
IASB® meeting

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Project	Management Commentary
Topic	Project Update
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB® *Update*.

Purpose of the paper

1. In May 2023, the International Sustainability Standards Board (ISSB) published the [Request for Information Consultation on Agenda Priorities](#) (the ISSB's Consultation) seeking feedback on its priorities for its next two-year workplan. The ISSB's Consultation included a question on the priority of a potential project on integration in reporting and whether that project, if considered a priority, should be undertaken jointly with the IASB and build on the concepts from the IASB's Exposure Draft *Management Commentary*. The feedback on the potential project on integration in reporting and the ISSB's decisions in response to that feedback may feed into the IASB's decision about the direction of the Management Commentary project.
2. The comment period on the ISSB's Consultation ended on 1 September 2023. In January 2024, the IASB and ISSB will meet jointly to discuss the feedback on the potential project on integration in reporting.
3. In preparation for the joint meeting, this paper summarises the developments in the Management Commentary project and outlines next steps. The paper is for information and does not ask the IASB for decisions.

Structure of the paper

4. The paper discusses:
 - (a) background and evolving landscape:
 - (i) the origin of the Management Commentary project (paragraphs 5–7);
 - (ii) the Management Commentary Exposure Draft (paragraphs 8–10);
 - (iii) feedback on the Management Commentary Exposure Draft (paragraphs 11–14);
 - (iv) the interaction with the Integrated Reporting Framework (paragraphs 15–16);
 - (v) the ISSB’s Consultation on Agenda Priorities (paragraphs 17–18); and
 - (b) next steps (paragraphs 19–21).

Background and evolving landscape

Origin of the project

5. Management commentary (sometimes known as management discussion and analysis, or MD&A) is a general purpose financial report that is required in many jurisdictions and provided alongside an entity’s financial statements and its sustainability-related disclosures. Management commentary or a similar report typically falls under the remit of local regulators. The IASB’s guidance on preparing management commentary, IFRS Practice Statement 1 *Management Commentary* (Management Commentary Practice Statement), was issued in 2010.
6. The IASB added the Management Commentary project to its work plan in November 2017 following its research into developments in narrative reporting. That research indicated that since the Management Commentary Practice Statement was issued, many jurisdictions and organisations have published requirements and guidelines on narrative reporting. Those developments brought forth innovations but also created a

complex reporting landscape. At the same time, the IASB's research suggested that in practice investors' information needs were not always being met, in particular the need for information that provides insight into factors that affect entities' long-term prospects.¹

7. The IASB's objective in the Management Commentary project was to develop a comprehensive, clear and structured framework that would build on innovations in narrative reporting and target shortcomings in reporting practice.

Management Commentary Exposure Draft

8. The Management Commentary Exposure Draft was published in May 2021 and represented a major overhaul of the Management Commentary Practice Statement. It was designed to enable an entity to bring together in management commentary the information about the key factors that have affected the entity's financial performance and financial position or could affect the entity's prospects, including in the long term—for example, information about the entity's key intangible resources and relationships or about key sustainability matters that affect the entity. Management commentary would be based on information used to manage the business, including metrics used to monitor an entity's financial and non-financial performance and position.
9. The IASB proposed an objectives-based approach that was designed to enable entities to identify and provide information that is useful to investors and to enable regulators and auditors to assess compliance with the revised Practice Statement. The IASB anticipated that an effective basis for enforcement and assurance would be essential for local lawmakers who choose to adopt, build on or otherwise enable the application of the revised Practice Statement in their jurisdictions.

¹ This paper uses the term 'investor' to refer to the primary users of an entity's general purpose financial reports, namely existing and potential investors, lenders and other creditors.

