

Staff paper

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Project	Management Commentary
Topic	Targeted refinements to proposals in Chapters 1–3 of the Exposure Draft
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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. This paper discusses targeted refinements to proposals in Chapters 1–3 of the Exposure Draft *Management Commentary* (Exposure Draft) and related definitions and asks the International Accounting Standards Board (IASB) to make decisions. It covers:
 - (a) the meaning of the term ‘management’ and authorisation of management commentary for issue;
 - (b) the objective of management commentary; and
 - (c) relationship of management commentary to information in general purpose financial reports outside the management commentary.
2. This paper should be read in the context of:
 - (a) Agenda Paper 15A *Scope of possible targeted refinements* that explains the approach to identifying areas for possible targeted refinements; and

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- (b) Agenda Paper 15C *Indicative drafting—targeted refinements to proposals in Chapters 1-3 of the Exposure Draft* that provides indicative drafting illustrating the targeted refinements discussed in this paper.
3. This paper does not consider all possible targeted refinements to Chapter 3. The staff plan to present to the IASB at a future meeting possible targeted refinements in relation to:
- (a) the discussion of ‘value creation’ and its alignment with the corresponding concept in the Integrated Reporting Framework; and
- (b) the use of terminology, including alignment with the terminology used in IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*.

Structure of the paper

4. The paper is structured as follows:
- (a) note on terminology (paragraph 5);
- (b) staff recommendations (paragraphs 6–9);
- (c) the meaning of the term ‘management’ and authorisation of management commentary for issue (paragraphs 10–24);
- (d) the objective of management commentary (paragraphs 25–37);
- (e) relationship of management commentary to information in general purpose financial reports outside the management commentary (paragraphs 38–59); and
- (f) defined terms (paragraphs 60–63).

Note on terminology

5. The paper uses the terms:

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- (a) ‘management commentary’—to refer to a report that is prepared in accordance with the revised IFRS Practice Statement 1 *Management Commentary* (Practice Statement) and forms part of an entity’s general purpose financial reports.
 - (b) ‘financial statements’—to refer to general purpose financial statements that are prepared in accordance with IFRS Accounting Standards or on another basis.
 - (c) ‘sustainability-related financial disclosures’—to refer to sustainability-related financial disclosures that are prepared in accordance with IFRS Sustainability Disclosure Standards or on another basis and form part of an entity’s general purpose financial reports.

Staff recommendations

The meaning of the term ‘management’ and authorisation of management commentary for issue

- 6. The staff recommend that the IASB clarify that:
 - (a) the term ‘management’ refers to management or the governing board of an entity or both; and
 - (b) the revised Practice Statement does not specify who should authorise management commentary for issue.

The objective of management commentary

- 7. The staff recommend that the IASB give greater prominence within the objective of management commentary to:
 - (a) the notion of management’s perspective; and
 - (b) information about sustainability-related factors.

Relationship of management commentary to information in general purpose financial reports outside the management commentary

8. The staff recommend that the IASB:
- (a) acknowledge the role of management commentary in complementing other information in general purpose financial reports, including information in sustainability-related financial disclosures, if that information is provided outside the management commentary;
 - (b) extend the requirements for identifying the related financial statements to sustainability-related financial disclosures, if those disclosures are not part of the same larger report as management commentary;
 - (c) require an entity to disclose the basis on which sustainability-related financial disclosures are prepared, if an entity prepares such disclosures; and
 - (d) give greater prominence to the requirements that apply to situations when an entity is required by local law or regulation to include particular information in management commentary.

Defined terms

9. The staff recommend that the IASB:
- (a) align the definition of ‘general purpose financial statements’ with the definition set out in IFRS 18 *Primary Financial Statements* and in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*; and
 - (b) include in the defined terms the definition of ‘sustainability-related financial disclosures’ set out in IFRS S1.

