
Learn about revised IFRS Practice Statement 1 *Management Commentary*

Early bird breakout session

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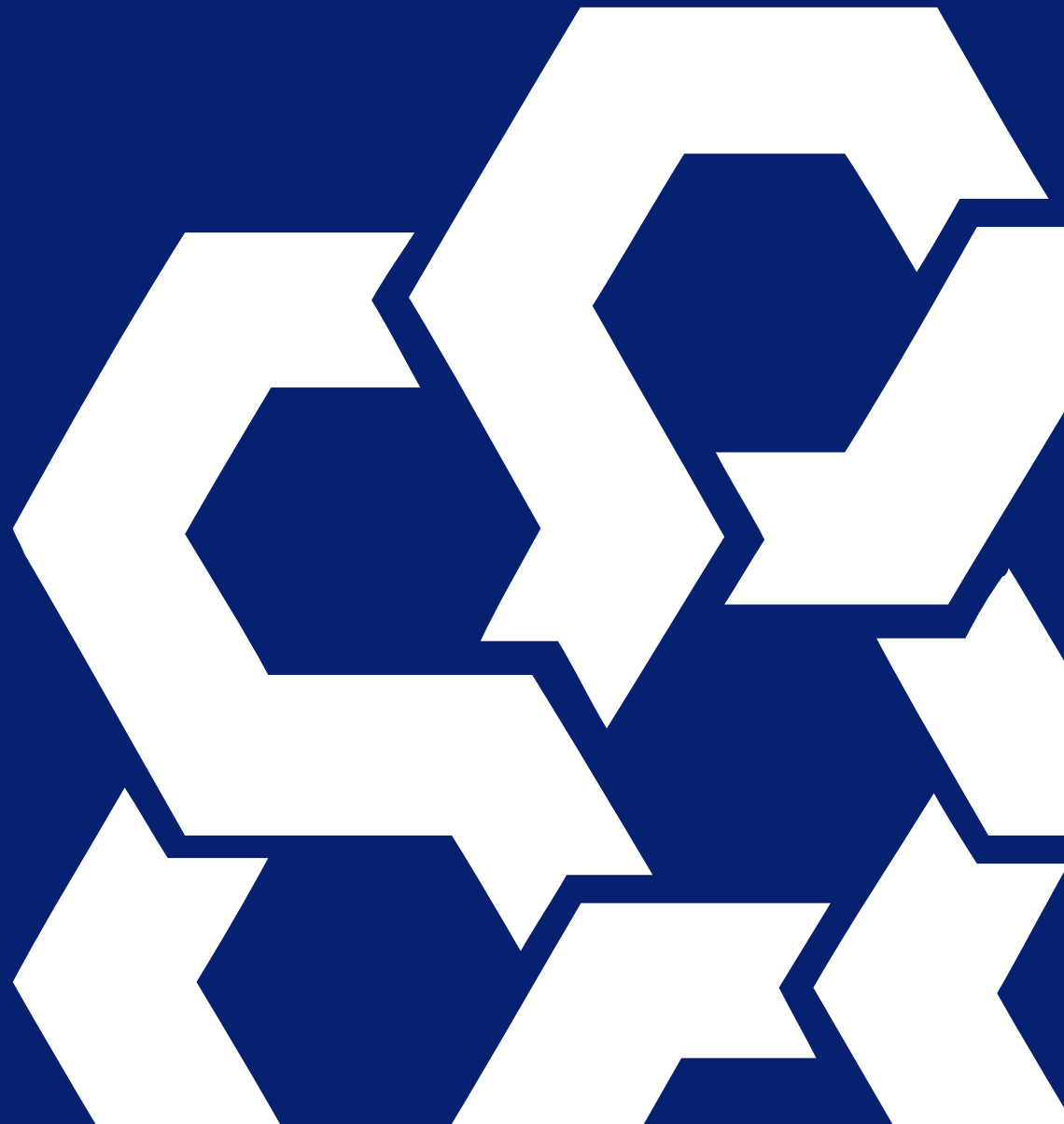
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Agenda

- 1 Introduction
- 2 Overview of the requirements
- 3 Coherent information

Introduction



What is management commentary?



