
IASB[®] meeting

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Project **Management Commentary**
Topic **Project Direction**
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Purpose

1. In March 2024, the International Accounting Standards Board (IASB) discussed an overview of alternative ways forward for the Management Commentary project. The IASB was not asked to make a decision.
2. This paper presents an update to the March 2024 IASB [Agenda Paper 15 Management Commentary—Project Direction](#). It provides staff analysis and recommendation and asks the IASB to determine the direction for the Management Commentary project.

Structure of the paper

3. The paper is structured as follows:
 - (a) note on terminology (paragraph 4);
 - (b) project update (paragraphs 5–24):
 - (i) recap of the March 2024 IASB discussion (paragraphs 5–9);
 - (ii) agenda priorities for the International Sustainability Standards Board's (ISSB's) next two-year work plan (paragraph 10);
 - (iii) feedback from targeted outreach (paragraphs 11–24);

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- (c) staff analysis (paragraphs 25–64);
 - (i) introduction (paragraphs 25–29);
 - (ii) technical considerations (paragraphs 30–49);
 - (iii) operational considerations (paragraphs 50–64);
 - (d) conclusions and question for the IASB (paragraphs 65–68);
 - (e) Appendix A—Project background (extract from the March 2024 IASB Agenda Paper 15); and
 - (f) Appendix B—Overview of feedback on the Management Commentary Exposure Draft.

Note on terminology

- 4. For simplicity, this paper uses the terms:
 - (a) ‘investors’—to refer to primary users of general purpose financial reports and to analysts and other professionals acting on their behalf. *The Conceptual Framework for Financial Reporting* defines primary users as existing and potential investors, lenders and other creditors.
 - (b) ‘regulators’—to refer to securities regulators, national standard-setters and other national framework owners that are responsible for requirements and guidance on management commentary or a similar report in a jurisdiction.

Project update

Recap of the March 2024 IASB discussion

- 5. The IASB reviewed the background to the Management Commentary project and the developments in the reporting landscape since the project was started. In particular, the IASB noted that:

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- (a) the project was initiated in response to investor calls for better information in management commentary or a similar report. The IASB targeted shortcomings in reporting practice beyond a lack of and quality of sustainability-related information, and built on innovations in narrative reporting, including the Integrated Reporting Framework.
- (b) most stakeholders commenting on the Management Commentary Exposure Draft, including almost all investors, expressed support for the project and broad support for the IASB’s proposals. Investors emphasised the important role of management commentary or a similar report in their analysis.
- (c) following the consolidation of the Value Reporting Foundation into the IFRS Foundation, the Integrated Reporting Framework became part of the materials of the IFRS Foundation. Staff analysis highlighted, with a few exceptions, broad conceptual alignment and complementary nature of the Management Commentary Exposure Draft and the Integrated Reporting Framework.
- (d) in response to stakeholder calls for collaboration between the IASB and ISSB, the IASB put the Management Commentary project on hold pending the issuance of the ISSB inaugural Standards¹ and the conclusion of the ISSB Consultation on Agenda Priorities. Feedback on that Consultation indicated:²
- (i) a wide diversity of views on the objectives, scope and intended reporting outcomes of a potential project on ‘integration in reporting’;³
 - (ii) support for the IASB and ISSB to work together on such a project;
 - (iii) support for building on both the IASB’s work on management commentary and the Integrated Reporting Framework; and
 - (iv) limited support for prioritising such a project at this time.

¹ The term ‘ISSB Standards’ is used to refer to IFRS Sustainability Disclosure Standards.

² January 2024 Agenda Paper 2A [Feedback summary—A project on integration in reporting](#) for the inaugural joint IASB and ISS meeting.

³ See paragraphs A38–A51 of the ISSB’s [Request for Information Consultation on Agenda Priorities](#).

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6. The IASB noted stakeholder feedback on the value of the Integrated Reporting Framework and the Integrated Thinking Principles and re-iterated its support of these resources regardless of whether a project on integration in reporting is prioritised at this time and regardless of the way forward on the Management Commentary project.
 7. The IASB discussed four broad alternatives for the way forward on the Management Commentary project, namely finalise the project, retire it, keep it on hold or undertake a broader project—such as a project on integration in reporting—together with the ISSB if the ISSB identifies that work as a priority. The IASB noted that such a broader project would entail revising the objectives and the scope of the Management Commentary project and could thus require additional consultation with IASB’s stakeholders.
 8. The IASB emphasised the importance of connectivity with the ISSB and noted that:
 - (a) all alternatives are compatible with the IASB and ISSB working in a connected manner and advancing connectivity in reporting; and
 - (b) collaboration between the boards could take various forms depending on the boards’ respective priorities and capacity.
 9. Appendix A provides an extract from the March 2024 IASB Agenda Paper 15 summarising project background, including the developments in the reporting landscape up to that time.

Agenda priorities for the ISSB’s next two-year work plan

10. In April 2024, in the light of the feedback on its Request for Information *Consultation on Agenda Priorities* (Request for Information), the ISSB decided not to add to its next two-year work plan a research project on integration in reporting. In assessing the project against the prioritisation criteria set by the ISSB, the April 2024 ISSB Agenda Paper 2 [Projects to add to the work plan](#) noted that:
 - (a) the ISSB supports the continued use and adoption of the Integrated Reporting Framework and the Integrated Thinking Principles which could be applied by

companies looking to advance their communications about value creation, preservation and erosion.

- (b) the IASB's existing Management Commentary project aims to bring about improvements to investor-focussed reporting by providing a comprehensive toolkit to enable companies to bring together information about factors that are fundamental to the company's ability to create value and generate cash flows.
- (c) some respondents to the Request for Information suggested the ISSB and IASB work together to complete the Management Commentary project. Collaboration between the boards could take a variety of forms.
- (d) a project on integration in reporting is likely to be complex because of its broad objectives and scope. The project scope and content will require much further research, refinement and additional consultation before the complexity and feasibility of the potential project and its solutions can be determined.
- (e) it is only possible to fully assess the likely effects of integration in reporting after companies begin reporting sustainability-related financial information alongside financial statements. In addition, reporting practices applying the Integrated Reporting Framework and the Integrated Thinking Principles continue to evolve. The ISSB will monitor developments on the topics not added to the work plan.

