Management Commentary Consultative Group

Date  21 May 2024
Project  Management Commentary
Topic  Project direction
Contacts  Yulia Feygina (yfeygina@ifrs.org)
Matt Chapman (mchapman@ifrs.org)
Jaco Jordaan (jjordaan@ifrs.org)

This paper has been prepared for discussion at a public meeting of the Management Commentary Consultative Group (MCCG). This paper does not represent the views of the International Accounting Standards Board (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.
Format of the session

• Welcome and update on the Management Commentary project (plenary session)
• Breakout group discussions of the way forward on the Management Commentary project (closed session)
• Report back on breakout discussions and closing remarks (plenary session)

The purpose of the meeting is to seek input from MCCG members and observers to inform the IASB's decision on the direction for the Management Commentary project.
Table of Contents

• Where we are today (slides 4-5)
• Recap of project background (slides 6-9)
• Recap of proposals and feedback (slides 10-26)
• The evolving landscape (slides 27-31)
• Alternatives for the project direction (slides 32-33)
• Questions for MCCG members and observers (slides 34-35)
• Appendix—Disclosure objectives per area of content (slides 36-42)
Where we are today
Where we are today

- IFRS PS1 Management Commentary
  - Dec ’11
- Development of the proposals in consultation with the MCCG
  - Nov ’17
- Announcement on the creation of the ISSB
  - 2018-2020
- MC project starts
  - May ’21
- MC ED is published
  - Nov ’21
- MC ED consultation closes
  - Apr ’22
- Consolidation of Value Reporting Foundation and IFRS Foundation
  - Aug ’22
- Joint discussion of feedback on the ISSB agenda consultation
  - 2023
- ISSB publishes first Standards and consults on agenda priorities
  - Jan’24
- IASB discusses feedback on MC ED
  - Apr’24
- IASB to decide on MC project direction
  - Jun’24
- ISSB finalises decisions on its two-year workplan
  - Apr’24
Recap of project background
What is management commentary?

- A narrative report required in many jurisdictions
- Part of general purpose financial reports
- Known under various names such as management report, strategic report, operating and financial review, MD&A
- Preparation is subject to local laws and regulations
- IFRS Practice Statement 1 *Management Commentary* dates back to 2011
What role does management commentary play?

**Annual reporting package**

- **Management commentary**
  - Provides management’s perspective
  - Brings together information about financial, sustainability-related and other factors that affect the entity
  - Explains financial position and financial performance for the reporting period and provides insights into the future, including over the long term
  - Supports connectivity of information across an entity’s general purpose financial reports
  - Can include sustainability-related disclosures

- **Sustainability-related disclosures**

- **Financial statements**

- **Other required information**

---

In the IFRS *Conceptual Framework*, the term ‘management’ refers to management and the governing board.
What did the IASB set out to deliver?

<table>
<thead>
<tr>
<th>Investors call out shortcomings in practice</th>
<th>The IASB’s proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Lack of focus on what is important</td>
<td>• Target identified shortcomings in practice</td>
</tr>
<tr>
<td>• Generic boilerplate information</td>
<td>• Build on innovations in narrative reporting and national requirements</td>
</tr>
<tr>
<td>• Short-term perspective</td>
<td>• Designed to be compatible with requirements for sustainability reporting</td>
</tr>
<tr>
<td>• Insufficient information about intangible resources and sustainability matters</td>
<td>• Focus on promoting coherence in reporting (connectivity)</td>
</tr>
<tr>
<td>• Fragmented and disjointed information</td>
<td>• Designed with enforcement in mind</td>
</tr>
<tr>
<td>• Difficulty in comparing information period-on-period and between entities</td>
<td>• Provide a comprehensive up-to-date toolkit available for regulators to adapt or adopt</td>
</tr>
<tr>
<td>• Incomplete or unbalanced information</td>
<td></td>
</tr>
</tbody>
</table>
Recap of proposals and feedback
Recap of proposals—Objectives-based approach