Management commentary is an **investor-focused** general purpose financial report that provides **management's perspective**



It typically falls under the remit of **local law or regulation** and is known under various names such as management report, strategic report, operating and financial review, MD&A

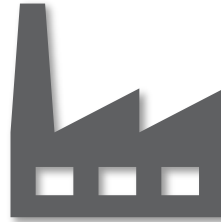


Management commentary accompanies **financial statements** and can accompany or include **sustainability-related financial disclosures**

Complementary perspectives on a company

Financial statements

assets, liabilities, equity,
income and expenses



Management commentary

the voice of management



Sustainability-related financial disclosures

sustainability-related risks and opportunities

Why the IASB revised its Practice Statement



The IASB revised IFRS Practice Statement 1 *Management Commentary* to

- **consolidate innovations** in narrative reporting
- **target shortcomings** highlighted by investors:
 - lack of focus on important matters
 - fragmented information that is difficult to reconcile
 - not enough company-specific information
 - unbalanced or incomplete information



It is intended to be a global benchmark for **regulators** and a comprehensive resource for **companies**

How the IASB revised the Practice Statement



focused on **investors' information** needs and targeted **shortcomings in practice**



built on national and international **innovations in narrative reporting**, including the Integrated Reporting Framework



established and sought advice from a dedicated Management Commentary **Consultative Group**



collaborated with the **International Sustainability Standards Board (ISSB)** and stakeholders with an interest in integrated reporting