Feedback from targeted outreach

11. In discussing the project direction at the March 2024 IASB meeting, some IASB members requested additional information about the need for the revised IFRS Practice Statement 1 *Management Commentary* (Practice Statement). Accordingly, the staff conducted targeted outreach with the Management Commentary Consultative Group and with regulators to provide additional input to the IASB in determining the direction of the project.

Feedback from the Management Commentary Consultative Group

12. At a virtual public meeting in May 2024, members and observers of the Management Commentary Consultative Group (members) shared their views on:
- (a) the advantages and disadvantages of the alternatives for the direction of the Management Commentary project;
 - (b) the scope of work if the project is finalised; and
 - (c) other considerations for the IASB in determining the direction of the project.⁴
13. Overall, members supported finalising the project. They emphasised the important role of management commentary or a similar report alongside financial statements and sustainability disclosures in helping investors understand the drivers of the company's performance for the reporting period and its ability to generate cash flows and create value in the future. They pointed out that the reasons for undertaking the project remain relevant. In particular, the shortcomings in reporting practice identified by investors and targeted in the project go beyond a lack of sustainability-related information.⁵ Members also said that finalising the project would:
- (a) allow the IASB to continue to contribute to the global alignment in requirements for management commentary or a similar report;
 - (b) enable more companies to make use of the concepts of integrated reporting in a structured manner; and
 - (c) represent a step towards providing better information for investment decisions and a stepping stone towards any future work on integration in reporting.
14. Members expressed the view that if the Management Commentary project remains on hold or is retired, regulators would find it difficult to rely on the Exposure Draft⁶ in reviewing and updating national requirements and guidance. Members also suggested

⁴ The agenda papers for the meeting of the Management Commentary Consultative Group, the official [meeting summary](#) and the recording of the meeting [are available on the IFRS Foundation website](#).

⁵ See paragraphs A1–A4 of Appendix A.

⁶ References to the Exposure Draft in this paper relate to the Management Commentary Exposure Draft.

that under either alternative the IASB would need to consider withdrawing the existing Practice Statement, which is out of date. Some members were concerned that keeping the project on hold or retiring it might be interpreted as a signal that the IASB did not wish to play a role in this area of general purpose financial reporting. Furthermore, some members expressed the view that there is little practical difference between keeping the project on hold or retiring it.

15. In support of finalising the project, members highlighted that the revised Practice Statement would only require limited additional resources to finalise. They pointed out that the IASB and its stakeholders had invested substantial resources in developing the Exposure Draft, a high-quality document which was generally positively received, requiring only limited refinements. Suggestions for possible refinements included:
- (a) exploring ways of simplifying how some of the proposed requirements are specified (for example, the three-tiered structure of disclosure objectives);
 - (b) reviewing for opportunities for further alignment with the Integrated Reporting Framework; and
 - (c) considering whether more specific requirements on governance reporting should be included, although some members felt that this was not a priority.
16. In addition, members suggested that in finalising the project the IASB should:
- (a) ensure that the revised Practice Statement remains principle-based so that it is future-proof to any new globally-significant business issues that might arise.
 - (b) collaborate with the ISSB as appropriate without the project being a joint project.⁷
 - (c) consider compatibility of the revised Practice Statement with the ISSB Standards and with jurisdictional requirements.

⁷ The Management Commentary Consultative Group met after the ISSB determined its agenda priorities for its next two-year work plan and decided not to prioritise a project on integration in reporting at this time.

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- (d) retain the existing status of the document as a Practice Statement at this time, while maintaining the structured standard-like design proposed in the Exposure Draft to facilitate enforcement and assurance if required. The form and status of the document can be reviewed in a longer term as the reporting landscape evolves if there is an appetite for doing so.

Feedback from regulators

17. The requirements and guidance for preparing management commentary or a similar report are set and enforced by various organisations across jurisdictions, including high-level requirements being specified at the legislative level, supported by guidance issued by regulators to assist companies in meeting those legal requirements. To understand how the revised Practice Statement would inform national requirements and guidance, IASB members and staff met with securities regulators, national standard-setters and other national framework owners (collectively referred to as ‘regulators’ in this paper). The outreach included meetings with the Committee on Issuer Accounting, Audit and Disclosure of the International Organisation of Securities Commissions (IOSCO C1), the European Securities and Markets Authority (ESMA) and one-on-one meetings with national regulators.⁸
18. Regulators shared their views on:
- (a) the usefulness of the revised Management Commentary Practice Statement in reviewing and updating requirements and guidance for preparing management commentary or a similar report in their jurisdictions;
 - (b) whether keeping the project on hold or retiring it would hinder their ability to benefit from the IASB’s work on the project to date; and
 - (c) other considerations for the IASB in determining the direction of the project.

⁸ In planning the targeted regulator outreach, the staff surveyed 21 jurisdictions covering the world’s largest capital markets to confirm organisations that are responsible for requirements and guidance on management commentary or a similar report in those jurisdictions. The staff used survey responses to identify relevant organisations that are not represented on IOSCO C1 for supplementary one-on-one outreach.

