



Management commentary

Slide Deck 3 *Overview of the staff's current proposals*

Consultative Group meeting – 13 December 2019

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS Foundation.

Overview of the staff's current proposals

Purpose of this section

This section provides an overview of the staff's current proposals for the revised Practice Statement highlighting the main changes to the proposals since the previous discussion.

The staff noted which proposals have already been discussed with and confirmed by the Board. The rest of the proposals are based on the staff's current approach and are subject to change.

Slide Deck 2 discusses specific topics where the staff want additional input. In this slide deck, the Consultative Group members are asked for comments on the current proposals taken as a whole and on changes to proposals since the previous discussion.

Contents:

Overview of the staff's current proposals:

- Architecture (slide 4)
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Overview of the staff's current proposals

Overview of the staff's current proposals

Architecture

Proposed components of the Practice Statement

OBJECTIVE

- Establishes focus on providing information useful to primary users in assessing future cash flows and management's stewardship as a context for the financial statements.

BASIS OF PREPARING

- Based on the concepts for providing useful financial reporting in the *Conceptual Framework for Financial Reporting (Conceptual Framework)*.
- Provides practical guidance to address key gaps in reporting practice, in particular guidance on materiality, neutrality and completeness.

CONTENT ELEMENTS

- Provides principles-based guidance for building a coherent narrative across topics (content elements) that are expected to be discussed in management commentary to meet primary users' information needs:
 - business model;
 - strategy;
 - risks and operating environment; and
 - performance, position and progress.
- Provides basis for determining entity-specific content that is aligned with the entity's strategic priorities.

ROLE OF OTHER FRAMEWORKS*

Other frameworks may help to identify relevant, comparable information on a matter but are not part of the Practice Statement

Industry guidance

Topic guidance

* The staff are requesting the Consultative Group's views on the interaction between the Practice Statement and other frameworks in Slide Deck 4.

This overview represents the staff's proposed approach and may be subject to change.

Objective*

- Provide primary users with historical financial and operational information and analysis that is useful in assessing the prospects for the entity's future net cash inflows, and management's stewardship of the entity's economic resources as context for the financial statements.

Guidance supporting the objective*

- Primary users of management commentary are the same as the primary users of financial statements, that is existing and potential investors, lenders and other creditors. For their assessments, primary users need information to assess:
 - the uncertainty of the entity's net cash inflows;
 - the entity's ability to develop and sustain those cash flows in the long term; and
 - management's stewardship of the entity's economic resources needed to support this.
- Management commentary should discuss matters if information about those matters could reasonably be expected to influence primary users' assessments of the amount, timing and uncertainty of the entity's future net cash inflows, and their assessments of management's stewardship of economic resources, including:
 - matters that affected the entity's performance for the reporting period and position at the end of the period; and
 - matters that could affect the entity's performance and position in the future.
- Information that could reasonably influence primary users' assessments of the entity's future net inflows includes information about management's strategy for developing and sustaining the entity's future cash flows, the entity's progress in implementing that strategy and potential implications for the entity's prospects of future cash flows. However, the revised Practice Statement is not expected to require management to prepare forecast of projected performance information for inclusion in management commentary.

* The Board discussed and broadly agreed with the objective of management commentary and guidance supporting the objective in November 2018.

Guidance on usefulness of information in management commentary*

- Plain language descriptions of the fundamental and enhancing qualitative characteristics of useful financial information based on the *Conceptual Framework*.
- Specific guidance on considering particular qualitative characteristics where such guidance is needed to address gaps in reporting practice or due to the nature of information included in management commentary.

MATERIALITY*

To help management make materiality judgements in preparing management commentary:

- Make explicit link between making materiality judgements and users' assessments of future cash flows and stewardship.
- Suggest practical sources for identifying matters that need to be discussed:
 - Information management uses in managing the business;
 - The entity's capital market communications; and
 - Information identified through engagement with the entity's key stakeholders.
- Explain that to deliver a coherent narrative management would need to consider whether and, if so what, information to provide in each content element about matters that need to be discussed in management commentary.¹
- Provide guidance on materiality considerations in relation to uncertainty of a matter occurring and the level of aggregation of information provided about a matter in management commentary.