Designed to work with other requirements

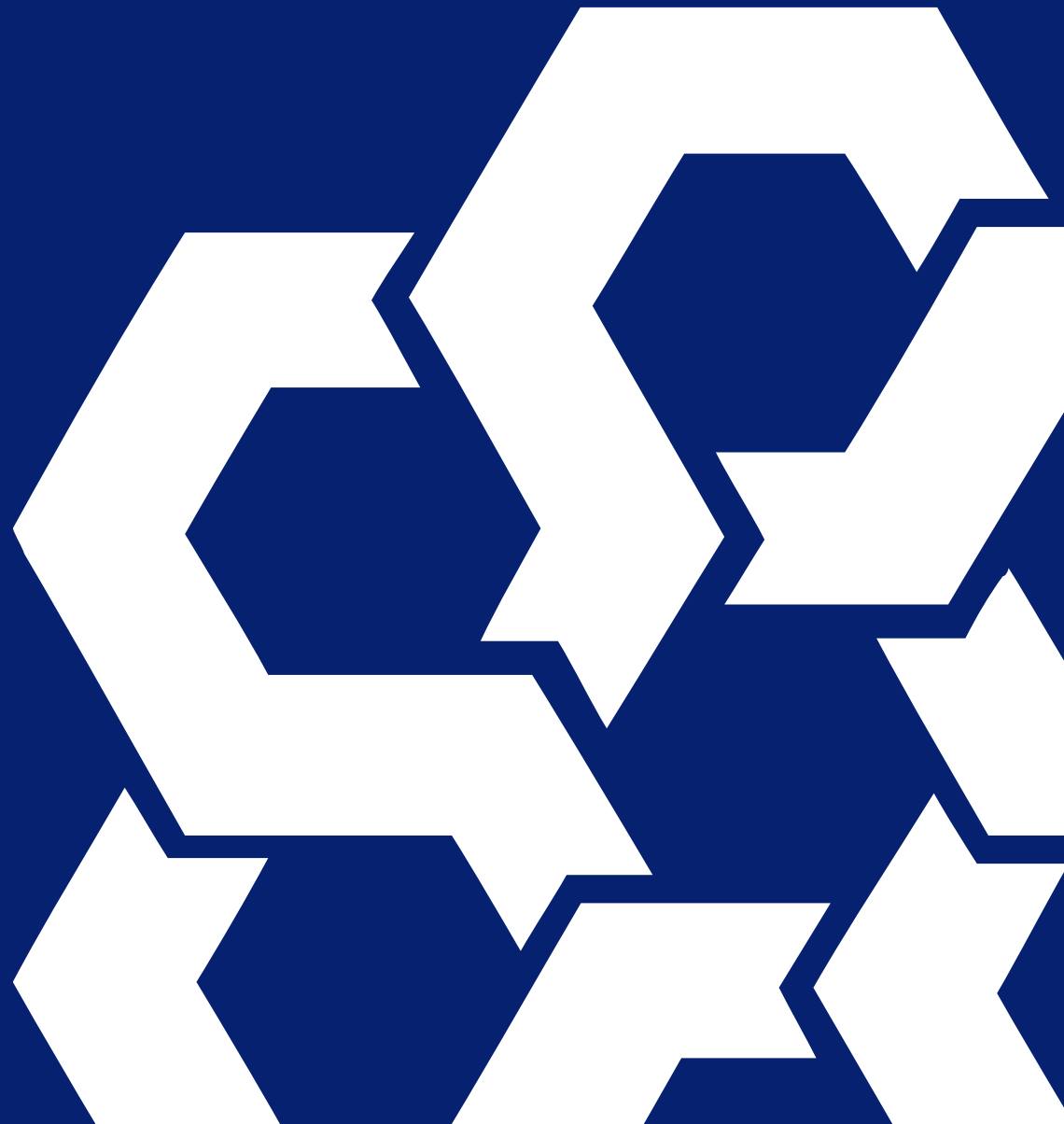


- **Connected and complementary**—works well with IFRS Standards
- **Flexible and compatible**—can be applied alongside local law or regulation or with other parties' materials

Management commentary

- includes information about **sustainability-related factors** necessary to meet its objective
- might include or accompany **sustainability-related financial disclosures** prepared in accordance with ISSB Standards or on another basis
- may include additional information provided it does not obscure material information

Overview requirements



Overview of the Practice Statement

- An overall objective for management commentary

**Enhance understanding of financial performance
and position**

**Management's perspective on factors affecting
ability to create value and generate cash flows**

- Disclosure objectives for six interrelated areas of content

Business model

Strategy

Resources and relationships

Risks

External environment

**Financial performance and
financial position**

- Requirements and guidance on selecting and presenting information

An objectives-based approach

Provides **flexibility** for a company to tell its story, focusing on what is important for its prospects



Provides **rigour** for regulators to enforce the revised Practice Statement and for auditors to provide assurance on management commentary.

ISSB Standards can help companies identify material information for management commentary

Example: Business model—disclosure objectives

Headline objective	Specific objectives
how the company's business model creates value and generates cash flows	<ul style="list-style-type: none">• the range, nature and scale of the company's operations• the company's cycle of creating value and generating cash flows• the environmental and social impacts of the company's activities if those impacts have affected or could affect the company's ability to create value and generate cash flows, including in the long term• progress in managing the company's business model

Descriptions of the assessments investors make

- how **effective** the company's business model is at creating value and generating cash flows
- how **scalable** and **adaptable** it is
- how **resilient** and **durable** it is

Example: Business model—supporting examples

To help management identify information to meet the disclosure objectives, the revised Practice Statement contains examples of:

Key features of a company's business model

e.g. features that underpin the company's value proposition to its customers or differentiates the company's products and services

Metrics that could be material

e.g. metrics related to the scale of the company's operations or the environmental or social impacts of the company's activities

Information that might be material for each specific objective

e.g. an explanation of how the company's operating structure relates to its legal structure

Sustainability-related factors

Sustainability-related factors discussed in management commentary could relate to:

a feature of the business model, such as the impacts of a company's activities

a driver of management's strategy, such as the opportunities being pursued

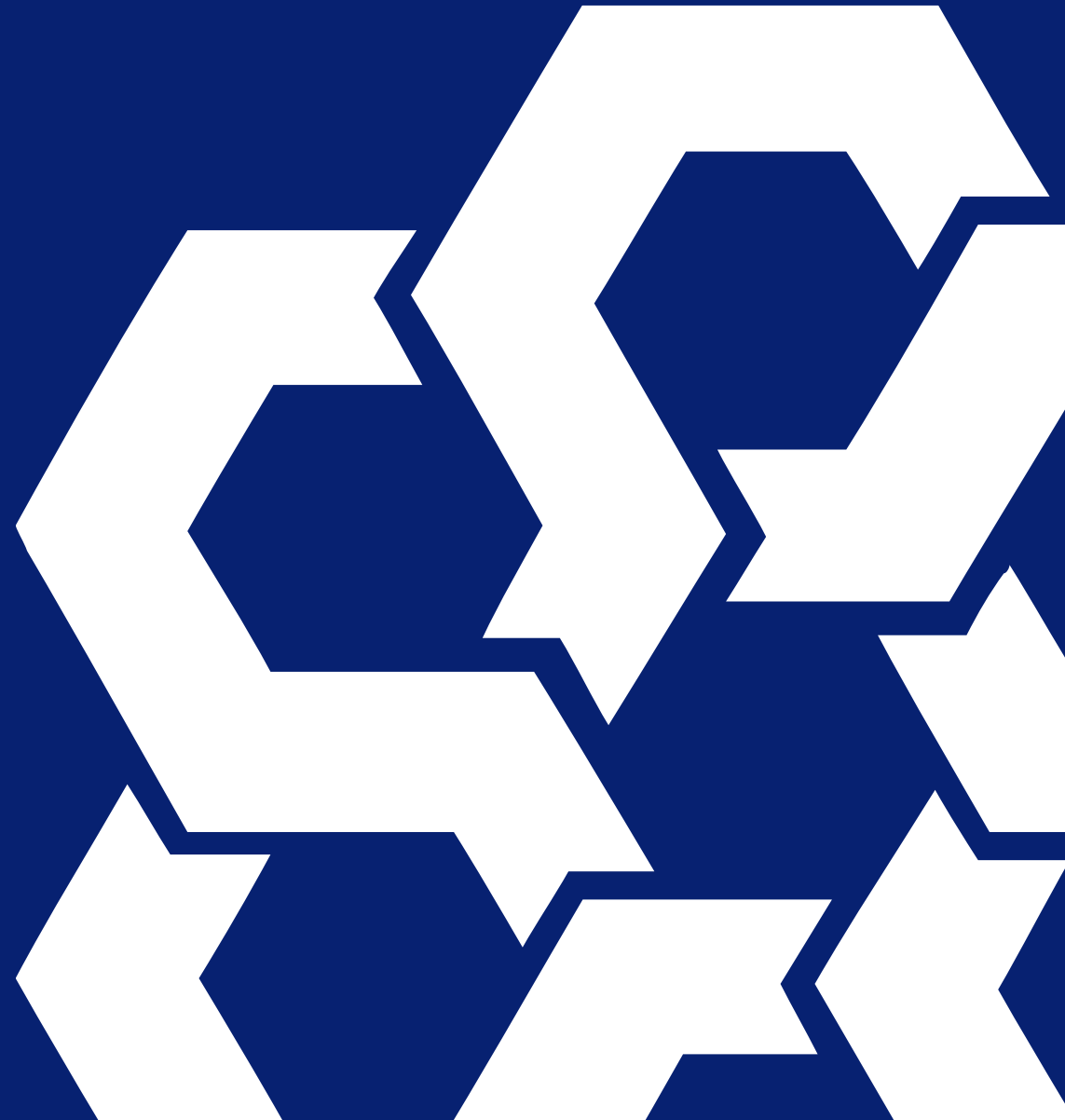
a dependency on a resource or relationship

a risk that could disrupt the business model or management's strategy

a factor in the company's natural environment or social landscape

ISSB Standards can help identify material information for management commentary

Coherent information



Requirements for coherence

General purpose financial reports

Management commentary

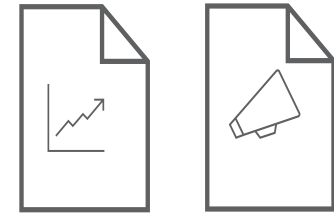
Sustainability-related
financial disclosures

Financial statements

Other general purpose
financial reports

- depict the relationships between related matters
- explain the relationships between related pieces of information
- provide relevant context