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19. All regulators commenting stated that the revised Practice Statement would be useful. Some regulators supported finalising the project at this time and others supported keeping the project on hold. No regulators supported retiring the project.
20. Regulators indicated that the revised Practice Statement would:
- (a) be useful for regulators in updating national requirements and guidance;
 - (b) be particularly useful for regulators in jurisdictions without robust requirements and guidance on management commentary or a similar report;
 - (c) help regulators improve connections in information across a company's management commentary, the financial statements and sustainability disclosures; and
 - (d) be useful for companies regardless of whether national requirements and guidance exist.
21. Although two regulators indicated that they would be able to consider the Management Commentary Exposure Draft in updating national requirements and guidance as a source of inspiration alongside other sources, other regulators argued that it would be difficult to obtain legislative and stakeholder support for building on the IASB's work in updating national requirements and guidance if the IASB's proposals were not finalised. One regulator explained that the revised Practice Statement would be useful both in updating national guidance—in the short term—and in considering updates to the legislation—in the longer term.
22. Regulators who supported finalising the project pointed out that the revised Practice Statement would be useful for regulators as they consider updates to national requirements and guidance, notably in relation to developments in sustainability reporting. One regulator emphasised the need for an authoritative global codification of investor-focused best practice for management commentary or a similar report as legislators and regulators are considering how to adapt their legal frameworks to accommodate developments in sustainability reporting. The regulator anticipated that without this global codification national requirements and guidance on management

commentary or a similar report would risk diverging as jurisdictions make updates to their legal frameworks to support sustainability reporting and other developments in general purpose financial reporting.⁹

23. The regulators who supported finalising the project advised that the IASB should:
- (a) retain the status of the document as a Practice Statement at this time; and
 - (b) make limited refinements to the proposals in the Exposure Draft (for example, review the articulation of the proposals on material information and key matters but do not develop detailed requirements on governance).
24. The regulators who supported keeping the project on hold suggested that the IASB reactivates the project when the ISSB has capacity for a joint project.

Staff analysis

Introduction

25. In the light of the ISSB decision not to add to its next two-year work plan a project on integration in reporting, that alternative is not being considered further at this time. Accordingly, the staff focused on three remaining alternatives for the way forward on the project:
- (a) Alternative 1—Finalise the project;
 - (b) Alternative 2—Keep the project on hold; and
 - (c) Alternative 3—Retire the project.
26. In considering these alternatives, the staff used the [proposed prioritisation framework](#) discussed by the IASB at its April 2024 meeting as the starting point for the analysis. Specifically, we reviewed:

⁹ Management commentary or a similar report can provide a location for sustainability disclosures.

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- (a) technical considerations—pervasiveness of the matter, likely effects (expected financial reporting benefits exceed costs), feasibility of standard-setting (given standard-setting investment required) and strategic priority; and
- (b) operational considerations—time-sensitivity, synergies with other projects (including those of other relevant standard-setters), capacity (internal and stakeholder), and the effort to restart the project (if the project is paused).
27. The April 2024 IASB Agenda Paper 8 *Proposed IASB Prioritisation Framework* distinguishes *whether* decisions and *when* decisions and specifies that the former focus primarily on technical considerations while the latter focus primarily on operational considerations.¹⁰
28. The decisions to finalise or to retire the Management Commentary project are *whether* decisions, while the decision to keep the project on hold is a *when* decision. Accordingly, we focussed our analysis of the respective alternatives on the relevant considerations. However, we provided additional analysis that was necessary to support full consideration of the relevant factors specific to this project. In particular, we included a separate section discussing the interaction between the project and the Integrated Reporting Framework.
29. Finally, the proposed prioritisation framework distinguishes between retiring a project and pausing a project. This is because projects should normally be retired based on technical considerations; consequently, even if there is demand for the project in the future, the IASB would not have a basis to undertake such a project unless there is new technical information. In contrast, a paused project may be restarted in the future when operational considerations are more favourable, regardless of whether there is new technical information.¹¹

¹⁰ Paragraphs 20–23 of the April 2024 IASB Agenda Paper 8.

¹¹ Paragraph 24 of the April 2024 IASB Agenda Paper 8.

Technical considerations

30. Technical considerations are particularly important for *whether* decisions, that is the decisions to finalise or retire the Management Commentary project.

Pervasiveness

31. Based on the research conducted by the IASB in undertaking the project, feedback on the Exposure Draft and feedback in the targeted outreach conducted by IASB members and the staff in preparation for this meeting, the reasons for undertaking the project remain relevant. Specifically, investors consistently emphasised the important role of management commentary or a similar report alongside other financial information provided by companies and highlighted that shortcomings in the reporting practice go beyond the availability and the quality of sustainability-related information provided by companies.
32. Management commentary or a similar report is a required report in many jurisdictions. Accordingly, the revised Practice Statement could be relevant for companies irrespective of their industry, size or jurisdiction. While this report typically falls under the remit of local regulators and IFRS Practice Statements are not mandatory, the revised Management Commentary Practice Statement would provide a global benchmark for both regulators in updating national requirements and guidance and for companies in meeting investor information needs.

Effects

33. Investors expressed consistent support both for the need for the project, and for the proposals set out in the Exposure Draft. In particular, they highlighted that the IASB correctly identified investor information needs and targeted shortcomings in reporting practice. Accordingly, finalising the project would respond to investor calls for better information in management commentary or a similar report. Likely effects of the revised Practice Statement on the quality of financial reporting are discussed in paragraphs BC144–BC161 of the [Basis for Conclusions](#) on the Exposure Draft.

