

## STAFF PAPER

March 2017

## IASB Meeting

Project	Wider corporate reporting		
Paper topic	Implications for the Board: options for the Work Plan		
CONTACT(S)	David Loweth	<a href="mailto:dloweth@ifrs.org">dloweth@ifrs.org</a>	+44 (0)7531 878116

This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (the Board) and does not represent the views of the Board or any individual member of the Board. Comments on the application of IFRS<sup>®</sup> Standards do not purport to set out acceptable or unacceptable application of IFRS Standards. Technical decisions are made in public and reported in IASB<sup>®</sup> *Update*.

**Purpose of the paper**

1. The purpose of this paper is to seek the Board's views on whether the Board should consider making a more active contribution in the area of wider corporate reporting, and – if so – what that should be, following the analysis set out in Agenda Paper (AP 28A).

**Structure of the paper**

2. This paper is structured as follows:
  - a. background: the outcome of the Board's Agenda Consultation 2015-16 (paragraphs 3-5);
  - b. options for the Board taking a more active role on wider corporate reporting issues (paragraphs 6-15), whether through accelerating one or more of the Board's existing Standard-setting activities (paragraphs 7-8) or through undertaking a project to amend the Board's existing Practice Statement *Management Commentary* (paragraphs 9-15); and
  - c. subject to the Board's views, the potential next steps, including consultation with the Advisory Council, in deciding whether to include any such potential project on the Board's Work Plan (paragraphs 16-17).

**Background: the outcome of the Board's Agenda Consultation 2015-16**

3. The Board carried out its most recent Agenda Consultation over the course of 2015 and 2016, announcing the results in the *IASB<sup>®</sup> Work Plan 2017–2021: Feedback Statement on the 2015 Agenda Consultation<sup>1</sup>* (the Feedback Statement). The Feedback Statement noted that, in terms of responses received relating to the balance and scope of the Board's activities: "Some investors put greater emphasis than other respondents on wider corporate reporting issues and extending the Board's activities to include topics such as human and intellectual capital, climate change and reporting for entities listed on an unregulated market. A number of environmental groups also said that reporting on climate change was an issue of growing importance. Some respondents to the Trustees' Strategic Review also suggested that the Board should widen its activities" (Feedback Statement, page 35).
4. The Board's response, as set out in the Feedback Statement, was to refer to the outcome of the Trustees' review of structure and effectiveness (referred to in paragraph 4 of AP 28A) and the allocation of some modest staff resource to monitor wider corporate reporting issues. The Feedback Statement also noted that: "Some implications of climate change are within the scope of active projects or pipeline research projects, such as those on Provisions, Extractive Activities and Pollutant Pricing Mechanisms. The Board did not add to its work plan a broad project on all aspects of climate change. The Board has not identified at this stage any other financial reporting implications of climate change that it believes are likely to require standard-setting over the next five years" (Feedback Statement, page 35).
5. The Feedback Statement also noted that one of the major themes for the Board's Work Plan for 2017-2021 would be 'Better communication in financial reporting', including a Disclosure Initiative project on the principles of disclosure, but

---

<sup>1</sup> The *Feedback Statement* is available at: <http://www.ifrs.org/Current-Projects/IASB-Projects/IASB-agenda-consultation/2015-agenda-consultation/Documents/2016-Feedback-Statement.pdf>.

without making any specific reference in this context to any aspect of wider corporate reporting.

### Options for the Board taking a more active role

6. On the assumption that the Board does wish to consider taking a more active role on wider corporate reporting issues than that set out by the Trustees in the review of structure and effectiveness, the question is what that more active role might comprise and how it might be fulfilled. The following paragraphs set out some initial thoughts on possible options. The staff have limited the options to those that we believe fit within the Trustees' view that the Board should not broaden the scope of its work into areas outside the traditional boundaries of financial reporting<sup>2</sup>, but should set out a view on how its Standards or other pronouncements fit with wider reporting issues. The staff also believe that this work should focus on what can be included in an entity's annual report or integrated report, rather than in a separate sustainability report (which the staff view as very much the domain of the Global Reporting Initiative, GRI, and similar bodies)<sup>3</sup>.