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10. The IASB envisaged that entities would be able to apply the revised Practice Statement in conjunction with jurisdictional requirements and guidelines on management commentary or a similar report as well as with requirements and guidelines on specific topics, such as sustainability reporting. In particular, the IASB envisaged that entities might apply the revised Practice Statement in conjunction with the ISSB's Standards. While the Management Commentary Exposure Draft was published prior to the establishment of the ISSB, it invited comments on any matters relating to the IFRS Foundation Trustees' work on establishing the ISSB that the IASB should consider in finalising the revised Practice Statement.²

Feedback on the Management Commentary Exposure Draft

11. The comment period on the Exposure Draft ended on 29 November 2021 and the IASB discussed feedback at its March and April 2022 meetings.³ Many respondents, including almost all investors commenting, expressed support for the project.
12. Many respondents highlighted the important role of management commentary in corporate reporting and the need for the guidance on preparing management commentary to stay current. Respondents highlighted the following arguments in support of the IASB's work on the Management Commentary project:
- (a) the proposals reflect investors' information needs and focus on information that would help investors understand how an entity creates value;
 - (b) the Exposure Draft provides comprehensive and well-structured requirements and guidance that would help preparers understand investors' information needs and prepare better management commentary;
 - (c) the proposals could help improve connectivity between what respondents called 'financial' and 'non-financial' information;
 - (d) the proposals build on recent developments in narrative reporting; and

² See Question 9 in the Invitation to comment on the [Management Commentary Exposure Draft](#).

³ See March 2022 [IASB Agenda Papers 15-15F](#) and April 2022 [IASB Agenda Papers 15-15I](#).

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- (e) global recognition and rigorous application of enhanced requirements on management commentary would improve comparability between entities and would benefit investors globally.
13. Most respondents to the Exposure Draft noted the interaction between the Management Commentary project and the remit of the ISSB and highlighted the need for collaboration between the boards. They encouraged the IASB to work together with the ISSB in advancing the project.
14. Some respondents to the Exposure Draft advocated a greater alignment between the requirements and guidance being developed in the Management Commentary project and the Integrated Reporting Framework.

Interaction with the Integrated Reporting Framework

15. In developing the proposals in the Management Commentary Exposure Draft, the IASB built on innovations in narrative reporting, including the Integrated Reporting Framework (which became part of the materials of the IFRS Foundation following the merger of the IFRS Foundation with the Value Reporting Foundation in August 2022).⁴
16. In April 2023, the IASB staff and the Integrated Reporting and Connectivity staff presented their joint analysis of similarities and differences between the Management Commentary Exposure Draft and the Integrated Reporting Framework to the IFRS Advisory Council and to the Integrated Reporting and Connectivity Council. In May 2023, the staff presented this analysis at an education session for the IASB, together with feedback from those advisory bodies.⁵

⁴ See press release [Integrated Reporting—articulating a future path](#)

⁵ See May 2023 [Agenda Paper 15A](#)

ISSB's Consultation on Agenda Priorities

17. The ISSB's Consultation sought feedback on, among other topics, a potential project on integration in reporting, specifically:
- (a) what the relative priority of advancing that project as part of the ISSB's next two-year workplan should be compared to the three sustainability-related topics described in the ISSB's Consultation;
 - (b) whether, if prioritised, the project should be advanced as a formal joint project with the IASB, or pursued as an ISSB project (which could still draw on input from the IASB as needed); and
 - (c) whether, in pursuing the project, the ISSB should build on and incorporate concepts from the Management Commentary Exposure Draft, the Integrated Reporting Framework and other sources.
18. In November 2023, the ISSB started its discussion of feedback on the ISSB's Consultation. The feedback on the potential project on integration in reporting, including whether it should be prioritised and how it should be conducted, will be presented to the ISSB and IASB for a joint discussion in January 2024.

Next steps

19. The IASB and ISSB will meet jointly to discuss the feedback on the potential project on integration in reporting in preparation for:
- (a) the ISSB deciding on the priorities for its next two-year workplan, including whether and how to pursue a project on integration in reporting; and
 - (b) the IASB deciding on the direction of the Management Commentary project.
20. The staff will present to the IASB an analysis of alternatives for the way forward on the Management Commentary project after the joint boards meeting. Possible alternatives could include, but may not be limited to:

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- (a) advancing the project in collaboration with the ISSB, which could take various forms, including a formal joint project;
 - (b) proceeding with the IASB project, which could still draw on input from the ISSB and lay the foundation for any future joint work; and
 - (c) pausing the project until, for example, the new reporting landscape created by the establishment of the ISSB becomes more settled.
21. In making the decision on the way forward for the project, the IASB will need to consider the scope of its future work, which could range from making limited improvements to the Management Commentary Exposure Draft in response to the feedback to a more comprehensive review of the proposals in the light of the developments in the reporting landscape since the Exposure Draft was published.