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34. The positive effects of finalising the project on investors would vary depending on existing reporting practices and regulatory requirements, which differ by jurisdiction, and would depend on the uptake of the revised Practice Statement by regulators and companies. Finalising the project would enable regulators and companies to take advantage of the best-practice up-to-date global codification in this reporting area and would thus facilitate the provision of better and globally more comparable information to investors. In addition, as recent feedback suggested, it would also enable more companies to make use of the concepts of integrated reporting in a structured manner (paragraph 13(b)).
35. Our targeted outreach with regulators in preparation for this meeting highlighted that regulators would consider the revised Practice Statement in updating national requirements and guidance on management commentary or a similar report. Furthermore, the outreach suggested that the revised Practice Statement could be particularly helpful for jurisdictions that do not have their own comprehensive requirements and guidance in this area. In contrast, although two regulators said that they could consider the Exposure Draft in updating national requirements and guidance, feedback indicates that leaving the project unfinished would likely significantly reduce stakeholders' ability to benefit from the IASB's work on this project.
36. The costs to companies would depend on whether a company applies the revised Practice Statement—either directly or through its incorporation into the national requirements and guidance—and on the company's existing reporting practice. However, as explained in the Basis for Conclusions on the Exposure Draft, the implementation and ongoing application of the revised Practice Statement are unlikely to lead to significant costs in producing information specifically for management commentary. Significant costs are unlikely because information in management commentary is expected to be derived from information used by management to manage the business and is also expected to reflect management's perspective. Likely costs for companies of applying the revised Practice Statement are discussed in paragraphs BC168–BC170 of the [Basis for Conclusions](#) on the Exposure Draft.

Feasibility of standard-setting

37. The IASB went through a rigorous process in developing its proposals. It conducted extensive research and outreach prior to adding the project to its work plan to understand shortcomings in reporting practice. To gain access to additional practical experience and expertise, the IASB convened a dedicated Management Commentary Consultative Group and held extensive consultations with the Group in developing and drafting the proposals. The IASB also consulted a broad range of other stakeholders, in particular investors, in both developing the Exposure Draft and in conducting outreach on the Exposure Draft.
38. The IASB's proposals were generally well-received by stakeholders, in particular investors. The feedback on the Exposure Draft is summarised in Appendix B. Accordingly, in the staff's view, the proposals only require limited refinements in response to the feedback on the Exposure Draft and the subsequent developments in the reporting landscape. In particular, the staff think that the IASB could consider:
- (a) clarifications of the proposals. For example, the IASB could consider reframing the proposed disclosure objectives or clarifying the interaction between the proposed requirements on key matters and material information.
 - (b) drafting enhancements to its proposals. For example, the IASB could consider aligning the terminology used to refer to attributes of useful information with the terminology used in the *Conceptual Framework for Financial Reporting*.
 - (c) fine-tuning the proposals to reflect the developments since the Exposure Draft was published. For example, the IASB could consider explicitly referring to both financial statements and sustainability disclosures instead of referring to 'other information provided by an entity'.

Strategic priority

39. The staff think that the decision to finalise or retire the Management Commentary project has strategic significance for the IASB.

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40. As suggested by feedback in our recent targeted outreach, a decision to retire the project could be perceived as the IASB showing a lack of interest in playing a role in advancing the development of management commentary or a similar report. Furthermore, if the IASB decides to retire the project, the IASB would need to consider withdrawing the existing Practice Statement if the IASB considers it is outdated and no longer fit for purpose. Accordingly, a decision to retire the project could effectively amount to the IASB leaving this specific reporting space.
41. In contrast, finalising the project and making the revised Practice Statement available for regulators and companies to adopt, adapt or otherwise take advantage of would represent a positive contribution towards improving the quality of information provided to investors and developing greater global comparability in management commentary or a similar report. Importantly, the recent targeted outreach highlighted the benefits of the Management Commentary project to regulators, with no regulators supporting retiring the project.
42. Furthermore, the decision to finalise or retire the project would have an effect on the IASB's contribution to the provision of connected information because the proposals were designed to support connectivity between management commentary or a similar report and a company's other general purpose financial reports. While connectivity in reporting can be facilitated without the revised Practice Statement, the Exposure Draft contains proposals on coherence that represent the IASB's latest thinking on connected information. These proposals received strong support from stakeholders and, in the staff's view, are conceptually consistent with the requirements for connected information in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and with the Integrated Reporting Framework. In addition, management commentary provides a possible location for sustainability-related financial disclosures prepared applying the ISSB Standards.¹²

¹² Paragraph 61 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*.

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43. Finally, the staff think that there is a strategic—rather than merely operational—relationship between the Management Commentary project and the Intangible Assets project because management commentary or a similar report provides one location where particular types of information about intangible assets can be included.
44. Notwithstanding the above considerations, the IASB could take a strategic decision to withdraw from this area of general purpose financial reporting if the IASB considers that it does not have the resources to play an effective role in this area—in which case retirement of the project might be appropriate.

Interaction with the Integrated Reporting Framework

45. The staff note that both the revised Practice Statement that is being developed and the Integrated Reporting Framework represent valuable resources as evidenced by feedback in various consultations over time, including the Management Commentary Exposure Draft, the ISSB Consultation on Agenda Priorities, outreach with the IFRS Advisory Council¹³ and the Integrated Reporting and Connectivity Council¹⁴ and the recent targeted outreach on the Management Commentary project. In addition, the staff note that the Integrated Reporting Framework is applied by companies in various jurisdictions. The Chairs of the IASB and the ISSB have stated their commitment to the Integrated Reporting Framework in their [public statement](#) leading towards the consolidation of the Value Reporting Foundation with the IFRS Foundation.
46. As reported to the IASB previously, following that organisational consolidation and in the light of the Chairs' public statement, the IASB technical staff and members of the Integrated Reporting and Connectivity technical staff performed joint analysis of similarities and differences between the Management Commentary Exposure Draft and the Integrated Reporting Framework. The analysis highlighted—with a few exceptions, such as requirements on governance reporting or the use of

¹³ See [meeting summary](#) for the April 2023 meeting of the IFRS Advisory Council.

¹⁴ See [meeting summary](#) for the April 2023 meeting and [meeting summary](#) for the January 2024 meeting of the Integrated Reporting and Connectivity Council.

terminology¹⁵—the broad conceptual alignment and the complementary nature of these resources. In particular, in developing the Management Commentary Exposure Draft, the IASB sought to instil into the revised Practice Statement a standard-like discipline to support comparability. In contrast, the Integrated Reporting Framework provides greater flexibility to encourage innovation in reporting. Furthermore, the Integrated Reporting Framework contains conceptual-framework-like features.