* The Board tentatively confirmed guidance on qualitative characteristics at its July, September and October 2019 meetings.

¹ The staff are requesting the Consultative Group's views on the application of the notion of 'narrative coherence' in Slide Deck 2.

COMPLETENESS*

- A complete depiction of a matter should include material information about the nature of a matter and about factors and circumstances that might affect it.
- Completeness of information on a matter is determined by reference to primary users' information needs. To be complete, a depiction of a matter does not necessarily require management to provide all information it has about that matter. See also Slide Deck 2 discussing providing management's view in management commentary.

NEUTRALITY*¹

- For a depiction of a matter to be neutral, information about it cannot be omitted, obscured, given undue prominence or otherwise manipulated to influence primary users' view of the matter favourably or unfavourably.
- Neutrality of management commentary as a whole depends on:
 - how prominently matters are reported; and
 - overall tone and language.
- Introduce requirements for describing ranges of uncertain outcomes, to avoid misleading descriptions.

ENHANCING CHARACTERISTICS*

Comparability

- Relevance takes precedence over comparability.
- Require information to support comparability, including explanations of assumptions and methods of calculations—and changes in them—used in producing a performance measure.

Understandability

- Make the need for conciseness explicit.
- Provide principles-based guidance on the use of cross-referencing.

Verifiability

- Give guidance on including information based on judgement.

* The Board tentatively confirmed guidance on qualitative characteristics at its July, September and October 2019 meetings. Refer to Appendix B in Slide Deck 1 for the Board's tentative decisions.

¹ 'Neutrality' is sometimes referred to as 'balance' or 'lack of bias'.

This table highlights what has been added, amended or clarified in the staff's proposals since the previous discussions with the Consultative Group.

Area/Topic	Type of change	Description
Comparability	Clarification	<p>To address the concerns raised by some members of the Consultative Group, the proposals no longer require an entity to assess practice applied by its peers or to perform reconciliations of measures used by the entity to measures commonly used in the industry.</p> <p>The proposed guidance will now require management to state whether a performance measure provided in management commentary is a commonly used metric. See slide 29 of Slide Deck 1 for further detail on the Board's tentative decision.</p>
Understandability – incorporation of information by cross-reference	Clarification	<p>To address comments received from the Consultative Group and in other outreach performed by the staff, the proposals on incorporating information in management commentary by cross-reference were updated to clarify the conditions where it would be permissible. The Board tentatively decided to introduce the overarching principle that the information incorporated by cross-reference becomes part of management commentary. See slide 30 of Slide Deck 1 for further detail on the Board's tentative decision.</p>

Content elements of management commentary

- Guidance on content elements is intended to provide a basis for determining entity-specific content of an entity's management commentary that is aligned with the entity's strategic priorities.
- The guidance is structured to cover the four content elements but does not require information to be presented in a set structure or format.
- The staff propose to introduce a disclosure objective for each content element as a 'test of success' for whether an entity's disclosures on that content element meet the requirements of the Practice Statement. Disclosure objectives are intended to discourage a checklist approach to disclosures. The staff anticipate that this will support the enforceability of the Practice Statement.

DISCLOSURE OBJECTIVES

STRATEGY

Provide information on management's strategy for managing and developing the entity's business model and responding to risks and opportunities in its operating environment.

Covers information necessary for users' assessment of:

1. how the entity's plans and objectives support the achievement of its purpose;
2. the entity's ability to execute its strategy; and
3. the consequences of the entity's strategy for its future net cash inflows.

PERFORMANCE, POSITION AND PROGRESS

Provide information necessary for users' understanding of:

1. the extent to which the entity's financial performance and position reported in the financial statements are indicative of the entity's ability to generate future net cash inflows;
2. the operational trends affecting the entity's financial performance and position; and
3. the entity's progress in managing matters that could affect its future performance and position, including matters affecting the features of the entity's business model that it depends on for its future success.

