

STAFF PAPER

April 2022

IASB® meeting

Project	Management commentary		
Paper topic	Feedback summary—Cover paper		
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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 of the meeting

- 1 At this meeting, the International Accounting Standards Board (IASB) will continue discussing feedback on its proposals for a revised Practice Statement on management commentary (Practice Statement), as set out in the Exposure Draft Management Commentary (Exposure Draft).
- 2 This cover paper includes a reminder of the topics the IASB discussed at its March 2022 meeting, introduces the topics to be discussed at this meeting and sets out next steps.

Note on terminology—investors

- The Exposure Draft used the term ‘investors and creditors’ to refer to the primary users of an entity’s general purpose financial reports as defined in the *Conceptual Framework for Financial Reporting*—existing and potential investors, lenders and other creditors.
- For simplicity, the agenda papers use the term ‘investors’ to refer to those primary users and to analysts and other professionals acting on their behalf.

Overview of engagement and feedback

- 3 During the Exposure Draft comment period, IASB members and staff attended 68 outreach events and received 82 [comment letters](#).¹
- 4 [Agenda Paper 15 Feedback summary—Overview](#) for the IASB’s March 2022 meeting sets out further information about our engagement with stakeholders, along with an overview of the key messages in the feedback. Appendix A to this paper reproduces those key messages and Appendix B explains how we have quantified feedback.

Topics discussed in March 2022

- 5 The IASB started discussing feedback on the Exposure Draft at its March 2022 meeting. At that meeting, the IASB discussed:
- (a) feedback on the direction of the project;
 - (b) feedback from investors; and
 - (c) feedback on the main aspects of the proposed requirements and guidance:

Management Commentary feedback summaries for the March 2022 meeting

Reference	Title	Feedback topics
15A	Project direction	The direction of the Management Commentary project, including: <ul style="list-style-type: none"> • the need for the project, • the interaction with sustainability reporting, and • the purpose and status of the final document.
15B	Investor feedback	All topics on which we received feedback from investors.

¹ Comment letters are available on the IFRS Foundation website at: [www.https://www.ifrs.org/projects/work-plan/management-commentary/exposure-draft-and-comment-letters-management-commentary/#view-the-comment-letters](https://www.ifrs.org/projects/work-plan/management-commentary/exposure-draft-and-comment-letters-management-commentary/#view-the-comment-letters)

Reference	Title	Feedback topics
15C	<i>Objective of management commentary</i>	<p>The objective of management commentary and related concepts, including:</p> <ul style="list-style-type: none"> • the focus on investors’ information needs, • the concept of value creation, and • management’s perspective.
15D	<i>Objectives-based approach</i>	<p>The objectives-based approach—including whether such an approach is capable of being operationalised and enforced.</p>
15E	<i>Disclosure objectives and areas of content</i>	<p>The disclosure objectives and the six areas of content—including:</p> <ul style="list-style-type: none"> • the design of the disclosure objectives, and • disclosure of commercially sensitive information.
15F	<i>Key matters and material information</i>	<p>The requirement to focus on key matters and provide material information.</p>

Topics to be discussed at this meeting

- 6 At this meeting, the IASB will discuss feedback on all remaining topics:
- (a) aspects of the proposed requirements and guidance not discussed in March; and
 - (b) the effects analysis set out in the Basis for Conclusions on the Exposure Draft:

