



IFRS® Foundation

Management Commentary – Outreach plans

Accounting Standards Advisory Forum meeting

ASAF Agenda Paper 3
March 2021

Purpose of this session

Agenda ref 3

Background

- The Board is developing proposals for a revised Practice Statement 1 *Management Commentary*
- The proposed Practice Statement would provide a comprehensive framework for preparing management commentary
- Publication of the Exposure Draft is planned towards the end of April 2021
- Comment period will be set in March 2021

Purpose of this session

- To discuss outreach plans

1. Do you have comments on the staff's tentative outreach plans?
2. Do you plan to conduct outreach in your jurisdiction and if so, are you interested in conducting joint outreach events?
3. How could the Board and the staff support your outreach activities?
4. Do you have other advice and suggestions?

What is a management commentary?

- Provides insights into factors affecting the entity's financial performance and financial position and its prospects for future cash flows
- Complements the entity's financial statements
- Focuses on investors' and creditors' information needs

Why is the Board doing the project?

- To help preparers of management commentary better meet investors' and creditors' information needs, including:
 - providing entity-specific information and focusing on matters important for the entity's prospects; and
 - providing insights into long-term prospects, including information on intangibles and environmental, social and governance (ESG) matters
- To develop an effective basis for:
 - regulators to enforce the Practice Statement; and
 - auditors to provide assurance on management commentary
- To respond to developments in narrative reporting

Topics covered by the proposals

Agenda ref 3

The objective of management commentary

Materiality and other attributes of information in management commentary

Metrics

Disclosure objectives and requirement to focus on key matters

Business model

External environment

Strategy

Risks

Resources and relationships

Financial performance and financial position

Application guidance and examples, including on intangibles and ESG matters

Who will apply the proposed Practice Statement?

- Entities will apply the proposed Practice Statement if they:
 - are required to do so by their jurisdiction; or
 - choose to apply the Practice Statement
- To assert compliance with the Practice Statement, entities need to comply with all its requirements
- The Practice Statement does not apply in preparing financial statements
- Financial statements can comply with IFRS Standards even if not accompanied by management commentary complying with the Practice Statement

Could the proposed Practice Statement be applied with other requirements and guidelines?

The proposed Practice Statement:

- may help preparers apply broadly specified national laws and regulations on narrative reporting; and
- is designed to be compatible with industry-specific or topic-specific narrative reporting guidelines, in particular on sustainability matters

Possible areas of focus for outreach

Agenda ref 3

The staff plan to seek feedback on:

Investors and creditors

- whether the proposals cover information that investors and creditors need

National standard-setters

- enforceability of the proposed requirements
- any potential barriers to adoption of the proposed Practice Statement
- any local requirements or guidance that could be incorporated in the proposed Practice Statement to make it more effective

Organisations issuing sustainability guidelines

- compatibility of the proposed Practice Statement with industry-specific or topic-specific guidelines

Preparers

- whether the proposed application guidance would enable entities to apply the proposed requirements
- costs and challenges related to applying the proposals

Auditors

- whether any of the proposals would prevent auditors from providing assurance on management commentary

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