefore think that it would be appropriate to explain in the introduction of Appendix B that information about sustainability-related factors that could affect the entity's ability to create value and generate cash flows is likely to include information about matters that affect the entity's long-term prospects, intangible resources and relationships and ESG matters. The staff think that such an acknowledgement would support connectivity between the revised Practice Statement and IFRS Sustainability Disclosure Standards.

60. The staff also think it would be appropriate to refine the guidance in paragraph 12.6 of the Exposure Draft—which states that requirements issued by an organisation with an interest in sustainability reporting could help management identify information that might be material in the context of management commentary, particularly when such requirements focus on the needs of investors and creditors—to refer to IFRS Sustainability Disclosure Standards as an example of such requirements.

Question 3 for the IASB
Do IASB members have questions or comments on the staff analysis in paragraphs 46–60?

Appendix A—Extract from IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*

Commercially sensitive information[4]

B34 If an entity determines that information about a sustainability-related opportunity is commercially sensitive in the limited circumstances described in paragraph B35, the entity is permitted to omit that information from its sustainability-related financial disclosures. Such an omission is permitted even if information is otherwise required by an IFRS Sustainability Disclosure Standard and the information is material.

B35 An entity qualifies for the exemption specified in paragraph B34 if, and only if:

(a) information about the sustainability-related opportunity is not already publicly available;

(b) disclosure of that information could reasonably be expected to prejudice seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity; and

(c) the entity has determined that it is impossible to disclose that information in a manner—for example, at an aggregated level—that would enable the entity to meet the objectives of the disclosure requirements without prejudicing seriously the economic benefits the entity would otherwise be able to realise in pursuing the opportunity.

B36 If an entity elects to use the exemption specified in paragraph B34, the entity shall, for each item of information omitted:

(a) disclose the fact that it has used the exemption; and

(b) reassess, at each reporting date, whether the information qualifies for the exemption.

[4] The Internation Sustainability Standards Boards's rationale for developing this exemption is discussed in paragraphs BC76–BC84 of the Basis for Conclusions on IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

B37 An entity is prohibited from using the exemption specified in paragraph B34 in relation to a sustainability-related risk or as a basis for broad non-disclosure of sustainability-related financial information.