
IASB[®] meeting

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

Purpose

1. In June 2024, the International Accounting Standards Board (IASB) decided to finalise the Management Commentary project by making targeted refinements to the proposals in the Exposure Draft *Management Commentary* (Exposure Draft), published in May 2021. This paper outlines the staff's proposed approach to redeliberations and the scope of possible targeted refinements based on the feedback on the Exposure Draft and subsequent developments in the reporting landscape.
2. The paper does not ask the IASB to make a decision but invites IASB members' questions and comments on the discussion in this paper.

Structure of the paper

3. The paper is structured as follows:
 - (a) approach to redeliberations (paragraphs 4–11):
 - (i) identifying topics for possible targeted refinements (paragraphs 4–8);
 - (ii) consultation and collaboration (paragraphs 9–11);

- (b) question for the IASB; and
- (c) Appendix A—Scope of possible targeted refinements.

Approach to redeliberations

Identifying topics for possible targeted refinements

4. As explained in June 2024 IASB Agenda Paper 15 *Project Direction*, the IASB's proposals in the Exposure Draft were generally well received by stakeholders, in particular investors. The IASB decided to finalise the Management Commentary project by making targeted refinements to the proposals in the Exposure Draft.
5. To maintain a targeted and disciplined approach to finalising the project, possible targeted refinements to the proposals in the Exposure Draft will only be brought to the IASB for discussion if:
 - (a) many respondents questioned a particular aspect of the proposals, or asked for clarifications (for example, the relationship between the concepts of key matters and materiality); or
 - (b) a possible refinement relates to developments in the reporting landscape, such as the publication of the inaugural IFRS Sustainability Disclosure Standards and the IFRS Foundation taking ownership of the Integrated Reporting Framework (for example, the supporting description of the term 'ability to create value and generate cash flows').
6. Appendix A to this paper summarises proposals in the Exposure Draft alongside related feedback and indicates whether a topic is planned for a discussion with the IASB, following the principles set out in paragraph 5. Topics identified for discussion may not necessarily require targeted refinements. Instead, the IASB might decide to confirm the proposals. Topics not identified for discussion may still be subject to effects of any pervasive edits such as edits related to targeted refinements in terminology.

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7. Depending on the nature of the targeted refinement, the staff will either ask the IASB for a decision or will invite IASB members' questions and comments on indicative drafting.
 8. Appendix A uses the following terms to broadly indicate the portion of respondents that reported a particular view:
 - (a) almost all—all except a very small minority;
 - (b) most—large majority, with more than a few exceptions;
 - (c) many—small majority or large minority;
 - (d) some—small minority, but more than a few; and
 - (e) a few—a very small minority.

Consultation and collaboration

9. Following the IASB's decision to finalise the project, the staff and members of the IASB attended [the June 2024 IRCC meeting](#) followed by more in-depth discussions with IRCC members¹ and representatives of the Integrated Reporting Communities to seek their input on possible targeted refinements to the IASB's proposals to facilitate greater alignment of revised IFRS Practice Statement 1 *Management Commentary* (Practice Statement) with some of the concepts and terminology in the Integrated Reporting Framework. The staff will present their advice to the IASB in discussing relevant topics.
10. Because the IASB is only considering targeted refinements to its proposals, the staff do not plan any further outreach in developing the recommendations for the IASB. In drafting the targeted refinements, the staff plan to invite input from members and observers of the Management Commentary Consultative Group.

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

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11. The staff will collaborate with members of the International Sustainability Standards Board and its technical staff as appropriate, such as regarding the interaction between revised Practice Statement and IFRS Sustainability Disclosure Standards.

Question for the IASB

Question for the IASB

Do IASB members have questions or comments on the approach to redeliberations or the scope of possible targeted refinements set out in Appendix A to this paper?

Appendix A—Scope of possible targeted refinements

Topics are identified for discussion based on feedback received on the Exposure Draft *Management Commentary* (MC ED) or because of the developments in the reporting landscape (see paragraph 5). Topics not identified for discussion may still be subject to effects of any pervasive edits such as edits related to refinements in terminology.

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
1	Interaction with sustainability reporting: the Exposure Draft was issued before the creation of the International Sustainability Standards Board (ISSB). The Exposure Draft asked respondents to comment on any matters relating to the creation of the ISSB that the IASB should consider in finalising the Practice Statement.	Pervasive	<ul style="list-style-type: none"> Most respondents highlighted the need for connectivity—including between the boards, between the requirements produced by the boards, and between information in the entity’s financial statements and its narrative reports. 	AP15A Mar 2022 Par 23–48	Yes (pervasive consideration across various topics)
2	An objectives-based approach that specifies an objective for management commentary, disclosure objectives for six areas of content and examples of information that might be needed to meet the disclosure objectives.	Pervasive	<ul style="list-style-type: none"> Most respondents supported the proposal that the approach should be objectives-based rather than prescriptive. Some respondents questioned whether the proposed approach would provide a suitable and sufficient basis for assurance and enforcement. 	AP15D Mar 2022	No
3	Status of the document: a practice statement rather than an IFRS Standard.	1.1–1.5	<ul style="list-style-type: none"> Although respondents were not asked a question on the status of the document, some respondents commented on the purpose and status of the final document and expressed various views, including retaining the status of a non-mandatory practice statement; issuing the document as a non-mandatory framework on management commentary; issuing the final document as a standard; and developing an overarching framework for what was commonly described by respondents as ‘connected reporting’. 	AP15A Mar 2022 Par 49–62	No