An objectives-based approach

**Objective of management commentary**

**Disclosure objectives for areas of content and supporting examples**

**Requirements and guidance for selecting and presenting information**

Focus on key matters

Appendix relating to information about matters affecting a company’s long-term prospects such as ESG matters and intangibles
Feedback on proposals—Objectives-based approach

| Broad support for the objectives-based approach | Most respondents commenting on the proposed objectives-based approach—including the investors and regulators commenting—supported the proposal that the approach should be objectives-based rather than prescriptive. |
| Mixed feedback on assurability and enforceability | • Respondents expressed mixed views on whether the proposed approach would provide a suitable and sufficient basis for assurance and enforcement.  
• A few investors expressed concern that the flexibility of the proposed approach could allow management to avoid disclosing material information by claiming it is commercially sensitive. |

See March 2022 IASB Agenda Paper 15 Feedback summary—Overview and Agenda Paper 15D Feedback summary—Objectives-based approach
Recap of proposals—The objective of management commentary

**Management’s perspective**

- Enhance investors’ understanding of the company’s financial statements
- What has affected the company
- Provide insight into the company’s ability to create value and generate cash flows
- What might affect the company in the future, including in the long-term

**Supporting explanations**

- Complementary role
- Material information
- Investor focus
- Management’s perspective
- Cash flows and value creation
- Long-term horizon
## Feedback on proposals—The objective of management commentary

<table>
<thead>
<tr>
<th>Support for objective with its focus on investor needs</th>
<th>Most respondents supported the proposed objective. Some respondents disagreed with the focus on investors’ information needs and indicated that the Integrated Reporting Framework would better meet their preferred reporting objective.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for the concept of value creation</td>
<td>Most respondents supported the concept of value creation as set out in the Exposure Draft. Some respondents suggested taking a broader view of value creation or emphasised that the company’s ability to create value for itself is dependent on its ability to create value for others.</td>
</tr>
<tr>
<td>Importance of management’s perspective</td>
<td>Respondents commenting on management’s perspective, including almost all investors, emphasised the importance of management’s perspective in the identification of information, especially metrics, for inclusion in management commentary.</td>
</tr>
</tbody>
</table>
Recap of proposals—Areas of content and disclosure objectives

- Business model
- Strategy
- Resources and relationships
- Risks
- External environment
- Financial performance and financial position

Material information
- Including sustainability-related information
- Supporting examples provided in Appendix

Structure of the requirements, not necessarily the structure of the report
Recap of proposals—Areas of content and disclosure objectives

Focused on investor information needs

Headline objective

Assessment objectives

Specific objectives

- Business model
- Strategy
- Resources and relationships
- Risks
- External environment
- Financial performance and financial position

- Designed to help entities identify and provide useful information
- Anchored in a company’s ability to create value and generate cash flows
### Feedback on proposals—Areas of content and disclosure objectives

<table>
<thead>
<tr>
<th>Area</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Broad support for proposed areas of content</strong></td>
<td>There was broad support for the proposed areas of content and for the disclosure objectives proposed for those areas of content, with investors stating that these objectives correctly identify their information needs.</td>
</tr>
<tr>
<td><strong>Calls for adding ‘governance’</strong></td>
<td>Some respondents suggested adding ‘governance’ as a distinct content area or incorporating explicit requirements for governance-related information throughout requirements for content areas.</td>
</tr>
<tr>
<td><strong>Mixed feedback on three-tier structure of disclosure objectives</strong></td>
<td>Many respondents commenting on the three-tier structure of the disclosure objectives supported the design. However, many others expressed concerns that the proposed structure would be complex and burdensome for preparers of management commentary to understand and apply.</td>
</tr>
</tbody>
</table>

Recap of proposals—Materiality and key matters

<table>
<thead>
<tr>
<th>The concept of materiality</th>
<th>Making materiality judgements</th>
<th>Toolkit to help identify material information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Embedded in the objective of management commentary</td>
<td>Consideration of nature and magnitude of a matter</td>
<td>Focus on key matters</td>
</tr>
<tr>
<td>Consistent with materiality for financial statements</td>
<td>Need to be reassessed for each reporting period</td>
<td>Disclosure objectives and supporting examples</td>
</tr>
<tr>
<td>Anchored in investors’ assessments and decisions</td>
<td>Guidance on consideration of uncertain future events, including those in the long term</td>
<td>Indications that information might be material</td>
</tr>
<tr>
<td></td>
<td>Guidance on aggregation</td>
<td>Requirements and guidelines on sustainability reporting can help identify material information</td>
</tr>
</tbody>
</table>
Recap of proposals—Materiality and key matters