47. Accordingly, both the revised Practice Statement being developed and the Integrated Reporting Framework constitute valuable resources of the IFRS Foundation with each having a role to play as the reporting landscape continues to evolve.
48. Finalising the Management Commentary project—while it is not the same as an integration in reporting project—could provide a stepping stone towards greater integration in reporting in the future and would represent a practical near-term step that the IASB could take to promote the concepts that are central to both the Management Commentary Exposure Draft and the Integrated Reporting Framework.
49. Furthermore, in finalising the project, the IASB could consider opportunities for greater alignment with some of the concepts and terminology in the Integrated Reporting Framework. For example, the IASB could consider whether the term ‘management’ could be revised or clarified. In considering that, the IASB could seek advice from the Integrated Reporting and Connectivity Council and from the established network of Integrated Reporting Communities.

Operational considerations

50. Operational considerations are particularly important for *when* decisions, that is a decision to keep the Management Commentary project on hold.

¹⁵ For example, the Integrated Reporting Framework uses the term ‘those charged with governance’ which may include executive management and the IASB’s Exposure Draft uses the term ‘management’ which according to paragraph 1.4 of the *Conceptual Framework for Financial Reporting* refers to management and the governing board of an entity. A narrower interpretation of the term ‘management’ could result in a substantive difference in the content of the reports.

Time sensitivity

51. Most respondents to the Management Commentary Exposure Draft commented on the interaction between the project and the future work of the ISSB. Most of these respondents asked the boards to work together and suggested that the project should be paused—until the ISSB is operational, there is more clarity on the relationship between the boards and their respective requirements, or until the ISSB progresses its work on its first Standards. Accordingly, the IASB paused the project to await the conclusion of the ISSB inaugural Agenda Consultation.
52. As noted in paragraph 10, the ISSB has now finalised its decisions for its next two-year work plan and decided not to prioritise a project on integration in reporting which could build on the Management Commentary project, the Integrated Reporting Framework and other sources.
53. The IASB could continue to keep the project on hold, for example, until the ISSB has capacity for a joint project or until the completion of the IASB next Agenda Consultation. Doing so would enable the IASB to collect additional feedback on the need for the project and could enable the IASB to undertake the project jointly with the ISSB.
54. On the other hand, keeping the project on hold would limit stakeholder ability to benefit from the work on the project to date. In particular, it would limit the ability of regulators to benefit from the best-practice codification being developed by the IASB as they update their legal frameworks to accommodate developments in sustainability reporting and other developments. Furthermore, keeping the project on hold would not necessarily lead to a formal joint project with the ISSB on this topic.
55. Finalising the project would respond to investor long-standing calls for better information in management commentary or a similar report and would enable regulators to take advantage of the up-to-date global benchmark as they review national requirements and guidance. Furthermore, collaboration between the boards could take a variety of forms without the project being a joint project.

Synergies with other projects

56. The staff think that proceeding with the Management Commentary project would present opportunities for synergies with the IASB's Intangible Assets project. This is because management commentary or a similar report provides one location where particular types of information about intangible assets can be included. The Management Commentary Exposure Draft highlights that investors are particularly interested in information about matters that could affect a company's long-term prospects, including matters relating to the company's intangible resources and relationships—both recognised and not recognised as assets in the company's financial statements—and provides proposals for requirements and guidance on including such information in management commentary. It includes a separate chapter that addresses reporting resources and relationships in management commentary. Appendix B provides an overview of requirements and guidance proposed in the Exposure Draft that management is likely to need to consider in deciding what information to provide about the company's intangible resources and relationships in management commentary, accompanied by examples of matters that might be key for a company and of information that might be material.
57. Finalising the project could also present opportunities for synergies with the IASB's Climate-related and Other Uncertainties in the Financial Statements project as well as would generally contribute to advancing connections in information reported by companies. This is because the Management Commentary Exposure Draft contains comprehensive proposed requirements and guidance on coherence. As noted in paragraph 42, these proposals received strong support from stakeholders and, in the staff's view, are conceptually aligned with the requirements for connected information in IFRS S1 and in the Integrated Reporting Framework.
58. Finally, the staff think that finalising the project would also present opportunities for synergies with the work of the ISSB because management commentary provides a possible location for sustainability-related financial disclosures prepared applying the ISSB Standards.

Capacity

59. As discussed in paragraph 38, the staff anticipate that finalising the project will only require targeted refinements to the proposals in the Exposure Draft. Specifically, if the IASB decides to finalise the project, the staff anticipate that:
- (a) re-deliberations of the proposals would not require more than three IASB meetings and would be complete by the end of 2024; and
 - (b) the revised Practice Statement would be issued in H1 2025.
60. There is available capacity to undertake that work as well as continuity and knowledge of the project both at the IASB level and on the technical staff. Furthermore, the ISSB confirmed that connectivity with the IASB is a foundational activity and set aside resources to support collaboration between the boards which can take a variety of forms. Finally, given the broad support for the IASB's proposals, the staff does not anticipate demands on stakeholders in finalising the project apart from possible targeted outreach on specific topics (see paragraph 49).
61. If the IASB decides to keep the project on hold, that would free up the resources for other projects. However, some of the project staff are dedicated to this project.

Effort to restart the project

62. The project has now been on hold for two years. The staff note that at this time there is sufficient momentum to the project. As evidenced by the recent targeted outreach, stakeholders continue to be engaged—in particular, members of the Management Commentary Consultative Group. Furthermore, many IASB members have been involved in developing the proposals and in the outreach on the proposals, and there is continuity in the project team.
63. Keeping the project on hold—for example, until the completion of the IASB's next Agenda Consultation—would result in keeping the project on hold for five or more years. After such a prolonged pause, restarting the project would be more difficult and would involve a significant learning curve. Fewer IASB members will have been

involved in developing the proposals, the continuity in the project team may be lost and stakeholders may become disengaged.

