

## STAFF PAPER

July 2018

## IASB Meeting

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

**Purpose of this paper**

1. In November 2017, the International Accounting Standards Board (Board) added a project to its agenda to update IFRS Practice Statement 1 *Management Commentary* (Practice Statement). In undertaking the project, the Board will consider how broader financial reporting could complement and support IFRS financial statements.
2. In March 2018, the Board held an education session on the project and discussed the staff's initial plans for updating the Practice Statement (March 2018 Agenda Papers AP15 and AP15A). The Board was not asked to make any decisions.
3. The purpose of this paper is to provide an update on the project and to outline next steps. This paper is provided for information only. There are no questions for the Board but the staff would welcome any comments the Board may have.

**Management Commentary Consultative Group**

4. In accordance with paragraph 3.58 of the IFRS Foundation *Due Process Handbook* (*Due Process Handbook*), the Board considered the need to establish a consultative group to support the updating of the Practice Statement and concluded that formation of a consultative group would be beneficial.

5. On 9 March 2018, the Board announced its plans to form the Management Commentary Consultative Group (Consultative Group) and invited applications from individuals with experience and expertise in relation to the development and implementation of management commentary regimes and to the use of management commentary disclosures. The application period closed on 20 April 2018.
6. The Board received 39 applications from individuals from various jurisdictions and with various backgrounds, including users of financial statements, standard-setters, regulators, representatives of the accounting profession and preparers. In addition, four organisations applied to join the Consultative Group as observers.
7. In accordance with paragraph 3.59 of the *Due Process Handbook*, in June 2018 the IFRS Foundation Trustees' Due Process Oversight Committee (DPOC) reviewed the proposed composition of the Consultative Group to ensure that a balanced range of perspectives is represented on the Consultative Group. At the time of posting this Agenda Paper, the staff are taking final steps related to the formation of the Consultative Group and expect to announce the members and observers of the Consultative Group in the next few days.
8. Information about the membership of the Consultative Group, meeting dates and agenda papers will be available on [the IFRS Foundation website](#). The meetings of the Consultative Group will be in public and will be webcast live and recordings of the meetings will be available on [the IFRS Foundation website](#).

### **Survey of national practice and reporting requirements**

9. In July 2018, the staff reached out to National Standard-setters with a request to provide information about the requirements and commonly applied non-mandatory guidance on management commentary that apply to listed companies in their respective jurisdictions.
10. The survey covers the following broad areas:
  - (a) reporting environment;
  - (b) principles and objectives;
  - (c) current year financial analysis and forward-looking statements;

- (d) operational information;
  - (e) business model, strategy, external environment and risks; and
  - (f) other matters.
11. The staff will use the information received through the survey in their analysis and in developing the agenda papers for the Consultative Group. In analysing the findings of the survey and discussing them with the Consultative Group, the staff will look to identify both best practices and gaps in current narrative reporting where users' information needs are not met. That analysis and feedback from the Consultative Group will feed into developing recommendations for the Board.

### **Next steps**

12. The staff anticipate the following work streams:
- (a) objectives and principles of management commentary reporting;
  - (b) current year financial analysis and forward-looking information; and
  - (c) business model, strategy, risks, and operating environment and information about operational performance.
13. The staff expect that the discussions by the Consultative Group and the Board will commence in October 2018 and take place over H2 2018–H1 2019.
14. The staff expect to seek permission from the Board to ballot an Exposure Draft of the revised Practice Statement in H2 2019 and to publish the Exposure Draft in H1 2020.