The meaning of the term ‘management’ and authorisation of management commentary for issue

Recap of the proposals

10. The Exposure Draft proposed that an entity’s 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. The Exposure Draft did not propose a definition or specific description of the term ‘management’ and did not propose to specify who should authorise the management commentary for issue. However, the Exposure Draft proposed that the management commentary identify the body(s) or individual(s) who gave that authorisation.
11. Paragraph BC61 of the Basis for Conclusions on the Exposure Draft explained that the introduction to the 2010 Practice Statement refers to ‘management’ as ‘the persons responsible for the decision-making and oversight of the entity. They may include executive employees, key management personnel and members of a governing body’. The 2010 Practice Statement did not provide a specific description of the term ‘management’ because jurisdictional requirements determine who prepares and approves management commentary.

Feedback received

12. 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.
13. Some respondents said that without a definition of ‘management’ it is unclear whether the term is meant to include both executive management personnel and those charged with governance, such as a board of directors. Most of these respondents suggested

that the terms ‘management’ and ‘those charged with governance’ should be separately defined. A few others suggested defining the term ‘management’ in a manner that is broadly consistent with IAS 24 *Related Party Disclosures*.

14. Respondents advocating a distinction between ‘executive management personnel’ and ‘those charged with governance’ expressed various views on the role that those charged with governance should play in the preparation and authorisation of management commentary.
15. A few respondents commented that the Integrated Reporting Framework assigns responsibility for ensuring the integrity of an integrated report to those with charged with governance.

Subsequent developments

16. In developing the Exposure Draft, the IASB built on innovations in narrative reporting, including the Integrated Reporting Framework. The Integrated Reporting Framework became part of the materials of the IFRS Foundation in August 2022 following the merger of the IFRS Foundation with the Value Reporting Foundation.
17. In May 2023, the IASB discussed the joint staff analysis of the similarities and differences between the Exposure Draft and the Integrated Reporting Framework.¹ The analysis showed that the term ‘those charged with governance’ used in the Integrated Reporting Framework may include executive management² while the term ‘management’ used in the Exposure Draft includes the governing board of an entity in accordance with paragraph 1.4 of *the Conceptual Framework*. The analysis also

¹ See May 2023 IASB Agenda Paper 15A [Education Session—Comparison between Management Commentary Exposure Draft and the Integrated Reporting Framework](#).

² The Integrated Reporting Framework places the responsibility for an integrated report on those charged with governance and defines ‘those charges with governance’ as ‘The person(s) or organization(s) (e.g. the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship. For some organizations and jurisdictions, those charged with governance may include executive management.’

suggested that a narrower interpretation of the term ‘management’ could result in a substantive difference in the reported information.

18. Following the IASB’s decision to finalise the Management Commentary project, the staff and members of the IASB attended [the June 2024 IRCC meeting](#) followed by more in-depth discussions with members of the IRCC³ 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 Reporting Framework. In relation to the term ‘management’, the staff invited views on a possible targeted refinement to clarify in the revised Practice Statement that the term ‘management’ is used in a manner consistent with the *Conceptual Framework* and includes the governing board of an entity.
19. Most of these integrated reporting stakeholders supported this possible targeted refinement. A few of these stakeholders stated that it is not appropriate to conflate executive management and the governing board of an entity. Those stakeholders advocated giving greater prominence to the governing board of an entity similar to the approach taken in the Integrated Reporting Framework.

Staff analysis

20. The staff think that the IASB’s approach in the 2010 Practice Statement and in the Exposure Draft of not defining or specifically describing the term ‘management’ and not specifying who should prepare or authorise management commentary for issue remains appropriate. This is because the responsibility for preparing and approving management commentary is determined by jurisdictional requirements—as is also implicitly acknowledged in the Integrated Reporting Framework—so the IASB’s current approach enables compatibility of the revised Practice Statement with jurisdictional requirements. The proposed requirement for management commentary

³ [ircc-terms-of-reference-2022.pdf \(ifrs.org\)](#)

to identify the body(s) or individual(a) who authorised the management commentary for issue would provide transparency to the users of management commentary.