64. Furthermore, the IASB would need to consider the implications of a prolonged pause in the project on its engagement with the Management Commentary Consultative Group. Re-activating the Consultative Group after a prolonged pause would require a significant effort. In particular, it would likely be necessary to review and adjust the composition of the Consultative Group to ensure that it meets the IASB needs.¹⁶

Conclusions and question for the IASB

65. The staff think that the technical considerations do not support retiring the project— unless the IASB considers that it does not have the resources to play an effective role in this area of general purpose financial reporting. In summary, this is because:
- (a) investors express consistent strong support for the project, and for the IASB’s proposals. Recent feedback in the targeted outreach confirms that the reasons for undertaking the project remain relevant, and that improvements in reporting that investors are looking for go beyond the provision of sustainability-related information.
 - (b) while the effects of finalising the project on investors will ultimately depend on the uptake of the revised Practice Statement by regulators and companies, the staff are of the view that finalising the project will have a positive effect on the provision of better information for investment decisions. In particular, recent feedback in the targeted outreach indicates broad regulatory support for the project.
 - (c) the project provides a tool for the IASB to support the provision of connected information across a company’s general purpose financial reports. It could also support companies as they work towards preparing information applying the ISSB Standards and help promote the concepts shared with the Integrated

¹⁶ Paragraph 8 of the Management Commentary Consultative Group [Terms of Reference and Operating Procedures](#)

Reporting Framework. Furthermore, management commentary provides a possible location for sustainability-related financial disclosures prepared applying the ISSB Standards.

- (d) the staff acknowledge that the reporting landscape continues to evolve, in particular as more companies and jurisdictions embrace sustainability reporting. However, the staff think that finalising the Management Commentary project represents a practical near-term step towards the provision of better information for investment decisions, and a stepping stone towards greater integration in reporting in the future.
66. In addition, the staff think that the project is strategically important for the IASB. It aims to provide an up-to-date comprehensive toolkit for the preparation of management commentary or a similar report that meets investor information needs and to contribute to advancing this area of general purpose financial reporting.
67. Based on the analysis of the operational considerations, the staff think that on balance the benefits of finalising the project outweigh the benefits of keeping it on hold. This is because:
- (a) the work on the project is at a well-advanced stage. The IASB's proposals in the Exposure Draft were broadly supported by respondents and, in the staff's view, only require limited refinements—and hence limited incremental investment—in response to the feedback and in the light of the developments after the Exposure Draft was issued.
 - (b) keeping the project on hold for longer would risk stakeholders becoming disengaged and would require significant ramp up time both for the IASB and its stakeholders when the project is re-activated.
 - (c) finalising the project at this time may be of benefit to those regulators who are considering updates to national requirements and guidance to take account of local adoption of sustainability-related reporting standards.

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68. Accordingly, the staff recommend that the IASB finalise the Management Commentary project by making targeted refinements to the proposals in the Exposure Draft.

Question for the IASB

Question for the IASB

Does the IASB agree with the staff recommendation in paragraph 68 to finalise the Management Commentary project by making targeted refinements to the proposals in the Exposure Draft? If not, which alternative does the IASB wish to pursue instead?

Appendix A—Project background (extract from the March 2024 IASB Agenda Paper 15)

This Appendix reproduces paragraphs 9–30 from the March 2024 IASB Agenda Paper 15 *Management Commentary—Project Direction*. The paragraph references in this Appendix relate to paragraphs in that Agenda Paper.

The reasons for undertaking the project

- A1. Management commentary is a general purpose financial report that is required in many jurisdictions alongside an entity’s financial statements and its sustainability-related information. Management commentary or a similar report often falls under the remit of local regulators. It is known under various names, including management’s discussion and analysis, operating and financial review, or strategic report.¹⁷
- A2. IFRS Practice Statement 1 *Management Commentary* was issued in 2010. Since the Practice Statement was issued, many jurisdictions and organisations have published requirements and guidelines on narrative reporting. The information needs of primary users of general purpose financial reports have also evolved.
- A3. The IASB commenced the Management Commentary project following its research into narrative reporting. The research suggested that management commentaries do not always meet the information needs of primary users of general purpose financial reports. Identified shortcomings included:
- (a) lack of focus on matters important to the entity’s prospects by failing to provide material information about such matters, or by obscuring such information with immaterial information about less important matters;
 - (b) too much generic information and not enough entity-specific information;

¹⁷ As per paragraph 1.4 of the *Conceptual Framework for Financial Reporting*, the term ‘management’ refers to management and the governing board of an entity.

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- (c) focus on short-term matters and insufficient discussion of matters, such as systemic risks or strategic challenges, that could affect the entity's long-term prospects;
 - (d) insufficient information about matters that increasingly affect many entities' ability to create value and generate cash flows, such as intangible resources and relationships and environmental, social and governance matters;
 - (e) fragmented information or information that is difficult to reconcile to the entity's financial statements or to other reports the entity has published;
 - (f) information that is difficult to compare with information the entity provided in previous periods or with information provided by other entities with similar activities; and
 - (g) incomplete or unbalanced information—for example, lack of information that enables the primary users to understand the implications of matters discussed, or undue emphasis on positive aspects of the entity's performance.¹⁸
- A4. In developing its proposals, the IASB targeted the shortcomings in reporting practice and built on innovations in narrative reporting, including those introduced by national standard-setters, the Integrated Reporting Framework and the Recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures.