BUSINESS MODEL

Provide information on the entity's business model and the resources and relationships it depends on that is necessary for users' understanding of:

1. transactions reflected in the financial statements; and
2. matters identified in the management commentary that could affect the future operation of the business model.

RISKS AND OPERATING ENVIRONMENT

Provide information on the entity's risks and operating environment necessary for users' understanding of matters that:

1. have affected the entity's performance, position or progress in the reporting period; and
2. could affect the operation of the entity's business model, the execution of its strategy, or otherwise affect the entity's future net cash inflows.

Overview of the staff's current proposals

Strategy (1/3)

The proposed guidance on strategy is designed to support a longer-term description.

New

STRATEGY – Disclosure objective

Provide information on management's strategy for managing and developing the entity's business model and responding to risks and opportunities in its operating environment. Covers information necessary for users' assessment of:

1. how the entity's plans and objectives support the achievement of its purpose;
2. the entity's ability to execute its strategy; and
3. the consequences of the entity's strategy for its future net cash inflows.

MATTERS COVERED IN THE STRATEGY DESCRIPTION

Describe the entity's strategy for managing:

- matters that have affected the entity's performance, position or progress;
- risks and trends or factors in the entity's operating environment; and
- features of the business model that the entity depends on for its future success.

PERIOD COVERED AND PROVIDING A BALANCED DISCUSSION

Describe an entity's strategy as at the date the management commentary is approved. The description of strategy should explain changes since the last reporting date.

Provide a balanced (neutral) discussion of strategy that covers both management's aspirations and the challenges management anticipates in achieving them.

CONTENT OF THE STRATEGY DESCRIPTION

To promote a longer-term description of the entity's strategy, require the description to cover the entity's business purpose, objectives and plans.

Explain the operating environment assumptions on which the strategy is based.

Identify the features of the business model that are expected to be changed by the strategy, and describe the positive and negative effects on the entity's resources and relationships arising from the strategy.

Identify the capital and operating investment required to support the strategy.

Describe how progress in executing the entity's purpose, objectives, and plans is monitored, and explain how management's remuneration arrangements align with the execution of the entity's purpose, objectives, and plans.

Overview of the staff's current proposals

Strategy (2/3)

FUNDING AND LIQUIDITY STRATEGY

Require discussion and analysis of the entity's funding and liquidity strategy covering:

- Context for the strategy, including:
 - the entity's current ability to generate net cash inflows, its financial position, working capital requirements, commitments, covenants, and available financial facilities
 - the entity's long-term financial obligations, together with its leverage and credit rating objectives
- Funding and liquidity needs {UPDATED}:
 - the capital and operating investment required to implement the entity's strategy, including working capital requirements
 - the risks that could affect the entity's funding and liquidity requirements
- Distribution policy:
 - the entity's dividend and other distribution policies, including its plans for returning any surplus cash resources in the context of the above

The discussion should not be required to quantify the impact of risks on the entity's funding requirements

Overview of the staff's current proposals

Strategy (3/3)

This table highlights what has been added, amended or clarified in the staff's proposals since the previous discussions with the Consultative Group. Introduction of a disclosure objective for each content element is discussed on slide 10.

Area/Topic	Type of change	Description
Culture	Amendment	Following mixed feedback received from the Consultative Group and in other outreach, the staff propose to remove an explicit requirement to discuss the role of the entity's culture in supporting its strategy. However, the staff think that some of the proposals included in the overview of the staff's proposals would help management provide a meaningful insight into an entity's culture, for example, the requirement to explain how management's compensation arrangements align with the execution of the entity's strategy.
Liquidity strategy	New	To address feedback received from the Consultative Group, the revised proposals make consideration of liquidity an explicit part of the discussion of the entity's funding and liquidity strategy.

Overview of the staff's current proposals

Business model (1/3)

The proposed business model description focuses on the entity's resources and relationships and value creating activities that affect its ability to generate cash flows.