21. However, the feedback on the Exposure Draft and in subsequent consultation indicates that the term ‘management’ could be interpreted more narrowly than the IASB intended, and that could affect the content of the report. Accordingly, the staff think that the revised Practice Statement should be clear that the term ‘management’ is used in a manner consistent with the *Conceptual Framework* and is not intended to exclude the governing board of an entity.
22. The staff think that such a clarification would retain the benefits of the IASB’s current non-prescriptive approach while providing additional clarity and supporting alignment between the revised Practice Statement and the Integrated Reporting Framework. The staff note that most of the integrated reporting stakeholders consulted in the recent outreach supported this approach.
23. In addition, to provide further clarity, the staff think that the IASB should explicitly acknowledge that the revised Practice Statement does not specify who should authorise management commentary for issue. This is already implicit in the IASB’s proposals by virtue of the Exposure Draft not containing such a proposed requirement. However, in the staff’s view, spelling it out explicitly would clarify the IASB’s intention and support a broad interpretation of the term ‘management’.

Staff recommendations

24. The staff recommend that the IASB clarify that:
 - (a) the term ‘management’ refers to management or the governing board of an entity or both; and
 - (b) the revised Practice Statement does not specify who should authorise management commentary for issue.

Question 1 for the IASB

Do you agree with the staff recommendations in paragraph 24 to clarify that:

- (a) term 'management' refers to management or the governing board of an entity or both; and
- (b) the revised Practice Statement does not specify who should authorise management commentary for issue?

Do IASB members have questions or comments on the indicative drafting in Agenda Paper 15C illustrating the targeted refinements discussed in this section (see Note after paragraph 1.2, paragraph 1.3 and Link after paragraph 1.3)?

The objective of management commentary

Recap of the proposals

25. The Exposure Draft proposed that the objective of an entity's management commentary is to provide information that:
 - (a) enhances investors' understanding of the entity's financial performance and financial position reported in its financial statements; and
 - (b) provides insight into factors that could affect the entity's ability to create value and generate cash flows across all time horizons, including in the long term.
26. The proposed objective of management commentary was accompanied by supporting explanations expanding on some aspects of the proposed objective, including management's perspective.
27. The proposed objective of management commentary did not explicitly refer to sustainability-related factors and the role of management commentary in providing information about those factors. However, in discussing materiality judgements, the Exposure Draft explicitly acknowledged that information about such matters might be material. Furthermore, Appendix B *Long-term prospects, intangible resources and relationships and ESG matters* explained that matters affecting the entity could

include matters relating to intangible resources and relationships and environmental, social and governance matters, and that management commentary should provide material information about such matters. Appendix B also provided a comprehensive overview of requirements and guidance in the Exposure Draft that would likely apply in identifying information about such matters that needs to be provided in management commentary.

28. The Exposure Draft was published before the establishment of the International Sustainability Standards Board (ISSB). The Invitation to Comment included a question on whether there are any matters relating to the Trustees' plans to establish the ISSB that the IASB should consider in finalising the Practice Statement. The Introduction to the Exposure Draft suggested that 'in the future entities might be able to apply standards issued by that board [ISSB] to help them identify some of the information needed to comply with the Practice Statement'.

Feedback received

29. Most respondents commented on the proposed objective of management commentary. Most of these respondents supported the proposed objective. Comments included that the proposed objective would encourage management to take a long-term view in discussing factors underlying the entity's prospects and to provide context and management's insights into the business to help investors make better assessments of the entity's prospects.
30. As noted in paragraph 12, respondents commenting on management's perspective, including almost all investors, emphasised the important role of management's perspective in identifying information for inclusion in management commentary. Respondents made suggestions for enhancing the guidance on management's perspective, including emphasising the importance of management's perspective in the objective of management commentary.