The IASB's proposals and feedback received

- A5. The Exposure Draft *Management Commentary* was published in May 2021 and represented a major overhaul of the Management Commentary Practice Statement. The IASB proposed a comprehensive toolkit designed to promote an interconnected narrative in reporting and to enable entities to meet the information needs of the primary users. Key features of the IASB's proposals included:
- (a) an objectives-based approach anchored into a two-fold objective of a management commentary—to enhance the primary users' understanding of the

¹⁸ See paragraph IN8 of the [Exposure Draft Management Commentary](#).

related financial statements and to provide insights into the entity's ability to create value and generate cash flows across all time horizons;

- (b) a comprehensive set of disclosure objectives across areas of content in management commentary, supported by guidance and examples;
- (c) a requirement to focus on key matters, accompanied by guidance on identifying those matters and examples across areas of content;
- (d) guidance on making materiality judgements in the context of management commentary;
- (e) requirements and guidance on coherent information both within a management commentary and across a management commentary and the related financial statements as well as other information provided by the entity, including a requirement to explain any apparent inconsistencies in that information;¹⁹
- (f) requirements and guidance for metrics in management commentary; and
- (g) requirements for a management commentary to provide management's perspective and to be based on information used in managing the business.

A6. The IASB designed its proposals to enable entities to apply the revised guidance:

- (a) regardless of whether the related financial statements are prepared in accordance with IFRS Accounting Standards or other GAAP; and
- (b) alongside applicable international, jurisdictional or subject-matter requirements, such as IFRS Sustainability Disclosure Standards.

A7. The comment period on the Exposure Draft ended on 29 November 2021 and the IASB discussed feedback at its March and April 2022 meetings. Many respondents, including almost all investors commenting, expressed support for the project. In particular, almost all investors stressed the importance of high-quality management commentaries and agreed with the IASB's analysis of the shortcomings in practice.

¹⁹ See paragraphs 13.27–13.30 of the Exposure Draft *Management Commentary*.

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- A8. Most respondents, including almost all investors commenting, expressed broad support for the IASB proposals, with some respondents suggesting refinements and enhancements to various proposals, including a closer alignment with aspects of the Integrated Reporting Framework. Some respondents disagreed with the IASB's focus on the primary users of general purpose financial reports.
- A9. Most respondents commented on the interaction between the Management Commentary project and the future work of the ISSB. Most of these respondents asked for connectivity between the boards and suggested that the project should be paused until the ISSB is operational and its remit is clear, there is more clarity on the relationship between the boards and their respective requirements, or until the ISSB progresses its work on its first standards. Many investors commenting suggested that the IASB and ISSB should work together on cross-cutting issues but emphasised that in addition to better information about sustainability-related matters, they seek improvements on other aspects of management commentary.

Feedback on the ISSB's Consultation on Agenda Priorities

Integration in reporting

- A10. As noted in paragraph 2, the ISSB's Consultation on Agenda Priorities included a question on a potential project on integration in reporting. Specifically, the ISSB sought feedback on:
- (a) the relative priority of such a project compared to the three proposed sustainability-related projects;
 - (b) whether this project, if prioritised, should be undertaken as a formal joint project with the IASB or as an ISSB project which could still draw on the input from the IASB as needed; and
 - (c) whether the project, if pursued, should build on the concepts from the Exposure Draft *Management Commentary*, the Integrated Reporting Framework and other sources.

A11. Respondents to the Request for Information stated various expectations about what a project on integration in reporting should entail, what the intended reporting outcomes should be, and how ‘integration in reporting’ relates to ‘connectivity in reporting’.

Their suggestions included:

- (a) integrating information in a single report;
- (b) developing a ‘framework’ such as a ‘conceptual framework’ or a ‘corporate reporting framework’;
- (c) supporting connectivity in reporting;
- (d) promoting integrated reporting on the basis of the Integrated Reporting Framework;
- (e) finalising the Management Commentary project;
- (f) pursuing a phased approach to integration in reporting; and
- (g) supporting integration in reporting as part of the ISSB’s foundational committed work.²⁰

A12. With respect to the priority of a potential project on integration in reporting relative to the three proposed sustainability-related projects:

- (a) approximately a quarter of the respondents ranked the project as a higher priority;
- (b) approximately a quarter of the respondents indicated that integration in reporting is important but did not rank the project as a higher or lower priority; and
- (c) approximately half of the respondents—including approximately two-thirds of investors commenting—ranked the project as a lower priority or did not comment on the project but asked the ISSB to focus on other projects and activities.

²⁰ See paragraphs 18–22 of the January 2024 IASB-ISSB Agenda Paper 2A [Feedback summary—A project on integration in reporting](#).

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- A13. Almost all respondents commenting supported collaboration between the ISSB and IASB if the project is prioritised, with most of them advocating a formal joint project, and providing the rationale for their view. Almost all respondents commenting—with a few exceptions—suggested building on both the Exposure Draft *Management Commentary* and the Integrated Reporting Framework.
- A14. In discussing the feedback on integration in reporting, members of the IASB and the ISSB re-iterated their support for the continued use and adoption of the Integrated Reporting Framework regardless of whether a project on integration in reporting is prioritised.

Connectivity

- A15. The Request for Information also explained that connectivity with the IASB is a foundational activity which forms part of the ISSB's committed work. Although the Request for Information did not include a question on connectivity, some respondents commented on the topic. They highlighted the importance of connectivity in providing decision-useful information and encouraged the boards to collaborate to achieve that.
- A16. As noted in paragraph 19, respondents also commented on connectivity in discussing integration in reporting and indicated a range of views on how 'integration in reporting' relates to 'connectivity in reporting'. Nonetheless, all these respondents indicated support for connectivity.

Advice from the Integrated Reporting and Connectivity Council

- A17. Following the joint IASB-ISSB meeting, the Integrated Reporting and Connectivity Council (IRCC) met in January 2024 to discuss feedback on the Request for Information and to provide advice to the boards in the light of that feedback.
- A18. IRCC members commented on various topics, including the need for a long-term vision on corporate reporting for the IFRS Foundation, the importance of Integrated Thinking, the need for guidance to support entities in providing connected information in their reports as well as guidance on the interaction between IFRS S1 *General*

Requirements for Disclosure of Sustainability-related Financial Information and integrated reporting.