<table>
<thead>
<tr>
<th>Focus on key matters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fundamental to the company’s ability to create value and generate cash flows, including in the long term</td>
</tr>
<tr>
<td>Likely to be monitored and managed by management</td>
</tr>
<tr>
<td>Likely to be pervasive and relate to more than one content area</td>
</tr>
<tr>
<td>Might include significant sustainability-related risks and opportunities</td>
</tr>
</tbody>
</table>

- Key features of business model
- Key aspects of strategy
- Key resources and relationships
- Key risks
- Key factors and trends in external environment
- Key aspects of financial performance or financial position
### Feedback on proposals—Materiality and key matters

<table>
<thead>
<tr>
<th>Support for investor-focused materiality</th>
<th>Most respondents supported the proposals for an investor-focused materiality consistent with what is used for information included in the financial statements.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for guidance on making materiality judgements</td>
<td>Most of the respondents commenting on the proposed guidance on making materiality expressed broad support for the guidance or questioned only specific aspects of it.</td>
</tr>
<tr>
<td>Support for focus on key matters</td>
<td>Most respondents supported the proposal to focus on key matters.</td>
</tr>
<tr>
<td>Calls to clarify interaction between requirements for key matters and material information</td>
<td>Many respondents suggested the IASB needs to clarify the way in which the proposed requirement to focus on key matters interacts with the requirement to provide material information.</td>
</tr>
</tbody>
</table>

See March 2022 IASB [Agenda Paper 15 Feedback summary—Overview](#) and [Agenda Paper 15F Feedback summary—Key matters and material information](#) and April 2022 IASB [Agenda Paper 15C Feedback summary—Making materiality judgements](#)
Recap of proposals—Metrics

Relate to all areas of content

- Measures used to monitor a quantitative or qualitative aspect of a company’s financial or non-financial performance or position

Management’s perspective

- No specific metrics are prescribed
- Can relate to significant sustainability-related risks and opportunities
- Can be drawn from requirements and guidelines on sustainability reporting

- Business model
- Strategy
- Resources and relationships
- Risks
- External environment
- Financial performance and financial position
Recap of proposals—Metrics

Requirements and guidance
- Clarity and accuracy
- Comparability
- Coherence

Apply to all metrics

Specific requirements and guidance
- Forecasts and targets
- Metrics related to management compensation
- Metrics drawn from requirements and guidelines on narrative reporting
  - Including sustainability reporting
### Feedback on proposals—Metrics

<table>
<thead>
<tr>
<th>Support for the non-prescriptive approach to selection of metrics</th>
<th>Almost all respondents commenting supported the non-prescriptive approach to selecting which metrics to report. A few respondents suggested that a stronger emphasis should be given to management’s perspective.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Support for requirements and guidance on reporting metrics</td>
<td>Almost all respondents supported the proposed requirements for reporting metrics.</td>
</tr>
</tbody>
</table>

See March 2022 IASB [Agenda Paper 15 Feedback summary—Overview](#) and April 2022 IASB [Agenda Paper 15E Feedback summary—Metrics](#)
### Recap of proposals—Attributes of useful information

<table>
<thead>
<tr>
<th>Materiality</th>
<th>Embedded in the objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completeness</td>
<td>Completeness</td>
</tr>
<tr>
<td>Neutrality</td>
<td>Balance</td>
</tr>
<tr>
<td>Freedom from error</td>
<td>Accuracy</td>
</tr>
<tr>
<td>Understandability</td>
<td>Clarity and Conciseness</td>
</tr>
<tr>
<td>Comparability</td>
<td>Comparability</td>
</tr>
<tr>
<td>Verifiability</td>
<td>Verifiability</td>
</tr>
<tr>
<td>Timeliness</td>
<td>Local regulatory matter</td>
</tr>
<tr>
<td></td>
<td>Coherence</td>
</tr>
</tbody>
</table>