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31. A few respondents broadly supported the proposed objective of management commentary but recommended improvements, such as explaining the role of management commentary in integrating sustainability-related information with the information provided in the entity's financial statements.
 32. More than half of the respondents commented on the proposed requirements and guidance that would apply to matters that could affect an entity's long-term prospects, intangible resources and relationships, and environmental and social matters. Most of them broadly supported these proposals. Many respondents, while broadly agreeing with the proposals, suggested refinements, including suggestions for giving greater prominence to the requirements and guidance that would apply to those matters.
 33. Most respondents commented on matters relating to the Trustees' plans for establishing the ISSB that the IASB should consider in finalising the revised Practice Statement. Nearly all of those respondents referred to an interaction between the Management Commentary project and the work of the ISSB and most of them emphasised the need for connectivity between the boards' respective requirements. Many respondents commenting suggested that there is a potential overlap between the scope of the revised Practice Statement and the Standards to be issued by the ISSB. For example, they both cover implications of sustainability-related matters for an entity.

Staff analysis

34. The staff agree with the respondents, including almost all investors, who emphasised the important role of management's perspective in management commentary. The staff note that providing management's insight is a defining feature of management commentary relative to other general purpose financial reports prepared by an entity.
35. The staff think that incorporating the notion of management's perspective within the objective of management commentary would be consistent with the IASB's intention in the Exposure Draft and would be an effective way to address feedback by making

targeted refinements to the proposals in the Exposure Draft. In addition, the staff are considering drafting refinements to give greater prominence to the notion of management’s perspective within supporting explanations accompanying the objective of management commentary, such as by bringing the discussion of management’s perspective forward to immediately follow the objective of management commentary. The staff think that this drafting refinement would make the logic of the requirements clearer, with the objective of management commentary addressing *what* management commentary needs to achieve, the discussion of management’s perspective addressing *how* management commentary does it, and the discussion of the complementary role of management commentary describing the reporting *outcome*.

36. The staff also note feedback on the interaction between the revised Practice Statement and ISSB requirements, as well as calls to give greater prominence to information about sustainability-related matters in the revised Practice Statement. In particular, the staff agree with the suggestion to acknowledge the role of information about sustainability-related matters as part of the objective of management commentary. The staff think that doing so would be consistent with the IASB’s intention in the Exposure Draft and would be an effective way to address feedback by making targeted refinements to the proposals in the Exposure Draft. Furthermore, in the staff’s view, such an explicit acknowledgement is particularly important in the light of the development and increasing prevalence of sustainability reporting and would support connections between the revised Practice Statement and the ISSB’s requirements.

Staff recommendations

37. The staff recommend that the IASB give greater prominence within the objective of management commentary to:
- (a) the notion of management’s perspective; and
 - (b) information about sustainability-related factors.

Question 2 for the IASB


Do you agree with the staff recommendations in paragraph 37 to give greater prominence within the objective of management commentary to:

- (a) the notion of management's perspective; and
- (b) information about sustainability-related factors?

Do IASB members have questions or comments on the indicative drafting in Agenda Paper 15C illustrating the targeted refinements discussed in this section (see paragraph 3.1 and paragraphs 3.X1–3.X2)?

Relationship of management commentary to information in general purpose financial reports outside the management commentary

Recap of the proposals

38. The Exposure Draft proposed that management commentary complements an entity's financial statements and should identify the financial statements to which it relates. The Exposure Draft did not propose any restrictions on the basis of preparation of the related financial statements. However, if the financial statements are prepared on a  basis other than IFRS Accounting Standards, the Exposure Draft proposed that the management commentary should disclose the basis of preparation of the related financial statements.
39. The Exposure Draft did not address the relationship of management commentary to other information in general purpose financial reports outside the management commentary, other than as part of the proposed requirements and guidance on coherence of information, including a proposed requirement to explain areas of apparent inconsistency between information provided in the management commentary and other information provided by the entity—for example, in investor presentations, on the entity's website or in other publicly available communications.