#### *Standard-setting activities in the current Work Plan*

7. One option the Board could consider is to move at least one of the three projects referred to in paragraph 4 above from the research pipeline to its research programme of active research projects. As noted above, each of these projects has within its scope some aspects related to wider corporate reporting, climate-related change reporting in particular. In considering such a move, the Board would need to consider various factors, including:
- (a) the urgency of the problem;
  - (b) the extent and complexity of the research needed;
  - (c) the likely time commitment for stakeholders;

---

<sup>2</sup> IFRS Foundation (July 2015) *Request for Views: Trustees' Review of Structure and Effectiveness: Issues for the Review*, available at: [http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Documents/WEBSITE\\_IFRS-Foundation-Trustees-Review%20of-Structure-and-Effectiveness\\_JULY-2015.pdf](http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Documents/WEBSITE_IFRS-Foundation-Trustees-Review%20of-Structure-and-Effectiveness_JULY-2015.pdf), see paragraph 28 on page 11.

<sup>3</sup> That said, the work of a number of other bodies in the sustainability arena, including the Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB) could have more direct implications for the Board, as their frameworks/standards focus on disclosures in mainstream corporate reports/filings, rather than in separate sustainability reports.

- (d) the overall balance of the active work plan;
- (e) interactions with other current or future projects;
- (f) the availability of appropriate staff and sufficient Board time to carry out the research project over an appropriate timescale, without diverting resources from other projects; and
- (g) the most efficient time to carry out the work<sup>4</sup>.

8. The staff have not carried out any further analysis on the factors outlined in paragraph 7 above since the Agenda Consultation, but would question whether there has been any new development since the publication of the Feedback Statement that would imply a need to move any of the three projects to the active research agenda in the short term. The staff also note that, for two of the projects (Provisions and Pollutant Pricing Mechanisms), the Feedback Statement made clear that further research on each of them will be needed to consider the implications of the revised *Conceptual Framework* when it is closer to finalisation. As the latest version of the Board's Work Plan makes clear<sup>5</sup>, publication of the *Conceptual Framework* is still more than 6 months away. The staff view would be not to move any of the three projects from the pipeline to the active research agenda. If the Board did wish to move any of these projects to the active research agenda, then there would need to be a discussion on which project(s) would need to be displaced, and why.

#### Question for the Board: Existing Standard-setting activities

Does the Board agree with the staff view that at this stage the three projects on Provisions, Pollutant Pricing Mechanisms and Extractive Activities should remain in the research pipeline and become an active research project in due course? If not, do Board members have a view as to which projects on the active agenda should be displaced?

<sup>4</sup> As set out in the Board's Feedback Statement referred to in paragraph 3 of this paper, page 33 of the Feedback Statement refers.

<sup>5</sup> Board Work Plan, as of 27 February 2017, available at: <http://www.ifrs.org/Current-Projects/IASB-Projects/Pages/IASB-Work-Plan.aspx>.

*Other pronouncements*

9. If the Board continues to take the view set out in the Feedback Statement as noted in paragraph 4 above, the issue is what else the Board could do in respect of wider corporate reporting. The staff view is that there would be merit in the Board revisiting its December 2010 Practice Statement *Management Commentary* (the Practice Statement).
  
10. Board members will recall that the purpose of the Practice Statement is to provide a broad, non-binding framework for the presentation of management commentary that relates to financial statements prepared in accordance with IFRS Standards. As the Practice Statement makes clear, management commentary is a narrative report that provides a context within which to interpret an entity’s financial position, financial performance and cash flows. It also provides management with an opportunity to explain its objectives and its strategies for achieving those objectives.
  