- Based on the qualitative characteristics set out in the IASB’s *Conceptual Framework for Financial Reporting*
- Simplified terminology
- Additional guidance
- The attribute of coherence
Recap of proposals—The attribute of coherence

- Designed to promote an interconnected narrative
- Focuses on enabling understanding of the connections between pieces of information
- Supports completeness, understandability and comparability of information

**Coherence within management commentary**
- include information that is necessary to understand relevant implications of a matter
- provide relevant context and explain relationships between related pieces of information

**Coherence across the company’s reports**
- provide information in a way that allows investors to relate that information to the entity’s financial statements
- explain apparent inconsistencies with other information provided by the entity in its publicly available communications
### Feedback on proposals—Attributes of useful information, including coherence

<table>
<thead>
<tr>
<th><strong>Support for the proposed attributes and supporting guidance</strong></th>
<th>Many respondents commented on the proposed requirements for information in management commentary to possess particular attributes and guidance to help preparers identify and present information with those attributes. Almost all respondents commenting expressed broad support for the proposals.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concerns about simplified terminology</strong></td>
<td>Some respondents suggested that the attributes should be referred to by the same terms as are used for the qualitative characteristics of financial reporting described in the IASB’s <em>Conceptual Framework for Financial Reporting</em>.</td>
</tr>
<tr>
<td><strong>Support for the attribute of coherence</strong></td>
<td>Broad support for the proposals, with a few respondents highlighting that coherence is particularly important for investors, asking to give it more prominence or suggesting using the term connectivity instead.</td>
</tr>
</tbody>
</table>

See March 2022 IASB [Agenda Paper 15 Feedback summary—Overview](#) and April 2022 IASB [Agenda Paper 15D Feedback summary—Completeness, balance, accuracy and other attributes](#).
The evolving landscape
## Feedback—Evolving landscape

<table>
<thead>
<tr>
<th>Investors strongly support the project</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Almost all investors emphasised the importance of high-quality management commentary. Many respondents, including almost all investors, expressed support for the work of the IASB to develop a new comprehensive toolkit on management commentary that would address investors’ information needs.</td>
</tr>
<tr>
<td>• Many investors emphasised that, in addition to better information on sustainability matters, they seek improvements on other aspects of management commentary.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Most respondents asked for connectivity between the IASB and ISSB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most respondents commented on the interaction between the project and the future work of the ISSB. Most of them highlighted the need for connectivity between the boards and asked the boards to collaborate on the project. Many of them asked for the project to be paused until the relationship between the boards is clear and ISSB progresses the work on its first Standards.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Alignment with the Integrated Reporting Framework</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some respondents suggested refinements to various proposals, including a closer alignment with aspects of the Integrated Reporting Framework.</td>
</tr>
</tbody>
</table>

## ISSB Consultation on Agenda Priorities—Connectivity

### Request for Information
- Identified connectivity between ISSB’s and IASB’s respective requirements as a foundational activity which forms part of the ISSB’s committed work and is at the core of the ISSB’s other activities.
- Sought input on the strategic direction and balance of the ISSB’s activities but did not ask a question on core activities such as connectivity or the types of work that should be prioritised as part of the connectivity activities.

### Feedback
Some respondents commented on connectivity as a core activity and others in discussing integration in reporting and indicated support for connectivity:
- Some highlighted its important role in providing decision-useful information and encouraged the ISSB and IASB to collaborate to achieve that.
- A few suggested specific areas for collaboration, including the Management Commentary project.

### ISSB decisions
- Confirmed focus on connectivity with the IASB as an activity that is integral to all of the ISSB’s work.
- Did not specify the level of focus on connectivity but decided to reserve resources to allow for flexibility for any necessary activities that arise, including engaging with and supporting the IASB on its projects and activities, as necessary.