New

BUSINESS MODEL – Disclosure objective

Provide information on the entity's business model and the resources and relationships it depends on that is necessary for users' understanding of:

1. transactions reflected in the financial statements; and
2. matters identified in the management commentary that could affect the future operation of the business model

EXPLANATION OF 'BUSINESS MODEL'

Require a factual description of the entity's business model that addresses its inputs, processes, and outputs and explains how an entity creates value for itself and how the entity's business model links to its stated purpose. {New}*

Explain that the notion of value created for the entity is related to the entity's ability to generate cash flows. {New}*

Explain that the business model description addresses value creation (or destruction) for others if this affects the entity's ability to create value for itself. {New}

FEATURES OF THE BUSINESS MODEL TO BE DESCRIBED

Provide guidance on the features of the business model to be described, covering:

- the entity's inputs, its arrangements for sourcing them, and the related resources and relationships;
- the entity's processes involved in the creation of its outputs, and in developing and maintaining its resources and relationships;
- the entity's outputs and its main categories of customers and distribution methods, and the arrangements under which the entity transacts with them; and
- impacts arising from the operation of the entity's business model that could affect the entity's ability to generate cash flows in the future.

Require an overview of the entity's operating structure

Require equivalent information on activities undertaken by the entity that do not form part of its main business activities (i.e. those not covered by the business model description). {New}

* Tentatively approved by the Board at November 2019 meeting

Overview of the staff's current proposals

Business model (2/3)

DESCRIPTION OF RESOURCES AND RELATIONSHIPS

Require management to describe the resources and relationships that the entity depends on for its success.

Provide guidance to support consideration of the full range of resources and relationships the entity depends on, based on illustrations of the resources and relationships that may commonly need to be addressed.

Set out that, depending on the feature being described, users' assessments may require information to assess:

- the depletion and replenishment of resources;
- the durability of the entity's relationships and availability of resources;
- the vulnerability of the business model to disruptions in its resources and relationships; and
- interactions and correlations between individual risks affecting the entity's resources or relationships.

SCOPE OF INFORMATION

Clarify that, where material, the description must address intangible resources and relationships and features of the business model (including those exposed to ESG factors), irrespective of whether they are recognised in the financial statements.

Specify that disclosures must address those features of the business model that:

- provide the entity with a competitive advantage; or
- are subject to uncertainty or otherwise expected to change over time.

ADDITIONAL GUIDANCE

Include guidance to address practical considerations when describing a business model, covering:

- Conglomerate business model descriptions;
- Disaggregation of business model features having different characteristics or affected by different trends or factors;
- That the business model should be described as at the date of approval of the management commentary

Overview of the staff's current proposals

Business model (3/3)

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This table highlights what has been added, amended or clarified in the staff's proposals since the previous discussions with the Consultative Group. Introduction of a disclosure objective for each content element is discussed on slide 10.

Area/Topic	Type of change	Description
Value creation	New	In response to the feedback from the Consultative Group, the staff recommended to the Board incorporating the notion of value creation into guidance on business model to promote descriptions of a longer-term view of the entity's business model. The Board agreed with this recommendation. The Board also decided to make clear that the notion of value created for an entity is related to the entity's ability to generate cash flows.
Purpose	New	Some Consultative Group members suggested that guidance in the revised Practice Statement should discuss business model and purpose together. The current proposals require the entity to explain the link between the entity's business model and its stated purpose. The staff think this explanation will help users understand how an entity's cash flow generating activities align with its stated purpose.
Other activities	New	This addition is needed because the staff's current proposals for describing the business model address the entity's main business activities, but users will need information on the entity's other activities if information about them is material.
Legal structure	Amendment	In response to the feedback from the Consultative Group, the current proposals no longer require discussion of the entity's legal structure. The staff recognise this information would only be useful in a limited range of situations and requiring it may result in excessive detail being provided.

RISKS AND OPERATING ENVIRONMENT – Disclosure objective

New

Provide information on the entity's risks and operating environment necessary for users' understanding of matters that:

1. have affected the entity's performance, position or progress in the reporting period; and
2. have the potential to affect the operation of the entity's business model, the execution of its strategy, or otherwise affect the entity's future net cash inflows.