11. As outlined in AP 28A, there have been many developments since the Practice Statement was published. The Practice Statement shares much in common with such developments, but predates them all. As an example, the table at Appendix A sets out an initial comparison between the <IR> Framework and the Practice Statement that sets out in some detail my view (again, any errors of commission or omission are mine) as to where the two are consistent and where they differ. Some of the main aspects are as follows:
  - (a) Purpose – the purpose of an integrated report is focussed on value creation over time, whereas that of Management Commentary is to provide a context within which to interpret the financial statements;
  
  - (b) Emphasis on the Business Model – an important content element of the <IR> Framework (and some other developments, such as the UK strategic report requirements), but not referred in in the Practice Statement;
  
  - (c) Integration – the <IR> Framework, inevitably, is focussed on integration, connectivity and linkage in reporting, whereas the Practice Statement has only two passing references to “integrated information”;

- (d) Explicit reference to a broader range of capitals – the <IR> Framework includes reference to six capitals (not as a requirement but more as a guideline to ensure that organisations consider all of the capitals they use or affect). The Practice Statement refers in a generic way to resources, risks and relationships. It includes a paragraph on relationships (social and relationship capital in <IR> terminology, with a passing reference to human and intellectual capital resources, but with no specific reference to other issues, notably the environment (natural capital);
- (e) Materiality – the <IR> Framework contains much more explicit guidance on materiality, including on the materiality determination process. The Practice Statement would also need to be reviewed to take account of the work the Board has subsequently carried out on materiality in the context of the project on the *Conceptual Framework* and the forthcoming Practice Statement on materiality.

12. The staff view is that revising the Practice Statement to reflect such developments as those referred to in AP28A, including the forthcoming final recommendations of the Financial Stability Board (FSB) Task Force on Climate-related Financial Disclosures (TCFD) (see paragraphs 35-37 of AP28A), and examining the implications of the aspects referred in paragraph 11 above, could be a positive contribution to aiding better communication by companies. As noted above, better communication is a major theme of the Board's Work Plan, and a project to revise the Practice Statement could dovetail neatly with, in particular, the Principles of Disclosure project (the Practice Statement already includes a section on the principles of what to present in management commentary). Even though the Practice Statement is non-mandatory, such a revision and update could result in greater clarity and co-ordination between the Practice Statement and the other developments referred to above, possibly in such a way that it could be used by companies reporting under a range of frameworks (whether it be the <IR> Framework, the UK's Strategic Report requirements, or other frameworks or codes).

13. I acknowledge that the possibility of such a project was not included in the Board's Work Plan following the Agenda Consultation referred to above and that further research and analysis of the resource implications would be needed in preparing any agenda proposal for the Board to consider, including whether taking on a project to revise the Practice Statement would imply displacing another project on the Work Plan. That further work would, for example, need to consider other issues such as the potential scope of any revision, whether the project should be conducted solely by the Board or with other parties, the potential risks as well as the benefits of undertaking such a project, plus the factors outlined in paragraph 7 above.

14. Some may also question whether such a project would be worthwhile. For example, in response to the Trustees' Request for Views as part of their review of structure and effectiveness referred to in paragraph 4 above, the Institute of Chartered Accountants in England and Wales (ICAEW) made the following comment:

“Before substantial time and effort is invested in moving into the wider corporate reporting space, the Trustees should carefully assess the appetite for the Foundation producing further guidance in this area. Doing so would be of little value if it meant merely replicating work that has already [been] done by others or resulted in non-mandatory guidance that is not widely followed. The IASB's practice statement on management commentary – which in our experience is not widely used in most jurisdictions – might provide a chastening lesson in this regard”<sup>6</sup>.

15. I have been unable (so far) to gauge what the use has been of the Practice Statement, but as a counter to the ICAEW view there is evidence that the Practice Statement has had an important positive influence. For example, in developing its *Climate Change Reporting Framework (Edition 1.1)* in October 2012, the Climate Disclosure Standards Board (CDSB) used the Practice Statement as an important

---

<sup>6</sup> ICAEW (30 November 2015) *IFRS Foundation Trustees' Review of Structure and Effectiveness* (ICAEW Representation 163/15), available at: <http://www.ifrs.org/About-us/IFRS-Foundation/Oversight/Trustees/Trustee-reviews-of-structure-and-effectiveness/2015-Review-of-Structure-and-Effectiveness/Pages/Request-for-Views-Comment-letters.aspx>. Comment Letter 44, see paragraph 40 on page 8.

reference source<sup>7</sup>. I think that a revised Practice Statement could be of benefit if – as the CDSB did in 2012 – other bodies use it as a starting point or a reference point for developing their own requirements or guidance.

