
Management Commentary
Exposure Draft and the
Integrated Reporting
Framework

IRCC meeting
April 2023

Agenda

- Background
- Comparison between the *Management Commentary* Exposure Draft (MC ED) and the *Integrated Reporting Framework* (IR Framework)—highlights
- Looking ahead

Background



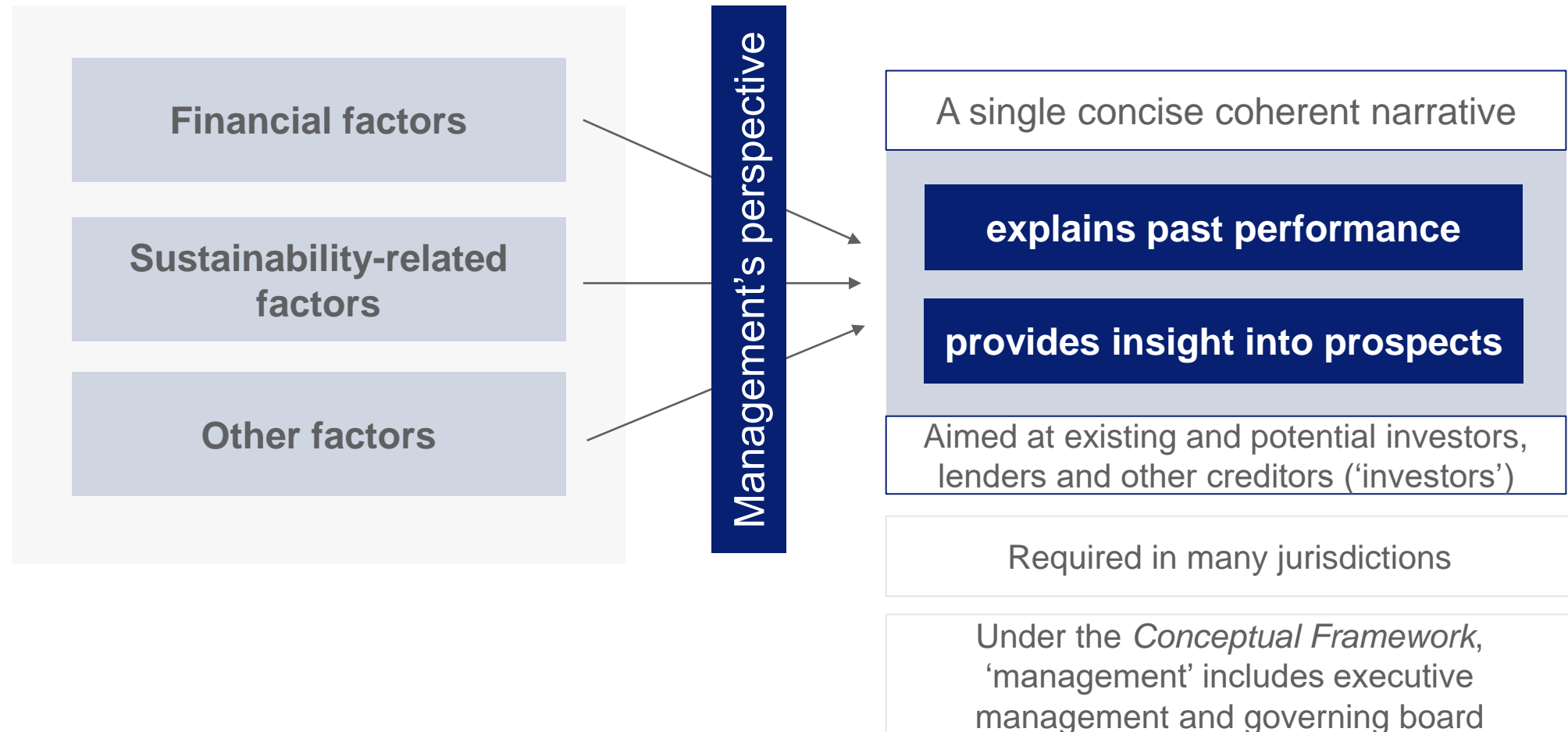
Recent highlights

The Chairs of the IASB and ISSB acknowledged that there are similarities and differences between the MC ED and the IR Framework and committed to consider opportunities to address that.

