
Management Commentary Consultative Group

Date **21 May 2024**

This document summarises a meeting of the Management Commentary Consultative Group. Recordings of meeting discussions, the agenda and related papers are available on the [meeting page](#). For more information on the Management Commentary project please refer to the [project page](#), and information about the Consultative Group can be found [here](#).

Purpose of the meeting

1. The purpose of the meeting was to seek input from Management Commentary Consultative Group members and observers (members) to inform the IASB's forthcoming decision on the direction for the Management Commentary project.
2. The staff provided an overview of:
 - (a) the background to the project to revise the Management Commentary Practice Statement (Practice Statement);
 - (b) the IASB's proposals in the Management Commentary Exposure Draft (Exposure Draft) and feedback on these proposals;
 - (c) the recent developments in the reporting landscape; and
 - (d) the alternatives for the project direction that the staff expect to present to the IASB at its June 2024 meeting.
3. The overview was followed by breakout sessions to obtain members' views on these questions:
 - (a) 'In your view, what are the advantages and the disadvantages of the alternatives for the direction of the Management Commentary project?'
 - (b) 'If the Management Commentary project is finalised, what advice would you give to the IASB in determining the scope of work? In particular, are there any essential refinements that you think should be considered in the light of the evolving reporting landscape?'
 - (c) 'If the Management Commentary project remains on hold or is abandoned, what effect in your view would that have on the provision of decision-useful information for capital markets?'
 - (d) 'What advice would you give to the IASB in determining the direction for the project?'

Feedback from members

4. 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 entity's performance for the reporting period and its ability to generate cash flows and create value in the future. Members 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. Members also said that finalising the project would allow the IASB to continue to contribute to the global alignment in requirements for management commentary or a similar report and would be a step in the right direction towards improving the quality of information available to investors.
5. In support of finalising the project, members highlighted that the revised Practice Statement would:
 - (a) require limited additional resources to finalise. The IASB and its stakeholders have already invested substantial resources in developing the Exposure Draft, a high-quality document that was generally positively received, requiring only limited refinements.
 - (b) articulate the role of management commentary or a similar report in connecting information provided across general purpose financial reports, including the financial statements and sustainability disclosures.
 - (c) provide useful guidance on the disclosure of investor-relevant information that may not be included in either the financial statements or sustainability disclosures—for example, particular information about intangible resources.
 - (d) be especially useful in jurisdictions that do not have detailed management commentary requirements.
 - (e) enable more companies to make use of the concepts of integrated reporting in a structured manner.
6. Members expressed a range of views on how the revised Practice Statement would influence reporting practice. Some argued that the quality of the product, its global remit and the reputation of the IFRS Foundation's due process would support the uptake of the revised Practice Statement by both companies and regulators. Others, while on balance supporting the finalisation of the project, expressed reservations about the likely scale of direct market

uptake, and cautioned that regulators may have limited current capacity to consider adoption of the revised Practice Statement in the near term.

7. Some members expressed the view that there is little practical difference between keeping the project on hold or retiring it. In particular, members suggested that neither alternative provides a definite path towards a future joint project with the ISSB on management commentary or related topics. At the same time, members said that finalising the revised Practice Statement would provide a stepping stone towards any such future joint work such as a project on integration in reporting.
8. Furthermore, 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 Draft in reviewing and updating national requirements and guidance. Members also suggested 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.
9. In discussing how to approach the finalisation of the project, members noted that the scope of the finalisation work would be limited, given the generally positive feedback on the Exposure Draft. 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.
10. 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.
 - (c) consider compatibility of the revised Practice Statement with the ISSB Standards and with jurisdictional requirements.

- (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 appetite for doing so.