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
4	Effective date: the revised Practise Statement supersedes the existing one for annual reporting periods beginning on or after the date of its issue.	1.6	<ul style="list-style-type: none"> Many of the respondents commenting supported the effective date proposed in the Exposure Draft. 	AP15H Apr 2022	No
5	Identifying management commentary: an entity shall identify the management commentary clearly and distinguish it from other information.	2.1	<ul style="list-style-type: none"> No question in the Exposure Draft and only a few respondents commented. 	AP15F Apr 2022 Par 18	No
6	The financial statements to which management commentary relates: management commentary shall identify the financial statements to which it relates and disclose the basis on which the financial statements are prepared, if they are not prepared in accordance with IFRS Standards.	2.2–2.3	<ul style="list-style-type: none"> Most respondents commenting agreed that the related financial statements do not need to be prepared in accordance with IFRS. 	AP15F Apr 2022 Par 13, par 19–26	No
7	Authorisation of management commentary and the meaning of the term ‘management’: an entity shall identify the body(s) or individual(s) that authorised the management commentary. The Exposure Draft did not provide a specific description of the term ‘management’.	2.4 BC61	<ul style="list-style-type: none"> Some respondents suggested that without a definition of ‘management’, it is unclear whether the term is meant to include both executive management personnel and members of a governing body. 	AP15F Apr 2022 Par 27–28	Yes (see Agenda Paper 15B <i>Targeted refinements to Chapters 1–3 of the Exposure Draft</i> and Agenda Paper 15C <i>Indicative drafting—Targeted refinements to Chapters 1–3 of the Exposure Draft</i> for this meeting)
8	Statement of compliance: management commentary that complies with all of the requirements shall include an	2.5–2.6	<ul style="list-style-type: none"> Most of the respondents commenting supported the proposals on unqualified and qualified statements of compliance. 	AP15F Apr 2022 Par 29–44	No

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
	explicit and unqualified statement of compliance. Management commentary that complies with some, but not all, of the requirements may include a statement of compliance, identifying the departures from the requirements and giving reasons for those departures.		<ul style="list-style-type: none"> However, some respondents argued that due to the non-mandatory status of the Practice Statement, it should be for local regulators to require or permit a statement of compliance. 		
9a	Objective of management commentary: enhances understanding of the financial statements and provides insight into the future.	Chapter 3 (3.1, 3.5–3.6)	<ul style="list-style-type: none"> Most respondents supported the proposed objective of management commentary. 	AP15C Mar 2022 Par 18–22	Yes (see Agenda Paper 15B and Agenda Paper 15C for this meeting)
9b	Objective of management commentary—focus on information needs of investors and creditors: management commentary is prepared for the entity’s existing and potential investors, lenders and other creditors	Chapter 3 (3.1, 3.7–3.9)	<ul style="list-style-type: none"> Most respondents supported the focus on investors’ needs. 	AP15C Mar 2022 Par 23–27	No
9c	Objective of management commentary—value creation and future cash flows: provides insight into factors that could affect the entity’s ability to create value and generate cash flows. An entity’s ‘ability to create value’ refers to an entity’s ability to create value for itself and hence for its investors and creditors.	Chapter 3 (3.1, 3.10–3.13)	<ul style="list-style-type: none"> Most respondents supported the concept of value creation as set out in the Exposure Draft. Some respondents emphasised that the company’s ability to create value for itself is dependent on its ability to create value for others, as discussed in more detail in the Integrated Reporting Framework. 	AP15C Mar 2022 Par 28–32	Yes

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
9d	Objective of management commentary—long term horizon: investors and creditors need information that provides insight into factors that could affect their assessment of the entity's ability to create value and generate cash flows across all time horizons, including in the long term.	Chapter 3 (3.1, 3.14)	<ul style="list-style-type: none"> Almost all respondents supported the proposed reference to the ability to create value and generate cash flows across all time horizons, including in the long term. 	AP15C Mar 2022 Par 33–36	No
9e	Objective of management commentary—material information: in the context of management commentary, information is material if omitting, misstating or obscuring it could reasonably be expected to influence investors and creditors' decisions.	Chapter 3 (3.2–3.4 3.15–3.17)	<ul style="list-style-type: none"> Most respondents commenting supported this proposal. 	AP15C Apr 2022 Par 13–15	No
9f	Objective of management commentary—management's perspective: management commentary provides management's perspective of the factors that have affected the entity's financial performance and financial position, or that could affect the entity's ability to create value and generate cash flows in the future.	Chapter 3 (3.18–3.19)	<ul style="list-style-type: none"> Although not specifically asked to comment on the notion of management's perspective, some respondents emphasised its importance and suggested ways of enhancing its prominence, including an explicit mention in the objective of management commentary. 	AP15C Mar 2022 Par 37–40	Yes (see Agenda Paper 15B and Agenda Paper 15C for this meeting)
10a	Areas of content: <ol style="list-style-type: none"> business model strategy (including opportunities) 	Chapter 4 (4.1–4.2) Chapters 5–11	<ul style="list-style-type: none"> Broad support for the proposed areas of content. Some respondents suggested including requirements for information about opportunities together with requirements 	AP15E Mar 2022 Par 30–33, 35–39	Yes