### Potential next steps

16. At this stage I would simply welcome the Board’s views on the principle of considering such a project and tasking the staff to do further preparatory work, which can be carried out within the current level of resource. Subject to that further work, the staff plan to come back to the Board with a formal proposal to add a project to the active research agenda to revise the Practice Statement.
17. In considering any potential project, there is a need to consult the IFRS Advisory Council (in line with the requirements in Section 43(a) of the IFRS Foundation *Constitution* and paragraph 3.53 of the *Due Process Handbook*). The staff plan is to discuss the developments in wider corporate reporting outlined in AP 28A and the proposals in this paper with the Advisory Council at its meeting on 4-5 April 2017<sup>8</sup>.

#### Question for the Board: Management Commentary

Does the Board agree with the staff view that there would be merit in the Board pursuing further the idea of taking on a project to revise and update the Practice Statement *Management Commentary*? If yes, do Board members agree that the staff should undertake further research and analysis as suggested above?

---

<sup>7</sup> CDSB (October 2012) *Climate Change Reporting Framework: Advancing and aligning disclosure of climate change-related information in mainstream reports (Edition 1.1)*, available at: [http://www.cdsb.net/sites/cdsbnet/files/cdsb\\_climate\\_change\\_reporting\\_framework\\_edition\\_1.1.pdf](http://www.cdsb.net/sites/cdsbnet/files/cdsb_climate_change_reporting_framework_edition_1.1.pdf).

<sup>8</sup> Depending on the outcome with the Board and the Advisory Council, consultations would also need to take place with the Accounting Standards Advisory Forum (ASAF) and accounting standard-setters (given the staff view that any such project should be labelled as a major amendment to the Practice Statement – see paragraph 5.6 of the *Due Process Handbook*).



