

AGENDA PAPER

IFRS® Foundation Trustees meeting – Due Process Oversight Committee

LONDON 5 June 2018

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Management Commentary Consultative group

Purpose of the paper

1. In November 2017, the International Accounting Standards Board (Board) added a project to its agenda to revise IFRS Practice Statement 1 *Management Commentary* (Practice Statement). The Board noted that in undertaking the project the Board will need to think about how broader financial reporting could complement and support IFRS financial statements.
2. On 9 March 2018, the Board invited applications for membership of the consultative group on the Management Commentary project to support the update of the Practice Statement. The Due Process Oversight Committee (DPOC) was informed about the Board's plans for establishing the consultative group.
3. This paper discusses the proposed composition of the consultative group and outlines next steps. Appendix A summarises the demographic information about the applicants and the proposed members.
4. In accordance with paragraph 3.59 of IFRS Foundation *Due Process Handbook*, the staff ask the DPOC to review the proposed composition of the consultative group to ensure that there is a satisfactory balance of perspectives, including geographical balance.

Proposed composition of the consultative group

5. The call for applications for membership of the consultative group was open until 20 April 2018 and stated that:
 - a. the Board is seeking candidates who have:
 - i. a deep understanding of the information that existing and potential investors, lenders and other creditors need from management commentary

and of areas of current practice where those needs are, or are not, being met; or

- ii. expertise in developing or implementing management commentary regimes designed to meet those needs;
 - b. the need to establish an appropriate geographical mix will be taken into account when considering applications;
 - c. priority will be given to applicants whose expertise covers financial reporting over a broad base of subject matter areas; and
 - d. the Board expects that the consultative group will have between 10 and 15 members and observers.
2. We received 35 applications for membership in the consultative group from individuals with various backgrounds (including users of financial statements, regulators and standard setters responsible for development and implementation of national narrative reporting regimes and preparers). In addition, four organisations applied for observer seats.
3. Having considered the applications, the Board agreed with the staff proposal to accept 17 candidates for members and to accept all four organisations that applied for observe seats. In selecting the candidates, we focussed on their experience in using management commentary or in developing or implementing management commentary regimes as well as the need to achieve a balanced range of perspectives for the consultative group as a whole. We emphasise the following aspects of the proposed membership:
- a. in analysing the geographical distribution of the applicants and of the proposed members, we generally classified applicants in the jurisdiction where they are based. However, while many of the users of financial statements who applied and are proposed for the consultative group are based in Europe, their professional

duties (ie investment mandate or coverage universe) involve analysing companies on a global basis.

- b. applications received from Middle East and Africa did not demonstrate the experience we are seeking in using management commentary or in developing or implementing management commentary regimes.
 - c. we have not received any applications from South Africa which has led the adoption of Integrated Reporting. However, proposed members from other jurisdictions have demonstrated knowledge of Integrated Reporting in their applications.
4. The Board agrees that the proposed membership of the consultative group achieves an appropriate balance of perspectives to provide the input we will need in updating the Practice Statement. The proposed membership also has knowledge of broader financial reporting which will provide a helpful context for their contributions.

Next steps

- 5. The staff expect to announce the members of the consultative group in June 2018. The staff expect that the first meeting of the consultative group will take place in late September or early October 2018.

Appendix A: Summary of demographics

Applications for membership

Background \ Geographical area	International	Asia-Oceania	Australia & New Zealand	Europe	Middle East & Africa	North America	Latin America	Total	
Regulators and standard setters	1	1	1	2				5	14%
Users of financial statements	1	2	1	4				8	23%
Accounting profession	1	1	1	2				5	14%
Preparers			1	6	3	5	1	16	46%
Academics		1						1	3%
Total	3	5	4	14	3	5	1	35	100%
	9%	14%	11%	40%	9%	14%	3%		

Proposed membership

Background \ Geographical area	International	Asia-Oceania	Australia & New Zealand	Europe	Middle East & Africa	North America	Latin America	Total	
Regulators and standard setters	1	1	1	2				5	29%
Users of financial statements	1	2	1	2				6	35%
Accounting profession				1				1	6%
Preparers				2		2	1	5	29%
Academics								0	0%
Total	2	3	2	7	0	2	1	17	100%
	12%	18%	12%	41%	0%	12%	6%		

Applications for and proposed observer seats

	Organisation	Role	Area	Acceptance
IOSCO	International Organization of Securities Commissions	Regulators	International	✓
ESMA	European Securities and Markets Authority	Regulators	Europe	✓
IAASB	International Auditing and Assurance Standards Board	Standard setters	International	✓
EFRAG	European Financial Reporting Advisory Group	Standard setters	Europe	✓