- A19. IRCC members provided limited feedback on the Management Commentary project. Their suggestions included finalising the project, retiring the project, and developing a coordinated approach between the IASB and ISSB that builds on both the Management Commentary project and the Integrated Reporting Framework.²¹

The interaction between the Exposure Draft Management Commentary and the Integrated Reporting Framework

- A20. As noted in paragraph 12, in developing the Exposure Draft *Management Commentary*, the IASB built on innovations in narrative reporting, including the Integrated Reporting Framework, which became part of the materials of the IFRS Foundation in August 2022 following the merger of the IFRS Foundation with the Value Reporting Foundation.
- A21. In May 2023, the IASB discussed the joint staff analysis of the similarities and differences between the Exposure Draft *Management Commentary* and the Integrated Reporting Framework. The analysis was based on a paragraph-by-paragraph comparison of these documents and focused on the Integrated Reporting Framework as written, without considering adaptations made by entities in practice.²²
- A22. The analysis highlighted—with a few exceptions, such as requirements on governance reporting or the use of terminology²³—the alignment between and the complementary nature of the Exposure Draft *Management Commentary* and the Integrated Reporting Framework.

²¹ The [recording](#) of the January 2024 meeting of the Integrated Reporting and Connectivity Council is available on the IFRS Foundation website. At the time of publishing this paper, the official meeting summary is not yet available.

²² See May 2023 IASB [Agenda Paper 15A Education Session—Comparison between Management Commentary Exposure Draft and the Integrated Reporting Framework](#).

²³ For example, the Integrated Reporting Framework uses the term 'those charged with governance' which may include executive management and the IASB's Exposure Draft uses the term 'management' which according to paragraph 1.4 of the *Conceptual Framework* refers to management and the governing board of an entity. A narrower interpretation of the term 'management' could result in a substantive difference in the content of the reports.

Appendix B—Overview of feedback on the Management Commentary Exposure Draft

	Key feature of proposals	Summary of feedback
B1	<p>An objectives-based approach anchored into a two-fold objective of a management commentary—to enhance the primary users’ understanding of the related financial statements and to provide insights into the company’s ability to create value and generate cash flows across all time horizons.</p>	<ul style="list-style-type: none"> • Most respondents supported the proposed objective of a management commentary. Some respondents disagreed with the focus on investors’ information needs and indicated that the Integrated Reporting Framework would better meet their preferred reporting objective. • Most respondents supported the concept of value creation as set out in the Exposure Draft. Some respondents suggested taking a broader view of value creation or emphasised that the company’s ability to create value for itself is dependent on its ability to create value for others. • Most respondents commenting on the proposed objectives-based approach—including the investors and regulators commenting—supported the proposal that the approach should be objectives-based rather than prescriptive. • Respondents expressed mixed views on whether the proposed approach would provide a suitable and sufficient basis for assurance and enforcement.

Key feature of proposals		Summary of feedback
		<ul style="list-style-type: none"> A few investors expressed concern that the flexibility of the proposed approach could allow management to avoid disclosing material information by claiming it is commercially sensitive.
B2	<p>A comprehensive set of disclosure objectives across areas of content in management commentary, supported by guidance and examples.</p>	<ul style="list-style-type: none"> There was broad support for the proposed areas of content and for the disclosure objectives proposed for those areas of content, with investors stating that these objectives correctly identify their information needs. Some respondents suggested adding ‘governance’ as a distinct content area or incorporating explicit requirements for governance-related information throughout requirements for content areas. Many respondents commenting on the three-tier structure of the disclosure objectives supported the design. However, many others expressed concerns that the proposed structure would be complex and burdensome for preparers of management commentary to understand and apply.

Key feature of proposals		Summary of feedback
B3	A requirement to focus on key matters, accompanied by guidance on identifying those matters and examples across areas of content.	<ul style="list-style-type: none"> • Most respondents supported the proposal to focus on key matters. • Many respondents suggested the IASB needs to clarify the way in which the proposed requirement to focus on key matters interacts with the requirement to provide material information.
B4	Requirements and guidance on making materiality judgements in the context of management commentary.	<ul style="list-style-type: none"> • Most respondents supported the proposals for an investor-focused materiality consistent with what is used for information included in the financial statements. • Most of the respondents commenting on the proposed guidance on making materiality expressed broad support for the guidance or questioned only specific aspects of it.
B5	Requirements and guidance on attributes of information in management commentary.	<ul style="list-style-type: none"> • Almost all respondents commenting on the proposed requirements for information in management commentary to possess particular attributes and on guidance to help preparers identify and present information with those attributes expressed broad support for these proposals.

Key feature of proposals		Summary of feedback
		<ul style="list-style-type: none"> Some respondents suggested that the attributes should be referred to by the same terms as those used for the qualitative characteristics of useful financial information specified in the IASB's <i>Conceptual Framework for Financial Reporting</i>.
B6	Requirements and guidance on coherent information both within a management commentary and across a management commentary and the related financial statements as well as other information provided by the company, including a requirement to explain any apparent inconsistencies in that information.	<ul style="list-style-type: none"> Broad support for the proposals, with a few respondents highlighting that coherence is particularly important for investors, asking to give it more prominence or suggesting using the term 'connectivity' instead.

Key feature of proposals		Summary of feedback
B7	Requirements and guidance for metrics in management commentary.	<ul style="list-style-type: none"> • Almost all respondents commenting supported the non-prescriptive approach to selecting which metrics to report. A few respondents suggested that a stronger emphasis should be given to management’s perspective. • Almost all respondents supported the proposed requirements for reporting metrics.
B8	Requirements for a management commentary to provide management’s perspective and to be based on information used in managing the business.	<ul style="list-style-type: none"> • Respondents commenting on management’s perspective, including almost all investors, emphasised the importance of management’s perspective in the identification of information, especially metrics, for inclusion in management commentary.