**INITIAL COMPARISON BETWEEN THE <IR> FRAMEWORK AND THE BOARD’S MANAGEMENT COMMENTARY (MC) PRACTICE STATEMENT**

<b>Aspect</b>	<b>&lt;IR&gt; Framework</b>	<b>MC Statement</b>	<b>Initial Staff Comments</b>
<i>Status</i>	Non-mandatory	Non-mandatory	Consistent.
<i>Definition of report</i>	“An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.” (Framework 1.1)	“Management commentary is a narrative report that provides a context within which to interpret the financial position, financial performance and cash flows of an entity. It also provides management with an opportunity to explain its objectives and its strategies for achieving those objectives.” (Paragraph IN3)	Focus of MC is to provide context for the financial statements whereas the focus of <IR> is on value creation over time.
<i>Principles-based?</i>	Yes. “This Framework is principles-based. The intent of the principles-based approach is to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations while enabling a sufficient degree of comparability across organizations to meet relevant information needs.” (1.9)  “The content of an organization’s integrated report will depend on	Yes. “The Practice Statement sets out the principles, qualitative characteristics and elements of management commentary that are necessary to provide users of financial reports with useful information. However, the form and content of management commentary may vary by entity. Thus, the Statement also provides principles to enable entities to adapt the information they provide to the particular circumstances of their	Consistent.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>the individual circumstances of the organization. The Content Elements are therefore stated in the form of questions rather than as checklists of specific disclosures. Accordingly, judgement needs to be exercised in applying the Guiding Principles to determine what information is reported, as well as how it is reported ....” (4.3)</p>	<p>business, including the legal and economic circumstances of individual jurisdictions. This flexible approach will generate more meaningful disclosure by encouraging entities that choose to present management commentary to discuss those matters that are most relevant to their individual circumstances.” (IN5)</p>	
<p><b><i>Purpose of report and primary audience/users</i></b></p>	<p>“The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. It therefore contains relevant information, both financial and other.” (1.7)</p> <p>“An integrated report benefits all stakeholders interested in an organization’s ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.” (1.8)</p>	<p><b><i>Users:</i></b> “Management should determine the information to include in management commentary considering the needs of the primary users of financial reports. Those users are existing and potential investors, lenders and other creditors.” (8)</p> <p><b><i>Purpose:</i></b> “Management commentary should provide users of financial statements with integrated information that provides a context for the related financial statements. Such information explains management’s view not only about what has happened, including both positive and negative circumstances, but also</p>	<p>Consistent.</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
		why it has happened and what the implications are for the entity's future." (9)	
<b><i>Fundamental Concepts</i></b>	<p><b><i>Value creation:</i></b> “Value created by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization’s business activities and outputs.</p> <p>That value has two interrelated aspects – value created for:</p> <ul style="list-style-type: none"> <li>• The organization itself, which enables financial returns to the providers of financial capital</li> <li>• Others (i.e., stakeholders and society at large).” (2.4)</li> </ul>	No such fundamental concept identified.	Communicating about value creation is the main purpose of IR. The main purpose of MC, as noted above, is to provide a context for the related financial statements.
	<b><i>Capitals:</i></b>		
	<p><b><i>Financial Capital:</i></b> “The pool of funds that is:</p> <ul style="list-style-type: none"> <li>- available to an organization for use in the production of goods or the provision of services</li> <li>- obtained through financing, such as debt, equity or grants, or generated through operations or investments.” (2.15)</li> </ul>	“Management commentary should set out the critical financial and non-financial resources available to the entity and how those resources are used in meeting management’s stated objectives for the entity.	Potentially consistent, although: <ul style="list-style-type: none"> <li>• MC is a lot less explicit about the capitals and does not have an equivalent to “Regardless of how an organization categorizes the capitals for its own purposes, the categories identified in paragraph <a href="#">2.15</a> are to be</li> </ul>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
		<p>Disclosure about resources depends on the nature of the entity and on the industries in which the entity operates. Analysis of the adequacy of the entity’s capital structure, financial arrangements (whether or not recognised in the statement of financial position), liquidity and cash flows, and human and intellectual capital resources, as well as plans to address any surplus resources or identified and expected inadequacies, are examples of disclosures that can provide useful information.” (30)</p>	<p>used as a guideline to ensure the organization does not overlook a capital that it uses or affects.”(2.19); and</p> <ul style="list-style-type: none"> <li>• MC does not specify whether “non-financial resources available to the entity” is intended to cover use of, and outcomes for, capitals not owned by the organisation (externalities).</li> </ul>