The IASB received strong support for the MC project, in particular from investors. Stakeholders also highlighted the need for connectivity and asked the IASB to collaborate with the ISSB on the MC project.

The ISSB decided to seek feedback on a potential project on integration in reporting as part of its Consultation on Agenda Priorities.

What is 'management commentary'?



The need for connectivity

What role can management commentary and integrated report play in facilitating connectivity between general purpose financial reports and the provision of high quality decision-useful information to capital markets?



Comparison between the MC ED and the IR Framework



Basis of analysis

- Based on a paragraph-by-paragraph comparison of the MC ED and the IR Framework by members of the Integrated Reporting and Connectivity team and Management Commentary project team
- Based on the IR Framework as written without considering adaptations made by preparers in practice to meet the needs of other stakeholders
- Please refer to [Agenda Paper 8A Connectivity in Financial Reporting](#) for the April 2023 IFRS Advisory Council meeting for a more detailed comparison (provided as a background reading material for the April 2023 IRCC meeting)

Key observations from the initial analysis



Management commentary and integrated report have **similar objectives**, providing investors with insights for assessing an entity's prospects. Sometimes integrated reports are adapted to meet information needs of other audiences.



The MC ED and the IR Framework incorporate **similar principles and notions of value creation**. An entity's '**resources and relationships**' or '**capitals**' play a prominent role in both documents.



The requirements specified in the MC ED and the IR Framework should result in **similar information** being provided in the reports*. However, the way in which the requirements are specified can be different.

* The IR Framework includes additional requirements for information about an entity's governance.

Complementary approaches



IR Framework

Principles-based design,
emphasising the **key notions
to be applied**

Reporting requirements are
specified by reference to **high
level questions about the
entity the report must answer**



Similar report content



MC ED



Principles-based design,
specifying the **types of
information to be provided**

Reporting requirements are
specified by reference to **investors' information needs,
including the assessments
investors need to make about
the entity**

Main features of reports

IR Framework

MC ED

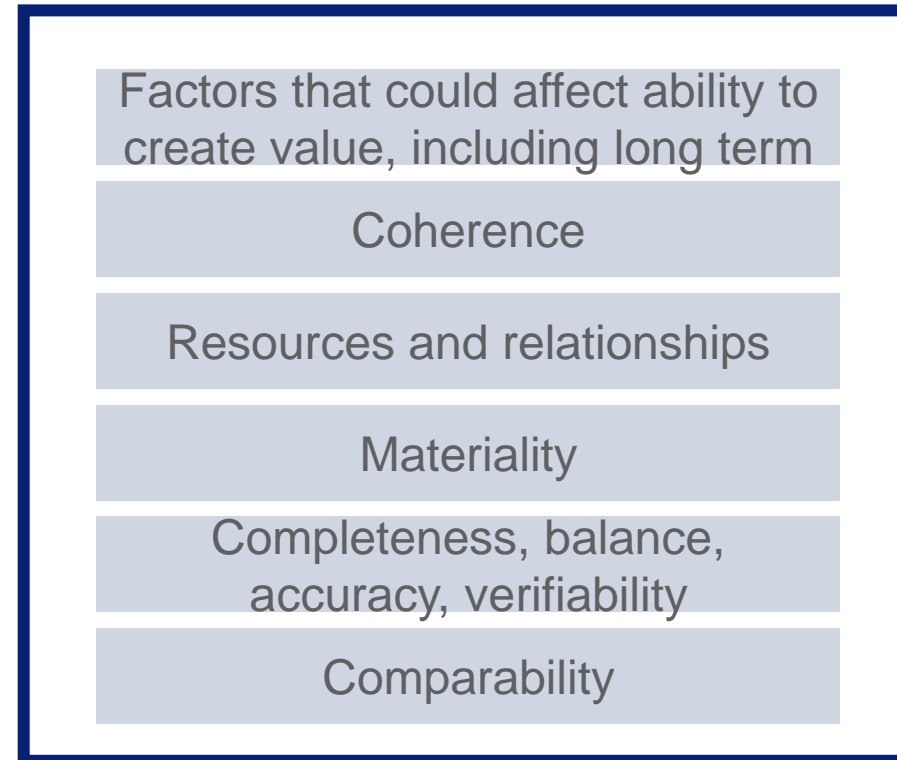
Responsibility	Those charged with governance (which may include executive management)	Management (which may include members of a governing body)
Audience	Primary audience is providers of financial capital. All stakeholders interested in value creation benefit.	Aimed at needs of investors and creditors. Other stakeholders may find the report useful.
Purpose of the report	Explain how the organisation creates, preserves or erodes value over time	Enhance understanding of financial statements and provide insights into factors that could affect ability to create value over time