Guidance on addressing uncertain matters is proposed in order to promote consideration of material longer-term as well as shorter-term factors.

WHEN AN UNCERTAIN MATTER SHOULD BE ADDRESSED

{Clarified}

Replace existing requirements to address the entity's 'most important' and 'principal' risks with guidance on when an uncertain matter should be addressed. The current guidance would specify that:

- Uncertain matters are addressed if they could affect primary users' assessment of the prospects for the entity's future net cash inflows irrespective of the period over which they are expected to crystallise. The Practice Statement should clarify that this includes systemic matters such as climate change and related regulation where applicable.
- In determining whether to provide information on a matter, management should take account of the time value, likelihood and magnitude of the potential effect of the matter on the entity's future net cash inflows.
- Where management considers that the outcome of an uncertain matter can be mitigated, the management commentary should nevertheless include information on the matter's potential effect and information on the mitigating actions management plans to take.

PROVIDING INFORMATION ON AN UNCERTAIN MATTER

Where the potential impact of a matter is sensitive to small changes in assumptions (for example, because it may cause a business activity to become loss making), require information needed to assess the potential effect of that matter across the range of potential outcomes that management reasonably considers to be realistic.

Where management monitors a matter using external statistics (for example, market size or growth, end user needs or resource availability) or external feedback (for example, customer or staff surveys), require management commentary to include material information related to those statistics or feedback. Where this is the case the management commentary should also identify the source of information, date to which it relates, limitations in the basis of preparation, and the part of the business activity, segment, or financial statements line item to which it relates.

Proposed guidance on **risks** covers guidance on identification of risks to be reported in management commentary and on information to be provided about those risks.

RISKS TO BE REPORTED

To promote coherent narrative, require consideration of risks arising from:

- the operation of the entity's business model, including risks affecting the availability of resources and relationships it depends on;
- the selection and execution of the entity's strategy;
- trends or factors in the entity's operating environment, including systemic factors such as climate change and related regulation; and
- financial assets and liabilities. {New}

INFORMATION TO BE PROVIDED ON A RISK

For each risk identified, management commentary should include:

- information to help users evaluate the likelihood and potential effect of the risk;
- the entity's strategy for managing the risk;
- the entity's progress in managing the risk; and
- the actions that management plans to take to mitigate the effect of the risk should it crystallise.

OTHER GUIDANCE ON REPORTING ON RISKS

If other requirements (for example, those set by local law or regulation) require the inclusion of information on specified risks, the Practice Statement would:

- permit the inclusion of immaterial information about those risks, providing it is distinguished from that which is required to meet the objective of management commentary; and
- clarify that the information required to meet the objective of the management commentary may be different from that required to meet other requirements.

Require a summary of changes in the likelihood and magnitude of each identified risk since the previous period's management commentary.

Proposed guidance on **operating environment** covers guidance on identification of trends and factors in the entity's operating environment to be reported in management commentary and on information to be provided about those trends and factors.

TRENDS AND FACTORS TO BE REPORTED

Trends and factors in the operating environment that may need to be described in management commentary may be related to an industry or markets in which an entity operates or its legal and regulatory environment. Management commentary should cover those trends and factors that potentially affect the entity's access to the resources and relationships required to operate its business model and pursue its strategy.

Trends and factors are described in management commentary irrespective of whether they represent a risk or an opportunity for an entity.

INFORMATION TO BE PROVIDED ON A TREND OR FACTOR

Require information on the features of the business model and scale of activity potentially affected by the trend or factor in an entity's operating environment that would be useful for an assessment of the potential effect of the trend or factor on the prospects for the future net cash inflows to the entity.

Require information on the entity's strategy and progress in managing the trend or factor.

Require a summary of changes in the entity's operating environment since the previous period's management commentary.

Risks and operating environment (4/4)

This table highlights what has been added, amended or clarified in the staff's proposals since the previous discussions with the Consultative Group. Introduction of a disclosure objective for each content element is discussed on slide 10.