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40. In relation to information about sustainability-related matters, the Exposure Draft:
- (a) proposed that management commentary should provide information about such matters if that information is material.
 - (b) explained that entities could apply reporting requirements or guidelines issued by other bodies with an interest in sustainability reporting to help them identify material information about such matters.
 - (c) acknowledged that in some cases an entity may need to include in management commentary information that is not material in the context of management commentary prepared in accordance with the revised Practice Statement. For example, an entity might need to include in management commentary particular information to comply with local laws and regulations. The Exposure Draft proposed that an entity should:
 - (i) present immaterial information in a way that avoids obscuring material information; and
 - (ii) identify management commentary clearly and distinguish it from other information provided in the same report or in other reports published by the entity.
41. As noted in paragraph 28, the Exposure Draft was published before the establishment of the ISSB and before the issuance of the inaugural IFRS Sustainability Disclosure Standards. The Exposure Draft did not use the term ‘sustainability-related financial disclosures’ and did not comment on the relationship between management commentary and sustainability-related financial disclosures apart from suggesting that ‘in the future entities might be able to apply standards issued by the new board [ISSB] to help them identify some of the information needed to comply with the Practice Statement’.

Feedback received

42. Many respondents commented on the proposal to permit entities to apply the revised Practice Statement even if their financial statements are not prepared in accordance with IFRS Standards. Almost all of these respondents supported the proposal.
43. Some respondents asked for clarity on the boundary of sustainability-related information to be reported in management commentary. Some respondents raised a question on the preferred location for sustainability-related financial information that will be required by the ISSB and whether management commentary will become a preferred location for such information. Those who expressed a preference stated various views:
- (a) some respondents advocated including information about sustainability-related matters in the management commentary so that material information about all factors that could affect the entity's prospects is provided in a single report; and
 - (b) a few other respondents advocated discussing sustainability-related matters in a separate sustainability report, with management commentary discussing only some aspects of sustainability-related matters.
44. Respondents were not asked a specific question about the proposed requirements for an entity to clearly identify management commentary. The only comments raised by respondents in that respect related to the boundary of sustainability-related financial information to be reported in management commentary.
45. A few respondents asked the IASB to seek compatibility with laws and regulations issued by lawmakers and regulators around the world, in particular the European Commission, to create globally accepted baseline requirements for management commentary and to facilitate broader adoption of the revised Practice Statement.
46. Respondents generally agreed with the proposal to include coherence among the required attributes of information in management commentary. A few respondents

asked the IASB to give more prominence to that notion and a few others suggested refinements to these proposals. Detailed feedback on these proposals and any possible targeted refinements will be presented to the IASB at a future meeting.

Subsequent developments

47. In June 2023, the ISSB issued its inaugural IFRS Sustainability Disclosure Standards. IFRS S1 requires that sustainability-related financial disclosures prepared applying IFRS Sustainability Disclosure Standards are published as part of an entity's general purpose financial reports to ensure that primary users are provided with a comprehensive and connected package of reports. The ISSB acknowledged that jurisdictions might specify the exact location in which an entity is required to provide its sustainability-related financial disclosures. Accordingly, IFRS S1 does not specify a particular location where those disclosures should be provided but identifies management commentary—or a similar report if it forms part of an entity's general purpose financial reports—as a possible location for sustainability-related financial disclosures.⁴
48. Similar to the IASB's proposals on management commentary, IFRS S1 permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. In those cases, an entity is required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information. IFRS S1 provides application guidance in relation to this requirement as part of application guidance on materiality.⁵

⁴ Paragraphs 60–61 of IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and paragraphs BC142–BC143 of the Basis for Conclusions on IFRS S1.

⁵ Paragraph 62 and paragraph B27 of IFRS S1.