Guiding principles and their equivalents

IR Framework



MC ED



Content requirements compared

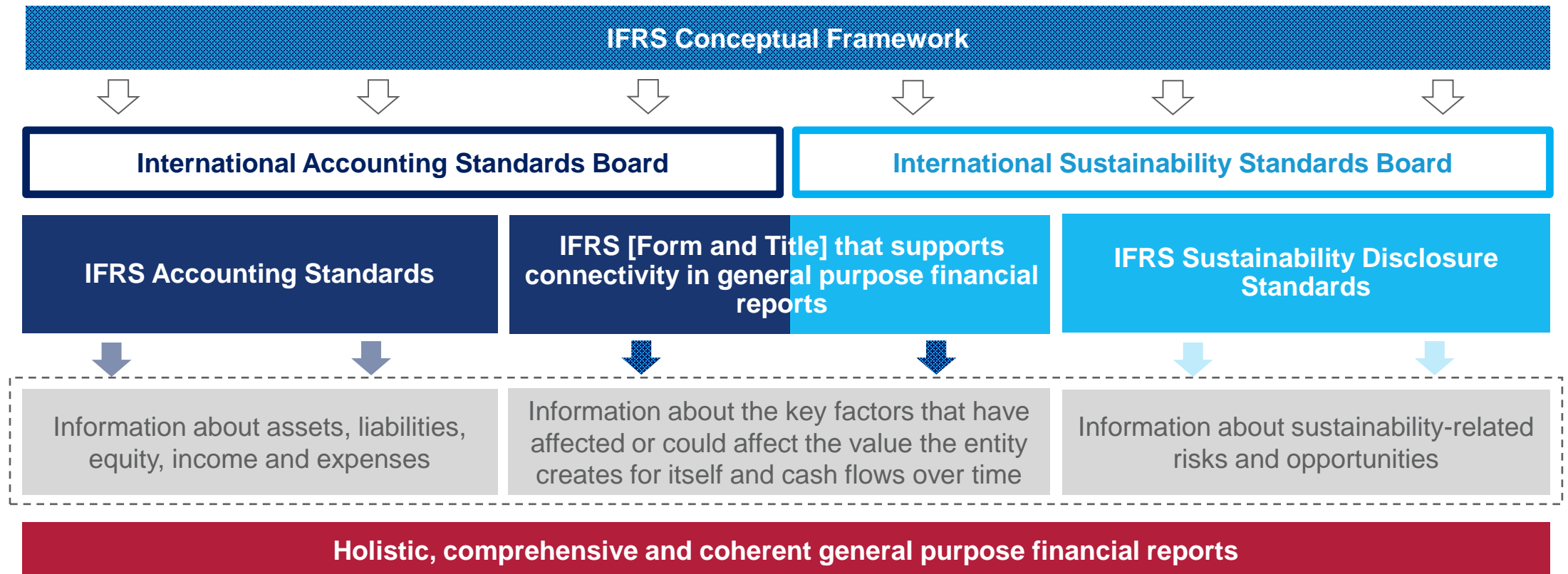
	Key similarities						Key differences	
IR Framework	Business model	Strategy and resource allocation	Risk and opportunities	Org overview & external environment	Performance	Outlook	Governance	Basis of preparation
MC ED								
Business model	✓						<div style="background-color: #e0e0e0; padding: 10px; text-align: center;"> <p>✗ Not an explicit requirement of the MC ED</p> </div>	
Strategy		✓	✓		✓	Addressed in each MC ED content area		
Risks			✓			Specified as an objective in the MC ED		
External environment				✓*				
Financial performance and financial position					✓*			
Resources and relationships	✓ Addressed by the IRF 'capitals' concept							

* Similar, but some differences

Looking ahead



Staff's view of one possible long-term IFRS outlook



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