	<p><i>Manufactured Capital:</i>  “Manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services, including:  - buildings  - equipment  - infrastructure (such as roads, ports, bridges, and waste and water treatment plants)</p>	<p>As above.</p>	<p>As above.</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	Manufactured capital is often created by other organizations, but includes assets manufactured by the reporting organization for sale or when they are retained for its own use.” (2.15)		
	<i>Intellectual Capital:</i> “Organizational, knowledge-based intangibles, including: - intellectual property, such as patents, copyrights, software, rights and licences - “organizational capital” such as tacit knowledge, systems, procedures and protocols.” (2.15)	As above.	As above.
	<i>Human Capital:</i> “People’s competencies, capabilities and experience, and their motivations to innovate, including their: - alignment with and support for an organization’s governance framework, risk management approach, and ethical values - ability to understand, develop and implement an organization’s strategy - loyalties and motivations for improving processes, goods and services, including their ability to	As above.	As above.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	lead, manage and collaborate.” (2.15)		
	<p><i>Social and Relationship Capital:</i>  “The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes:</p> <ul style="list-style-type: none"> <li>- shared norms, and common values and behaviours</li> <li>- key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders</li> <li>- intangibles associated with the brand and reputation that an organization has developed.”</li> </ul> (2.15)	<p>“Management should identify the significant relationships that the entity has with stakeholders, how those relationships are likely to affect the performance and value of the entity, and how those relationships are managed. This type of disclosure helps users of the financial reports to understand how an entity’s relationships influence the nature of its business and whether an entity’s relationships expose the business to substantial risk.” (33)</p>	Consistent
	<p><i>Natural Capital:</i> “All renewable and non renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization. It includes:</p>	Not specifically referred to.	On the face of it, this is an important difference, but could be considered to be implied by the generic references in MC to “resources”.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<ul style="list-style-type: none"> <li>- air, water, land, minerals and forests</li> <li>- biodiversity and eco-system health". (2.15)</li> </ul>		
<i>Principles</i>		<p>“Management should present commentary that is consistent with the following principles: (a) to provide management’s view of the entity’s performance, position and progress; and (b) to supplement and complement information presented in the financial statements.”(12)</p>	See purpose above.
	<p>A - <i>Strategic focus and future orientation</i>: “An integrated report should provide insight into the organization’s strategy, and how it relates to the organization’s ability to create value in the short, medium and long term and to its use of and effects on the capitals.” (3.3)</p>	<p>“Such (ie management commentary) information explains management’s view not only about what has happened, including both positive and negative circumstances, but also why it has happened and what the implications are for the entity’s future.” (9)</p> <p>“Management commentary should communicate management’s perspective of the entity’s direction. Such information does not predict the future, but instead</p>	Consistent.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
		sets out management’s objectives for the entity and its strategies for achieving those objectives.” (17)	
	<p><i>B - Connectivity of information:</i>            “An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization’s ability to create value over time.” (3.6)</p>	<p>“Management commentary should provide users of financial statements with integrated information that provides a context for the related financial statements.” (9)</p> <p>“Management commentary complements and supplements the financial statements by communicating integrated information about the entity’s resources and the claims against the entity and its resources, and the transactions and other events that change them.” (10)</p>	<p>The use of the word “integrated” in MC statement could (and should) be viewed as a pointer to the importance of connectivity. But the emphasis is much clearer in &lt;IR&gt;.</p>
	<p><i>C - Stakeholder relationships:</i>            “An integrated report should provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.” (3.10)</p>	<p><i>Relationships:</i> “Management should identify the significant relationships that the entity has with stakeholders, how those relationships are likely to affect the performance and value of the entity, and how those relationships are managed.” (33)</p>	<p>Consistent, but &lt;IR&gt; goes further by requiring “how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests”.</p>



Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	D - <i>Materiality</i> : “An integrated report should disclose information about matters that substantively affect the organization’s ability to create value over the short, medium and long term.” (3.17)	<i>Materiality</i> : “Management should include information that is material to the entity in management commentary. <i>Materiality</i> will be different for each entity. Materiality is an ‘entity-specific aspect of relevance’; thus information that is relevant for an entity will also be material.” (21)	The statement in MC that “information that is relevant for an entity will also be material” seems to be different from <IR> which treats material information as a subset of relevant information.
	E - <i>Conciseness</i> : “An integrated report should be concise.” (3.36)	Not specifically referred to.	Implied in MC rather than referred to specifically. For example, MC should be “clear and straightforward” (22). Management should avoid duplication of disclosures made in the notes to the financial statements and generic disclosures (23).
	F - <i>Reliability and completeness</i> : “An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.” (3.39)	<i>Qualitative characteristics of useful information</i> : “Information in management commentary should possess the fundamental qualitative characteristics of <i>relevance</i> and <i>faithful representation</i> . Information in management commentary should also maximise the enhancing qualitative characteristics of <i>comparability</i> , <i>verifiability</i> ,	Consistent.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
		<i>timeliness and understandability.</i> ” (20)	
	G - <i>Consistency and comparability</i> : “The information in an integrated report should be presented: <ul style="list-style-type: none"> <li>• On a basis that is consistent over time</li> <li>• In a way that enables comparison with other organizations to the extent it is material to the organization’s own ability to create value over time.” (3.54)</li> </ul>	As above.	Consistent
<b>Content elements</b>	A - <i>Organizational overview and external environment</i> : “An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?” (4.4)	A - <i>The nature of the business</i> : “Management should provide a description of the business to help users of the financial reports to gain an understanding of the entity and of the external environment in which it operates.” (26)	Consistent
	B - <i>Governance</i> : “An integrated report should answer the question: How does the organization’s governance structure support its ability to create value in the short, medium and long term?” (4.8)	Not referred to specifically.	A difference between the two. But <IR> is not seeking descriptions of governance structure and so on <i>per se</i> , but rather how it affects value.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p><i>C - Business model:</i> “An integrated report should answer the question: What is the organization’s business model?” (4.10)</p>	<p>Not specifically referred to.</p>	<p>MC does say: “<i>Management commentary should set out the critical financial and non-financial resources available to the entity and how those resources are used in meeting management’s stated objectives for the entity</i>” – which is similar to describing the business model, in part at least.</p>
	<p><i>D - Risks and opportunities:</i> “An integrated report should answer the question: What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium and long term, and how is the organization dealing with them?” (4.23)</p>	<p><i>C - The entity’s most significant resources, risks and relationships:</i> “Management commentary should include a clear description of the most important resources, risks and relationships that management believes can affect the entity’s value and how those resources, risks and relationships are managed.” (29)</p> <p><i>Risks:</i> “Management should disclose an entity’s principal risk exposures and changes in those risks, together with its plans and strategies for bearing or mitigating those risks, as well as disclosure of the effectiveness of its risk management strategies.” (31).</p>	<p>MC and &lt;IR&gt; look as if they use “value” in different ways.</p> <p>MC refers only to “risks”, whereas &lt;IR&gt; also refers to “and opportunities”.</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>E - <i>Strategy and resource allocation</i>: “An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?” (4.27)</p>	<p>B - <i>Management’s objectives and its strategies for meeting those objectives</i>: “Management should disclose its objectives and strategies in a way that enables users of the financial reports to understand the priorities for action as well as to identify the resources that must be managed to deliver results.” (27)</p>	<p>Consistent.</p>
	<p>F - <i>Performance</i>: “An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?” (4.30)</p>	<p>D - <i>The results of operations and prospects</i>: “Management commentary should include a clear description of the entity’s financial and non-financial performance, the extent to which that performance may be indicative of future performance and management’s assessment of the entity’s prospects.” (34)</p> <p><i>Results</i>: “Management commentary should include explanations of the performance and progress of the entity during the period and its position at the end of that period. Those explanations provide users of the financial reports with insight into the main trends and factors affecting</p>	<p>Broadly consistent, but MC does not any equivalent concept to “outcomes in terms of effects on the capitals”.</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>“Quantitative indicators, such as KPIs and monetized metrics, and the context in which they are provided can be very helpful in explaining how an organization creates value and how it uses and affects various capitals. While quantitative indicators are included in an integrated report whenever it is practicable and relevant to do so:</p> <ul style="list-style-type: none"> <li>• The ability of the organization to create value can best be reported on through a combination of quantitative and qualitative information (see also paragraph 3.8 regarding the connectivity of quantitative and qualitative information).</li> <li>• It is not the purpose of an integrated report to quantify or monetize the value of the organization at a point in time, the value it creates over a period, or its uses of or effects on all the capitals.” (1.11)</li> </ul>	<p>the business.” (35)</p> <p>E - <i>The critical performance measures and indicators that management uses to evaluate the entity’s performance against stated objectives:</i> “Management should disclose performance measures and indicators (both financial and non-financial) that are used by management to assess progress against its stated objectives. Management should explain why the results from performance measures have changed over the period or how the indicators have changed.” (37)</p>	<p>Consistent</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>”Quantitative indicators, such as KPIs, can help increase comparability and are particularly helpful in expressing and reporting against targets. Common characteristics of suitable quantitative indicators may include that they are:...</p> <ul style="list-style-type: none"> <li>• Presented with qualitative information to provide context and improve meaningfulness. Relevant qualitative information includes an explanation of: <ul style="list-style-type: none"> <li>- measurement methods and underlying assumptions</li> <li>- the reasons for significant variations from targets, trends or benchmarks, and why they are or are not expected to reoccur.”</li> </ul> </li> </ul> <p>(4.53)</p>		
	<p>G - <i>Outlook</i>: “An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its</p>	<p>D - <i>The results of operations and prospects</i>: “Management commentary should include a clear description of the entity’s financial and non-financial</p>	<p>Consistent</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>strategy, and what are the potential implications for its business model and future performance?” (4.34)</p>	<p>performance, the extent to which that performance may be indicative of future performance and management’s assessment of the entity’s prospects.” (34)</p> <p><i>Prospects:</i> “Management should provide an analysis of the prospects of the entity, which may include targets for financial and non-financial measures. This information can help users of the financial reports to understand how management intends to implement its strategies for the entity over the long term.” (35)</p>	
	<p>H - <i>Basis of preparation and presentation:</i> “An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?” (4.40)</p> <p>“... Common characteristics of suitable quantitative indicators may include that they are:</p> <p>...</p>	<p><i>Management’s view:</i> “Management commentary should provide management’s perspective of the entity’s performance, position and progress. Management commentary should derive from the information that is important to management in managing the business.” (15)</p>	<p>Potentially not consistent – MC does not seem to have an equivalent specific requirement in &lt;IR&gt; to disclose the materiality determination process, the reporting boundary, and a summary of significant frameworks and methods.</p>