Staff analysis

49. The staff note respondents' questions about the preferred location of sustainability-related financial disclosures prepared applying IFRS Sustainability Disclosure Standards and about the scope of sustainability-related financial information required in management commentary for it to meet its objective.
50. However, the staff acknowledge that it would not be appropriate for the IASB to comment on the preferred location of sustainability-related financial disclosures prepared applying standards issued by another body, including the ISSB.
51. Furthermore, the staff think that it would be neither feasible nor desirable for the IASB to specify more precise requirements for the scope of sustainability-related financial information required in management commentary for it to meet its objective beyond the overarching requirement to provide information that is material in the context of management commentary. The staff think that developing more precise requirements on this topic:
- (a) would be inconsistent with the proposed objectives-based approach that was broadly supported by respondents;
 - (b) could require a joint project with the ISSB, given the extent of the interaction with IFRS Sustainability Disclosure Standards, and go beyond the confines of targeted refinements to the IASB's proposals; and
 - (c) could limit the compatibility of the revised Practice Statement with jurisdictional requirements.
52. However, the staff think that the revised Practice Statement should address the relationship between management commentary and sustainability-related financial disclosures if those disclosures are provided in an entity's general purpose financial reports outside the management commentary—similar to how it addresses the relationship between management commentary and the related financial statements.

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53. The staff think that the nature of the relationship between management commentary and sustainability-related financial disclosures—if those disclosures are provided in an entity’s general purpose financial reports outside the management commentary—is similar to the relationship between the management commentary and the related financial statements. Specifically, management commentary complements those disclosures by providing management’s perspective on sustainability-related factors that could affect the entity’s ability to create value and generate cash flows and by integrating information about various factors into a single, concise and coherent narrative.
54. Furthermore, the staff note that the IASB’s proposals on coherence of information both within the management commentary and between management commentary and other information provided by an entity were well received by respondents. The staff think that, in principle, the complementary relationship between management commentary and information in an entity’s general purpose financial reports outside the management commentary described in paragraph 38 extends beyond the financial statements and sustainability-related financial disclosures—if those disclosures are provided outside the management commentary. Rather, the same relationship exists with all information in an entity’s general purpose financial reports outside the management commentary with management commentary playing a complementary role, providing management’s perspective and integrating information about various factors affecting an entity’s ability to create value and generate cash flows. The staff note that this approach supports comprehensive and connected package of reports for primary users and is conceptually consistent with the ISSB’s approach in IFRS S1.
55. Accordingly, the staff think that the revised Practice Statement should acknowledge the role of management commentary in complementing other information in general purpose financial reports, including information in the sustainability-related financial disclosures if that information is provided outside the management commentary.
56. In addition, for the reasons discussed in paragraphs 53–54, the staff think that the proposed requirements for the related financial statements should be extended, subject

to any necessary adjustments, to sustainability-related financial disclosures, if those disclosures are provided outside the management commentary. Specifically, the staff think that:

- (a) the proposed requirements to identify the related financial statements should be extended to sustainability-related financial disclosures, if those disclosures are not part of the same larger report as management commentary. This is because for management commentary to play a complementary role, investors need to be able to access the related sustainability-related financial disclosures similar to how they need to be able to access the related financial statements.
- (b) the revised Practice Statement should not place any restrictions on the basis of preparation of sustainability-related financial disclosures if those disclosures are provided outside the management commentary, similar to how there are no restrictions on the basis of preparation of the related financial statements. However, given the current reporting landscape, the staff think that the revised Practice Statement should require disclosure of the basis of preparation of the related sustainability-related financial disclosures in all cases and not only if those disclosures are prepared on the basis other than IFRS Sustainability Disclosure Standards.

57. Finally, in the light of the developments in the reporting landscape, the staff think that the revised Practice Statement should give greater prominence to the requirements that apply to situations when an entity is required by local law or regulation to include in management commentary particular information, such as information about sustainability-related matters.