Area/Topic	Type of change	Description
Uncertain matters	Clarification	<p>The staff have consolidated and extended the proposals relating to uncertain matters (including both risks and trends and factors in the entity's operating environment) into a single area of guidance that addresses:</p> <ul style="list-style-type: none"> • time horizons; • consideration of systemic matters; • the need to take account of time value, likelihood, and magnitude of potential effect; and • consideration of matters which management considers to have been mitigated. <p>The staff think this would highlight the need to consider matters that could affect the entity's cash flows in the long term.</p>
Risks to be reported– financial assets and liabilities	New	<p>The staff have now included reference to risks attributable to financial assets and liabilities into guidance on the identification of risks to be reported in management commentary.</p>
Trends and factors to be reported– resources and relationships	Clarification	<p>To promote provision of information about resources and relationships that an entity depends on, the staff propose to introduce an explicit requirement for management to describe trends and factors that may potentially affect the entity's access to the resources and relationships required to operate its business model.</p>

PERFORMANCE, POSITION AND PROGRESS – Disclosure objective

Provide information necessary for users' understanding of:

1. the extent to which the entity's financial performance and position reported in the financial statements is indicative of the entity's ability to generate future net cash inflows;
2. the operational trends affecting the entity's financial performance and position; and
3. the entity's progress in managing matters that could affect its future performance, including matters affecting the features of the entity's business model that it depends on for its future success.

Proposals include more detailed guidance on explaining current period financial performance and position to promote an assessment of the entity's ability to generate cash flows

ANALYSIS OF FINANCIAL PERFORMANCE IN FINANCIAL STATEMENTS

Require analysis and explanations of trends in financial performance and position including identification of:

- amounts not indicative of future ability to generate cash flows including:
 - unusual and infrequent items;
 - transactions that would not be inferred from the description of the business model; and
 - effect of changes in accounting estimates and policies;
- changes attributable to macro-economic factors such as exchange rates;
- changes attributable to acquisitions or disposals.

Provide guidance on the use of adjusted performance measures in management commentary that is aligned with the Board's decisions on presenting management performance measures in financial statements.

Require analysis and explanations of other income and expenses, including:

- matters affecting interest and other income and expenses;
- information relevant in assessing whether the effective tax rate is sustainable (covering: known or expected changes to tax rates or law, changes to tax strategy decided by management, other factors expected to affect the relationship between tax expense and accounting profit) {Clarified}

INVESTMENT ACTIVITIES AND FINANCING POSITION AND REQUIREMENTS

Require analysis and explanations of investment activities covering capital and operating investment for the period, including:

- analysis of maintenance and enhancing expenditure; and
- explanations of the relationship between current expenditure and the level required to support the stated strategy.

Require analysis and explanations of working capital changes and the extent to which the working capital position at the end of the reporting period is representative of the entity's working capital during the period.

Require analysis of performance measures and ratios needed to understand the entity's compliance with its financing covenants.

Require analysis of terms and conditions of financing arrangements that could give rise to early repayment obligations.

The above analysis should link to the discussion of the entity's funding and liquidity strategy

The staff propose to include a separate requirement for the analysis of operational trends affecting the entity's financial performance. The analysis could cover both financial and non-financial information.

ANALYSIS OF OPERATIONAL PERFORMANCE TRENDS AFFECTING THE FINANCIAL STATEMENTS

Introduce a separate requirement for analysis of operational performance for the period covering analysis and explanations of:

- historical revenue variances;
- historical cost variances; and
- the historical relationship between fixed and variable expenses.

Provide guidance on analysing and explaining operational performance that:

- requires reconciliation of analysis to nearest equivalent financial statement line item;
- requires analysis at a level where divergent trends are not obscured by aggregation;
- requires explanations of the matters giving rise to variances and trends reported; and
- addresses the analysis of variances or trends affecting only a part of the period.