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
	c) resources and relationships d) risks e) external environment f) financial performance and financial position		for information about risks, rather than as part of the requirements for information about the entity's strategy.		
10b	Information about governance-related matters: management commentary may provide insights into some aspects or consequences of an entity's governance. The Exposure Draft did not propose explicit requirements on reporting on the entity's governance.	B12	<ul style="list-style-type: none"> Many respondents highlighted the importance of governance-related information. They suggested various ways of requiring this information (for example, by adding governance as a separate area of content or incorporating explicit requirements for information about governance in the areas of content). 	AP15E Mar 2022 Par 34 AP15B Apr 2022 Par 39–45	Yes
11a	Three-tier structure of the disclosure objectives in each area of content: <ol style="list-style-type: none"> a headline objective; assessment objectives; and specific objectives. 	Chapter 4 (4.3–4.6) Chapters 5–11	<ul style="list-style-type: none"> Many respondents commenting on the three-tier structure of the disclosure objectives supported the design. However, many others expressed concerns such as that the proposed structure would be complex and burdensome for preparers of management commentary to understand and apply. 	AP15E Mar 2022 Par 17–29	Yes
11b	Disclosure objectives: individual objectives for each area of content.	Chapter 5–10	<ul style="list-style-type: none"> There was broad support for the proposed disclosure objectives. While many respondents commented on various individual disclosure objectives, generally no more than a few respondents commented on each of those objectives. 	AP15A Apr 2022 Par 9, par 13–26	No
12	Key matters: Chapters 5-10 require management commentary to focus on key matters—matters that are fundamental to the entity's ability to create value and generate cash flows.	Chapter 4 (4.7–4.14) Chapters 5–10	<ul style="list-style-type: none"> Many respondents commented on the proposal to focus on key matters and most of those respondents supported the proposal. Some respondents expressed concern about the use of the word 'key' as a label for key matters and the word 'fundamental' in the definition of a key matter. 	AP15F Mar 2022	Yes

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
			<ul style="list-style-type: none"> Some respondents commented on the guidance on key matters in general and for each area of content, including making enhancement suggestions. 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. 		
13	Making materiality judgements: guidance on identifying information that might be material, assessing whether information is material and judging how much to aggregate information.	Chapter 12 BC113	<ul style="list-style-type: none"> Most respondents broadly supported the proposed guidance. Some respondents requested an exemption from providing material information if that information is commercially sensitive. 	AP15C Apr 2022 AP15E Mar 2022 Par 43–51	No
14	Attributes of information in management commentary: information needs to be complete, balanced and accurate. That information is more useful if it is also clear and concise, comparable, verifiable and coherent.	Chapter 13	<ul style="list-style-type: none"> Broad support for the proposals. Some respondents suggested that the attributes should be referred to by the same terms as those used in the IASB's <i>Conceptual Framework for Financial Reporting</i>. 	AP15D Apr 2022	Yes
15	Metrics: requirements for selecting and reporting metrics, including specific requirements for forecasts and targets.	Chapter 14	<ul style="list-style-type: none"> Almost all respondents supported the non-prescriptive approach to selecting which metrics to report and the proposed requirements for reporting metrics. 	AP15E Apr 2022	No
16	Examples of information that might be material: examples of information that might be material for each specific disclosure objective in chapters 5-10.	Chapter 15	<ul style="list-style-type: none"> Most respondents commenting expressed the view that the examples would be helpful to preparers in identifying material information that is needed to meet disclosure objectives for the areas of content. Some respondents expressed concerns about how preparers might use such 	AP15A Apr 2022 Par 27–31	No

No	Overview of proposals	Ref in the MC ED	Overview of feedback received	Link to feedback	IASB discussion to confirm or refine proposals
			examples although most of them still supported providing those examples.		
17	Long term prospects, intangible resources and relationships and ESG matters: Appendix B provides an overview of the proposed requirements and guidance an entity is likely to need to consider in deciding what information to provide about these matters, accompanied by examples of how an entity might apply these requirements and guidance.	4.16–4.17 Appendix B	<ul style="list-style-type: none"> • Most respondents commenting broadly agreed that the proposals would provide a suitable and sufficient basis for reporting material information about these matters. • Some respondents made suggestions to add or amend requirements and examples relating to the matters discussed in Appendix B. • Some respondents highlighted the need for connectivity between the requirements and guidance that would apply to reporting on these matters, in particular on ESG matters, in the Practice Statement on management commentary and the ISSB’s requirements. 	AP15B Apr 2022	Yes
18	Structure and drafting	Pervasive	<ul style="list-style-type: none"> • Most respondents made no comment on the structure of the document or its drafting. 	AP15I Apr 2022	No