---

**Request for Information**

**Joint feedback summary (Jan’23 AP2 & AP2B)**

**Strategic direction and balance of the ISSB’s activities (Mar’23 AP2)**

**Summary of decisions and final workplan (May’23 AP2)**
ISSB Consultation on Agenda Priorities—Integration in reporting

**Request for Information**

Sought input on a relative priority of three potential sustainability-related projects and a potential project on integration in reporting, including whether that project should:

- be prioritised in the ISSB’s next two-year work plan
- be a joint project with the IASB or an ISSB-led project which could still draw on input from the IASB
- build on the Exposure Draft Management Commentary, the Integrated Reporting Framework and other sources

**Feedback**

- Diverse views about what the project would entail and the intended reporting outcomes
- Most respondents did not rank the project as a higher priority compared to the sustainability-related projects at this time
- Almost all respondents supported collaboration between the boards
- Most respondents supported building on the Exposure Draft Management Commentary and on the Integrated Reporting Framework

**ISSB decisions**

Prioritised sustainability-related projects on biodiversity, ecosystems and ecosystem services and human capital, noting:

- the ISSB supports the use and adoption of the Integrated Reporting Framework
- the Management Commentary project aims to bring about improvements to reporting
- collaboration between the boards can take various forms
- the ISSB will continue to monitor developments on the topics not added to the work plan

Request for Information

Joint feedback summary (Jan’23 AP2A & AP2B)

Projects to add to the workplan (Apr’23 AP2)
In the IFRS Conceptual Framework, the term ‘management’ refers to management and the governing board.

Spotlight—the Integrated Reporting Framework

Initial joint staff analysis of the similarities and differences between the Exposure Draft Management Commentary and the Integrated Reporting Framework highlighted:

• management commentary and integrated report have similar objectives, providing investors with insights for assessing an entity’s prospects, although in some jurisdictions integrated reports can be adapted to meet information needs of other audiences

• both documents incorporate similar principles and notions of value creation and give prominence to an entity’s ‘resources and relationships’ or ‘capitals’

• requirements on most topics should result in similar information in the reports even though the way in which the requirements are specified and presented can be different, with the Integrated Reporting Framework emphasising the key notions to be applied and the Exposure Draft Management Commentary providing standard-like specificity

• key differences relate to disclosures on governance and on the basis of preparation of the report or can arise from different interpretations of the term ‘management’
Alternatives for the project direction
Alternatives for project direction

**Alternative 1—Finalise**
- Preserve the work to date in the light of the broad support for the proposals
- Targeted enhancements, with limited resources required to finalise
- IASB-led drawing on input from the ISSB as needed
- Supports the provision of high quality information, including connectivity in reporting
- Available for regulators in reviewing or updating local requirements

**Alternative 2—Keep on hold**
- Seek additional input from stakeholders, for example, as part of the next IASB Agenda Consultation
- Monitor developments in the reporting landscape before deciding the project direction
- May hinder the ability of jurisdictions and entities to benefit from the work to date
- Consider retiring the 2011 Management Commentary Practice Statement

**Alternative 3—Retire**
- If incremental likely costs to finalise are judged to exceed incremental likely benefits of completing the project
- May hinder the ability of jurisdictions and entities to benefit from the work to date
- Consider retiring the 2011 Management Commentary Practice Statement
Questions for MCCG members and observers
Questions for MCCG members and observers

1. In your view, what are the advantages and the disadvantages of the alternatives for the direction of the Management Commentary project?

2. If the Management Commentary project is finalised, what advice would you give to the IASB in determining the scope of work? In particular, are there any essential refinements that you think should be considered in the light of the evolving reporting landscape?

3. If the Management Commentary project remains on hold or is abandoned, what effect in your view would that have on the provision of decision-useful information for capital markets?

4. What advice would you give to the IASB in determining the direction for the project?
Appendix—Disclosure objectives per area of content
Business model

**Information investors need…**

<table>
<thead>
<tr>
<th>Headline objective</th>
<th>Assessment objectives</th>
<th>Specific objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>...to understand...</td>
<td>...to assess...</td>
<td>...to understand...</td>
</tr>
<tr>
<td>• how the company’s business model creates value and generates cash flows</td>
<td>• how effective the company’s business model is</td>
<td>• the range, nature and scale of operations</td>
</tr>
<tr>
<td></td>
<td>• how scalable and adaptable it is</td>
<td>• the cycle of creating value and generating cash flows</td>
</tr>
<tr>
<td></td>
<td>• how resilient and durable it is</td>
<td>• impacts of the company if enterprise value relevant</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• progress in managing the company’s business model</td>
</tr>
</tbody>
</table>

**Sustainability-related example**

A drink producer provides information about a water-stressed site that it operates and the regulatory conditions it must meet to continue operation (paragraph B.3.6).
Strategy

Information investors need...