Management Commentary feedback summaries for the April 2022 meeting

Reference	Title	Feedback topics
15A	<i>Detailed feedback on disclosure objectives and supporting examples</i>	The disclosure objectives for the six areas of content proposed in the Exposure Draft, and the supporting examples.
15B	<i>Long-term prospects, intangible resources and relationships and ESG matters</i>	Requirements and guidance for reporting on matters of particular interest to investors: <ul style="list-style-type: none"> • matters that could affect the entity’s long-term prospects, • intangible resources and relationships, and • environmental, social and governance (ESG) matters.
15C	<i>Making materiality judgements</i>	The definition of material information and guidance on making materiality judgements.
15D	<i>Completeness, balance, accuracy and other attributes</i>	Requirements and guidance relating to the attributes of information in management commentary, including requirements relating to information included by cross-reference to another report.
15E	<i>Metrics</i>	Requirements and guidance for reporting metrics.
15F	<i>Identification, authorisation and statement of compliance</i>	Requirements and guidance for: <ul style="list-style-type: none"> • identifying management commentary and the related financial statements, • the definition of management and authorisation of management commentary, and • statements of compliance.
15G	<i>Effects analysis</i>	<ul style="list-style-type: none"> • Expected benefits and costs of the revised Practice Statement. • Adoption of the revised Practice Statement.
15H	<i>Effective date</i>	The effective date of the revised Practice Statement.
15I	<i>Structure and drafting</i>	The structure and drafting of the Practice Statement.

Next steps

- 7 The staff expects to ask the IASB to consider a path forward for this project at a future meeting.

Appendix A—Overview of key messages

A1 This appendix reproduces the overview of key messages presented in paragraphs 17–38 of [Agenda Paper 15 Feedback summary—Overview](#) for the IASB’s March 2022 meeting.

Topic	Key messages
Need for the project	<p>Many respondents, including almost all investors, commented on the need for the project and expressed support for the work of the IASB to develop a new comprehensive framework on management commentary that would address investors’ information needs. A few of the respondents who did not support the focus on investors’ information needs did not support the project and suggested using the IIRC’s International Integrated Reporting Framework (<IR> Framework) as a basis for ‘connected reporting’.</p>
Interaction with sustainability reporting	<p>Most respondents commented on the interaction between the Management Commentary project and the future work of the International Sustainability Standards Board (ISSB). Most of these respondents highlighted the need for connectivity between the boards and urged the boards to work together on the Management Commentary project.</p> <p>Many of those who called for connectivity between the IASB and the ISSB 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 future requirements or until the ISSB progresses its work on its first standards.</p> <p>However, a few respondents argued that the project should progress while the ISSB developments are taking place. In addition, many investors emphasised that they do not only seek better information on sustainability-related matters, but also improvements on other aspects of management commentary.</p>

Topic	Key messages
Purpose and status of the final document	<p>Some respondents commented on the most appropriate status for the final document and expressed various views. Specifically, respondents suggested issuing it as a non-mandatory practice statement, a non-mandatory framework on management commentary, a standard or an overarching framework for what was commonly described as ‘connected reporting’.</p>
Objective of management commentary	<p>Most respondents commented on the proposed objective of management commentary. Most of these respondents supported the proposed objective. A few respondents recommended improvements, including explicitly referring to providing information for investors to assess management’s stewardship of the entity’s resources.</p> <p>Some respondents disagreed with the proposed objective because they disagreed with the focus on investors’ information needs or the concept of value creation set out in the Exposure Draft. Many of these respondents indicated that the <IR> Framework would better meet their preferred reporting objective.</p>
Focus on investors’ information needs	<p>Most respondents commenting on the proposed objective of management commentary supported the focus on investors’ information needs. Some respondents, mainly academics and standard-setters focused on integrated or sustainability reporting, suggested addressing the information needs of a broader range of stakeholders.</p>
Value creation and future cash flows	<p>Most respondents commenting on the proposed objective of management commentary 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 entity’s ability to create value for itself is dependent on its ability to create value for others. Some respondents also suggested that the guidance on value creation should be more closely aligned with concepts in the <IR> Framework.</p>