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	Consistent with indicators used internally by those charged with governance..." (4.53)		
	<p>I - <i>General reporting guidance</i>:            "The following general reporting matters are relevant to various Content Elements:</p> <ul style="list-style-type: none"> <li>• Disclosure of material matters (see paragraphs 4.50–4.53)</li> <li>• Disclosures about the capitals (see paragraphs 4.54–4.55)</li> <li>• Time frames for short, medium and long term (see paragraphs 4.57–4.59)</li> <li>• Aggregation and disaggregation (see paragraphs 4.60–4.62)." (4.49)</li> </ul>	Not referred to specifically.	A potential difference between <IR> and MC.
<b>Identification</b>	An integrated report should be a designated, identifiable communication. (1.12)	<i>Identification of management commentary</i> : "Management should identify clearly what it is presenting as management commentary and distinguish it from other information." (6)	Consistent
<b>Responsibility/Approval</b>	"Any communication claiming to be an integrated report and referencing the Framework should apply all the requirements identified in bold italic type unless:	"An assertion that management commentary complies with the Practice Statement can be made only if it complies with the Statement in its entirety." (7)	Consistent.



Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>The unavailability of reliable information or specific legal prohibitions results in an inability to disclose material information</p> <p>Disclosure of material information would cause significant competitive harm.” (1.17)</p> <p>“In the case of the unavailability of reliable information or specific legal prohibitions, an integrated report should:</p> <p>Indicate the nature of the information that has been omitted</p> <p>Explain the reason why it has been omitted</p> <p>In the case of the unavailability of data, identify the steps being taken to obtain the information and the expected time frame for doing so.” (1.18)</p>		
<b><i>Responsibility/Approval</i></b>	“An integrated report should include a statement from those	“When management commentary is presented, management should	Broadly consistent, but IR is more detailed in spelling out what is expected.

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	<p>charged with governance that includes:</p> <ul style="list-style-type: none"> <li>• An acknowledgement of their responsibility to ensure the integrity of the integrated report</li> <li>• An acknowledgement that they have applied their collective mind to the preparation and presentation of the integrated report</li> <li>• Their opinion or conclusion about whether the integrated report is presented in accordance with this Framework or, if it does not include such a statement, it should explain: <ul style="list-style-type: none"> <li>• What role those charged with governance played in its preparation and presentation</li> <li>• What steps are being taken to include such a statement in future reports</li> <li>• The time frame for doing so, which should be no later than the organization’s third integrated report that references this Framework.” (1.20)</li> </ul> </li> </ul> <p><i>“Those charged with governance: The person(s) or organization(s) (e.g., the board of directors or a corporate trustee) with</i></p>	<p>explain the extent to which the Practice Statement has been followed. An assertion that management commentary complies with the Practice Statement can be made only if it complies with the Statement in its entirety.” (7)</p> <p>“The 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.” (IN6)</p>	

Aspect	<IR> Framework	MC Statement	Initial Staff Comments
	responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship.” (Glossary 17)		