Other public communications



- explain apparent inconsistencies
- explain related metrics

What the Practice Statement delivers

For investors

Improvements to and greater global alignment in management commentary

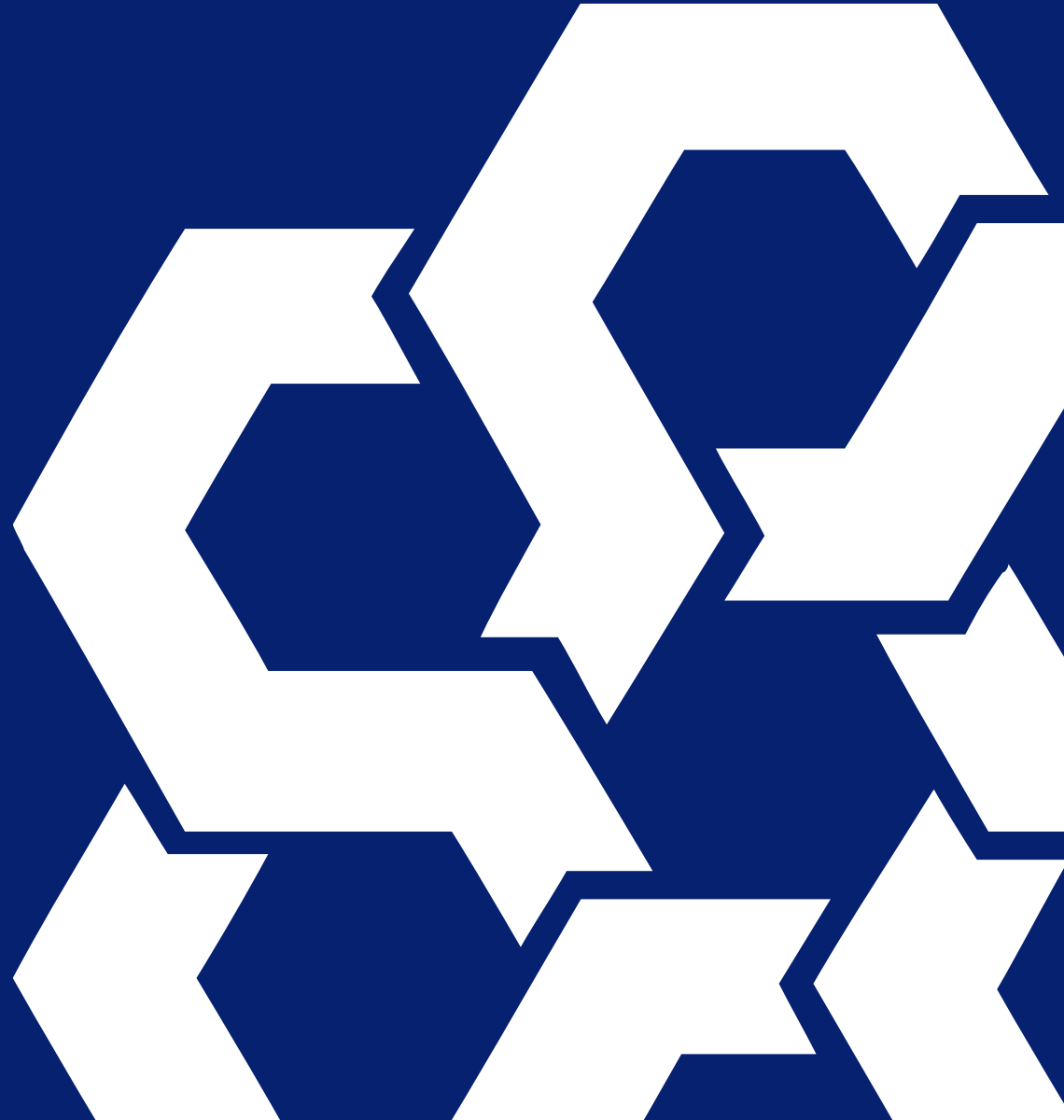
For regulators

A global benchmark to use in updating or developing national requirements and guidance

For companies

A comprehensive resource for companies to meet investors' needs

Questions?



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