The staff's proposals cover requirements to analyse and explain management's progress in managing matters that could affect the entity's future performance (including those affecting the longer-term).

PROGRESS IN MANAGING MATTERS THAT COULD AFFECT FUTURE PERFORMANCE

Include an explicit requirement to explain progress managing known matters (including those relating to the longer-term) that could affect future performance, addressing:

- progress in implementing strategy;
- progress in managing risks and responding to trends and factors in the operating environment; and
- progress in managing features of the business model that the entity depends on for its future success (*see adjacent box*)

Explain that:

- progress may be explained in terms of management actions or outcomes;
- where quantitative measures are not available, qualitative analysis should be provided; and
- progress should be compared to previously published forecasts, targets or milestones where applicable.

Require information that users need to evaluate the potential implications of progress, but clarify that management is not required to prepare predictions of future outcomes.

PROGRESS IN MANAGING FEATURES OF THE BUSINESS MODEL

Specify that in explaining progress in managing the features of the business model that the entity depends on for its future success:

- the scope of analysis should address both tangible and intangible features irrespective of whether they are recognised in the financial statements;
- resources and relationships should be addressed if they are needed to operate the entity's business model or achieve its purpose;
- information about the indirect wider consequences or impacts of the operation of the entity's business model may be needed in order to understand its progress in managing the resource or relationship;
- information should be specific to the resource or relationship that the entity depends on.

The staff propose guidance to support the analysis of performance, position and progress, including guidance to support transparency

METHODS OF EXPLAINING PERFORMANCE, POSITION AND PROGRESS

Additional guidance on the use of analysis to explain performance, position and progress covers the use of:

- adjusted performance analysis;
- quantitative information, including explanations of the basis on which the information has been provided, and the financial statement line item to which it relates;
- qualitative information;
- information derived from surveys, scenario and sensitivity analysis; and
- hypothetical analysis.

Where management's remuneration includes a component that is linked to a measure of the entity's performance, position or progress, require a reconciliation of that measure to the nearest unadjusted equivalent measure included in the management commentary or financial statements.

FORECASTS, TARGETS AND PROJECTIONS

Specify that the management commentary is not required to include predictions of future performance except where these have previously been published by the entity, in which case the basis of preparation and assumptions should be explained in the context of the information in the management commentary.

Where a forward-looking statement applicable to the current period has previously been published by management, specify that management commentary should include analysis of variances to that statement.

OVERVIEW OF PERFORMANCE AND POSITION

The management commentary should include an overview of the entity's financial performance and position based on the performance measures and ratios that management considers to be most important for understanding of the entity's performance and position for the current reporting period.

Performance, position and progress (5/5)

This table highlights what has been added, amended or clarified in the staff's proposals since the previous discussions with the Consultative Group. Introduction of a disclosure objective for each content element is discussed on slide X.

Area/Topic	Type of change	Description
Tax	Clarification	To address feedback received from the Consultative Group, the staff clarified their proposals related to disclosures about the entity's tax strategy. Those disclosures are intended to help users understand the future developments of the entity's effective rate and are limited to disclosures about changes to tax strategy decided by management.
Operational performance – analysis on operational trends	Clarification	The revised proposals clarify the staff's intent that the discussion of what was previously referred to as operational performance should address analysis of the operational trends affecting the entity's financial performance and position, whilst operational matters affecting (or those that could affect) the entity's future performance are dealt with separately. The staff believe the descriptions originally presented to the Consultative Group resulted in confusion over what each proposal was intended to address.

Looking at the changes in the staff's proposals since the previous discussions with the Consultative Group:

1. Do you agree with the staff's proposal to introduce disclosure objectives for each content element? Do you agree with the staff's proposed objectives? (slides 9–10)
2. Do you have any comments on or concerns about any other proposed changes? (see slides 8, 13, 16, 20 and 25)

Looking at the staff's proposals for guidance as a whole:

3. Is there anything important missing from the staff's current proposals?
4. Are there any areas where you think the proposals are unclear or could be misunderstood (taking into account that the overview provided in this slide deck is an outline only)?

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