Topic	Key messages
Management’s perspective	<p>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.</p>
Objectives-based approach	<p>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, and said they thought that the proposed approach would provide a suitable and sufficient basis for management to identify information that investors need.</p> <p>However, some respondents said they thought management might find it difficult (at least initially) to identify the information needed to meet the disclosure objectives, due to the extent of judgement required, or that information provided solely on the basis of disclosure objectives would be less comparable than information provided to satisfy more prescriptive requirements.</p> <p>Respondents, including accounting firms, expressed mixed views on whether the proposed objectives-based approach would provide a suitable and sufficient basis for assurance and enforcement. Some respondents made suggestions on how the proposed approach could be strengthened.</p>
Disclosure objectives and areas of content	<p>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. However, some respondents suggested adding ‘governance’ as a distinct area of content, or incorporating explicit requirements for governance-related information throughout requirements for areas of content.</p> <p>Many respondents commenting on the three-tier structure of the disclosure objectives—including almost all of the investors commenting—supported the design. However, many others—including most of the preparers commenting—expressed concerns about it, their main concern being that the proposed structure would be complex and burdensome for preparers of management</p>

Topic	Key messages
	commentary to understand and apply. Some respondents suggested simplifying the structure by eliminating the assessment objectives or merging them with the specific or headline objectives.
Commercially sensitive information	A few investors expressed concern that the flexibility of the proposed objectives-based approach could allow management to avoid disclosing material unfavourable or entity-specific information, by claiming the information is commercially sensitive or confidential. In contrast, some other respondents—mainly national standard-setters—suggested creating an exception permitting entities to omit commercially sensitive information from management commentary.
Key matters and material information	Most of the respondents commenting on the proposal to require management commentary to focus on key matters—including all the investors commenting—supported the proposal. However, many 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.
Metrics	<p>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 view and a few others disagreed with the proposed requirement for management to consider methods of calculating metrics that are commonly used by other entities with similar activities. In contrast, some investors emphasised the importance of comparability between metrics reported by similar entities.</p> <p>Almost all respondents supported the proposed requirements for reporting and presenting metrics. A few respondents suggested improvements to the proposed requirements and guidance.</p>

Topic	Key messages
Long-term matters, intangible resources and relationships and ESG matters	<p>Most of the respondents commenting on the proposed requirements and guidance on these topical matters fully or broadly agreed that the proposals would provide a suitable and sufficient basis for reporting material information about these matters.</p> <p>The respondents that disagreed with the proposed focus on investors' information needs also disagreed that the proposals would provide a sufficient basis for reporting on these matters. A few other respondents suggested other reasons for disagreeing with the proposals, including that reporting on these matters should be addressed in a more focused and conceptually sound manner in the main body of the document.</p>
Attributes of useful information	<p>Many respondents commented on the proposed requirements for information in management commentary to possess particular attributes (for example, completeness, balance and accuracy) and guidance to help preparers of management commentary identify and present information with those attributes. Almost all respondents commenting expressed broad support for the proposals. However, some respondents suggested that the attributes should be referred to by the same terms as are used for the qualitative characteristics of financial reporting described in the IASB's <i>Conceptual Framework for Financial Reporting</i>.</p>
Statement of compliance	<p>Most respondents supported the IASB's proposals on statements of full or partial compliance to be included in the management commentary. However, some respondents argued that due to the non-mandatory nature of the practice statement, it should be up to local regulators to decide whether a statement of compliance should be required or permitted.</p>

Appendix B—Quantifying feedback

B1 In the agenda papers for this meeting, we use the following terms to quantify feedback:

Term	Description
Almost all	All except a very small minority
Most	A large majority, with more than a few exceptions
Many	A small majority or large minority
Some	A small minority, but more than a few
A few	A very small minority

B2 The IASB received feedback on all aspects of the Exposure Draft. However, not all respondents commented on all aspects of the Exposure Draft. When using the terms described in paragraph B1 to quantify respondents' comments on a topic, these terms are, unless otherwise stated, defined by reference to the number of respondents who commented on that topic.

B3 References to 'respondents' refers to all stakeholders who commented, either through comment letters or during outreach meetings.

B4 Throughout the agenda papers for this meeting, we have identified topics on which we received different messages from specific stakeholder groups or from specific geographic regions. Where we do not mention particular stakeholder groups or geographies, this means there was not an identifiable pattern to the responses from different stakeholder groups or from different geographic regions.