58. The Exposure Draft discussed situations when regulators require particular information in management commentary in Appendix B and included proposals on identifying management commentary clearly and distinguishing it from other information and on providing immaterial information in a way that that avoids obscuring material information. However, the Exposure Draft did not provide a prominent clear link between those proposals. The staff think that including such a

link would facilitate compatibility of the revised Practice Statement with jurisdictional requirements. In the staff's view, doing so would also be consistent with IFRS S1, which addresses other information included in the same location as the information required by IFRS Sustainability Disclosure Standards in a prominent way in the 'main body' of the Standard.

Staff recommendations

59. The staff recommend that the IASB:
- (a) acknowledge the role of management commentary in complementing other information in general purpose financial reports, including information in sustainability-related financial disclosures, if that information is provided outside the management commentary;
 - (b) extend the requirements for identifying the related financial statements to sustainability-related financial disclosures, if those disclosures are not part of the same larger report as management commentary;
 - (c) require an entity to disclose the basis on which sustainability-related financial disclosures are prepared, if an entity prepares such disclosures; and
 - (d) give greater prominence to the requirements that apply to situations when an entity is required by local law or regulation to include particular information in management commentary.

Question 3 for the IASB

Do you agree with the staff recommendations in paragraph 59 to:

- (a) acknowledge the role of management commentary in complementing other information in general purpose financial reports, including information in sustainability-related financial disclosures, if that information is provided outside the management commentary;

Question 3 for the IASB

- (b) extend the requirements for identifying the related financial statements to sustainability-related financial disclosures, if those disclosures are not part of the same larger report as management commentary;
- (c) require an entity to disclose the basis on which sustainability-related financial disclosures are prepared, if an entity prepares such disclosures; and
- (d) give greater prominence to the requirements that apply to situations when an entity is required by local law or regulation to include particular information in management commentary?

Do IASB members have questions or comments on the indicative drafting in Agenda Paper 15C illustrating the targeted refinements discussed in this section (see Link after paragraph 1.4, paragraph 2.2, Link after paragraph 3.1 and paragraphs 3.X3–3.X4)?

Defined terms

60. The Exposure Draft included a definition of ‘management commentary’ based on the proposals in the Exposure Draft. If the IASB agrees with the staff recommendations in this paper, the staff will update the definition of management commentary to reflect the respective targeted refinements to the proposals in Chapters 1–3 of the Exposure Draft.
61. The Exposure Draft also included a definition of ‘general purpose financial statements’, aligned with the definition included in IAS 1 *Presentation of Financial Statements*. In April 2024, IASB issued IFRS 18 *Primary Financial Statements*, which includes an updated definition of general purpose financial statements aligned with the *Conceptual Framework*. Accordingly, the staff think that the definition of general purpose financial statements in the revised Practice Statement should be aligned with that updated definition.
62. As noted in paragraph 41, the Exposure Draft was published before the issuance of the inaugural IFRS Sustainability Disclosure Standards and did not use the term

‘sustainability-related financial disclosures’. If the IASB agrees with the staff recommendations in this paper, the staff think that a definition of sustainability-related financial disclosures should be included in the defined terms and should be aligned with the definition set out in IFRS S1.

63. The staff recommend that the IASB:
- (a) align the definition of ‘general purpose financial statements’ with the definition set out in IFRS 18 and in the *Conceptual Framework*; and
 - (b) include in the defined terms the definition of ‘sustainability-related financial disclosures’ set out in IFRS S1.

Question 4 for the IASB

Do you agree with the staff recommendations in paragraph 63 to:

- (a) align the definition of general purpose financial statements with the definition set out in IFRS 18 and in the *Conceptual Framework*; and
- (b) include in the defined terms the definition of sustainability-related financial disclosures set out in IFRS S1?

Do IASB members have questions or comments on the indicative drafting in Agenda Paper 15C illustrating the targeted refinements discussed in this section (see extracts from Appendix A—Defined terms)?