**Headline objective**
- ...to understand
  - management’s strategy for sustaining and developing the company’s business model

**Assessment objectives**
- ...to assess
  - how effective the strategy is likely to be in developing the company’s ability to create value and generate cash flows
  - management’s ability to implement the strategy

**Specific objectives**
- ...to understand
  - drivers of strategy, including opportunities pursued
  - milestones towards aims
  - plans to reach milestones
  - financial resources required to implement strategy
  - progress in implementing strategy

Sustainability-related example

A manufacturing company provides information about the strategy for moving to less environmentally damaging methods of production in response to changing customer requirements (paragraph B.3.9).
Resources and relationships

*Information investors need...*

**Headline objective**

...to understand

- the resources and relationships on which the company’s business model and management’s strategy depend

**Assessment objectives**

...to assess

- the extent to which business model and strategy depend on particular resources and relationships
- the company’s ability to obtain the resources and maintain the relationships needed

**Specific objectives**

...to understand

- the nature of the company’s resources and relationships
- how resources are obtained and relationships maintained
- factors that could affect the availability of resources
- progress in managing resources and relationships

**Sustainability-related example**

A battery manufacturer provides information about a scarce natural resource which its production cycle depends on and for which there is no viable alternative (paragraph B.3.2).
### Risks

**Information investors need…**

<table>
<thead>
<tr>
<th><strong>Headline objective</strong></th>
<th><strong>Assessment objectives</strong></th>
<th><strong>Specific objectives</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>…to understand</td>
<td>…to assess</td>
<td>…to understand</td>
</tr>
<tr>
<td>• risks that could disrupt</td>
<td>• the extent of the company’s exposure to risks</td>
<td>• the nature of the risks the company is exposed to</td>
</tr>
<tr>
<td>• company’s business model</td>
<td>• how effectively management monitors and manages the exposure to risks</td>
<td>• the company’s exposure to those risks</td>
</tr>
<tr>
<td>• management’s strategy</td>
<td></td>
<td>• how risks are monitored</td>
</tr>
<tr>
<td>• resources and relationships</td>
<td></td>
<td>• how management will mitigate disruption</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• progress in managing risks</td>
</tr>
</tbody>
</table>

**Sustainability-related example**

An engineering consultancy provides information about a product that it specialises advising on and that may be affected by environmental regulation (paragraph B.3.10).
External environment

Information investors need…

**Headline objective**

...to understand

• how the company’s external environmental has affected or could affect:
  • business model
  • management’s strategy
  • resources and relationships
  • risks

**Assessment objectives**

...to assess

• how factors and trends in the external environment have affected or could affect the company
• how effectively management monitors and responds to those factors and trends

**Specific objectives**

...to understand

• the nature of external factors and trends
• how those factors affected or could affect the company
• how management monitors those factors and trends
• progress in responding to those factors and trends

Sustainability-related example

A car manufacturer expects that possible changes in climate-related regulations could affect it adversely and provides information about its zero-carbon strategy (paragraph B.3.4).
## Financial performance and financial position

**Information investors need**

<table>
<thead>
<tr>
<th>Headline objective</th>
<th>Assessment objectives</th>
<th>Specific objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>...to understand...</td>
<td>...to assess...</td>
<td>...to understand...</td>
</tr>
<tr>
<td>• the company’s financial performance and position reported in the company’s financial statements</td>
<td>• drivers of financial performance and position</td>
<td>• what factors have affected or could affect the financial performance and position</td>
</tr>
<tr>
<td></td>
<td>• how performance and position compare with previous expectations, and how indicative they are of future prospects</td>
<td>• how management has allocated financial resources</td>
</tr>
<tr>
<td></td>
<td>• financial resilience</td>
<td>• how financial performance and position compare with forecasts and targets</td>
</tr>
</tbody>
</table>

### Sustainability-related example

A fine for failing to comply with environmental regulations affected a company’s performance. It provides information about how it will change its business model to comply with the regulations (paragraph B.3.11).