IFRS® Accounting

June 2025

Project Summary and Feedback Statement

Management Commentary

IFRS® Practice Statement 1

Project Summary and Feedback Statement

Contents

At a glance

The International Accounting Standards Board (IASB) issued the revised IFRS Practice Statement 1 *Management Commentary* (revised Practice Statement) on 23 June 2025. The revised Practice Statement is designed to support improvements to and greater global alignment in management commentary and similar reports.

Management commentary is a general purpose financial report that accompanies financial statements and might accompany or include sustainability-related financial disclosures. It plays an essential role in investors' assessments of a company's prospects. It enhances investors' understanding of the company's financial statements and provides insights into its future, including in the long term.

The revised Practice Statement is designed to support the provision of coherent information within management commentary and across management commentary and a company's other general purpose financial reports. Applying the revised Practice Statement together with IFRS Accounting Standards and IFRS Sustainability Disclosure Standards supports that goal because they all focus on investors' information needs, are based on shared conceptual foundations and specify complementary requirements.

The revised Practice Statement focuses on investors' information needs targeting shortcomings in practice. It is designed to provide a global benchmark for regulators to use in updating or developing national requirements and guidance on management commentary or a similar report. It also provides a comprehensive resource for companies to meet investors' information needs.

The revised Practice Statement is also designed to be flexible. For example, it can be applied by companies regardless of whether they also apply IFRS Accounting Standards or IFRS Sustainability Disclosure Standards. It can also be applied alongside local law or regulation and together with narrative reporting requirements or guidelines issued by other organisations, including requirements or guidelines for specific industries or on specific topics.

The benefits of applying the revised Practice Statement together with IFRS Sustainability Disclosure Standards are discussed on page 21.

Background to the revised Practice Statement

What is management commentary?

Management commentary is a general purpose financial report prepared for the primary users of those reports—a company's existing and potential investors, lenders and other creditors. For brevity, this Project Summary refers to these users as 'investors'.

Management commentary plays a dual role. It:

- enhances investors' understanding of the company's financial performance and financial position reported in the financial statements; and
- provides management's insight into factors, including sustainability-related factors, that could affect the company's ability to create value and generate cash flows in the future, including in the long term.

Management commentary accompanies a company's financial statements. It might also accompany or include sustainability-related financial disclosures.

Management commentary typically falls under the remit of local law or regulation. It might be known by another name, such as strategic report, management's discussion & analysis (MD&A) or operating and financial review.

Why has the IASB revised its Practice Statement?

The IASB's research into narrative reporting indicated that management commentaries do not always provide information investors need. To support improvements to and greater global alignment in these reports, the IASB carried out a major overhaul of its Practice Statement on management commentary.

In revising the Practice Statement, the IASB:

- focused on investors' information needs and targeted shortcomings in practice;
- built on national and international innovations in narrative reporting, including the Integrated Reporting Framework;
- established and sought advice from a dedicated Management Commentary Consultative Group; and
- collaborated with the International Sustainability Standards Board (ISSB) and stakeholders with an interest in integrated reporting.

What did investors tell the IASB about shortcomings in practice?

There is lack of focus on matters that are important to a company's prospects, especially in the long term.

There is too much generic information and not enough company-specific information.

Information is fragmented or difficult to reconcile to other information provided by a company.

Information is unbalanced, incomplete or difficult to compare over time or between companies with similar activities.

Purpose and status of the revised Practice Statement

Purpose of the revised Practice Statement

Some companies might be required by local law or regulation to issue management commentary that complies with the revised Practice Statement and some companies might issue it voluntarily.

The IASB intends for the revised Practice Statement to provide:

- a global benchmark for regulators to use in updating or developing national requirements and guidance on management commentary; and
- a comprehensive resource for companies in providing information that meets investors' needs.

Interaction with IFRS Accounting Standards

The revised Practice Statement is not an IFRS Accounting Standard.

Financial statements can comply with IFRS Accounting Standards even if they are not accompanied by management commentary prepared in accordance with the revised Practice Statement.

Management commentary can comply with the revised Practice Statement even if it relates to financial statements prepared on another basis.

Interaction with IFRS Sustainability Disclosure Standards

The revised Practice Statement is not an IFRS Sustainability Disclosure Standard. Management commentary can comply with the revised Practice Statement even if a company does not prepare sustainability-related financial disclosures or prepares such disclosures on another basis.

Management commentary provides material information about sustainability-related factors as necessary to meet its overall objective and disclosure objectives for the areas of content (see page 7). IFRS Sustainability Disclosure Standards could help management identify that information. Those Standards set out requirements for reporting on sustainability-related risks and opportunities that could reasonably be expected to affect a company's cash flows, access to finance or cost of capital over the short, medium or long term (see page 21).

Connectivity considerations

The revised Practice Statement is designed to facilitate the provision of connected information in a company's general purpose financial reports (see page 18).

Applying it together with IFRS Accounting Standards and IFRS Sustainability Disclosure Standards enhances the provision of connected information because the revised Practice Statement:

- is designed to meet the information needs of the same target audience as IFRS Standards;
- uses the same terminology as IFRS Standards, such as an aligned definition of 'material information'; and
- specifies the same attributes of useful financial information and is built on the same concepts as those underpinning IFRS Standards (see page 21).

Interaction with the Integrated Reporting Framework

In developing the revised Practice Statement, the IASB built on innovations in narrative reporting, including the Integrated Reporting Framework. The IASB noted the broad conceptual alignment of the two documents—with a few exceptions, such as disclosure requirements on governance matters (see page 7)—and their complementary nature.

The revised Practice Statement explains that it uses the term 'management' to refer to the body(s) or individual(s) who are responsible for authorising management commentary for issue and could include a governing body.

This explanation aids alignment with the term 'those charged with governance' used in the Integrated Reporting Framework.

Interaction with other reporting requirements or guidelines

In developing the revised Practice Statement, the IASB intended to aid connectivity with IFRS Sustainability Disclosure Standards without limiting application of the revised Practice Statement to companies that also apply those Standards. The revised Practice Statement is designed to be flexible, so that it could be applied together with other reporting requirements or guidelines.

Companies can apply the revised Practice Statement alongside:

- local law or regulation; and
- narrative reporting requirements or guidelines published by another standard-setting body or other organisations, including requirements or guidelines for use by entities in specific industries or on specific topics (see page 21).

Overview of the revised Practice Statement

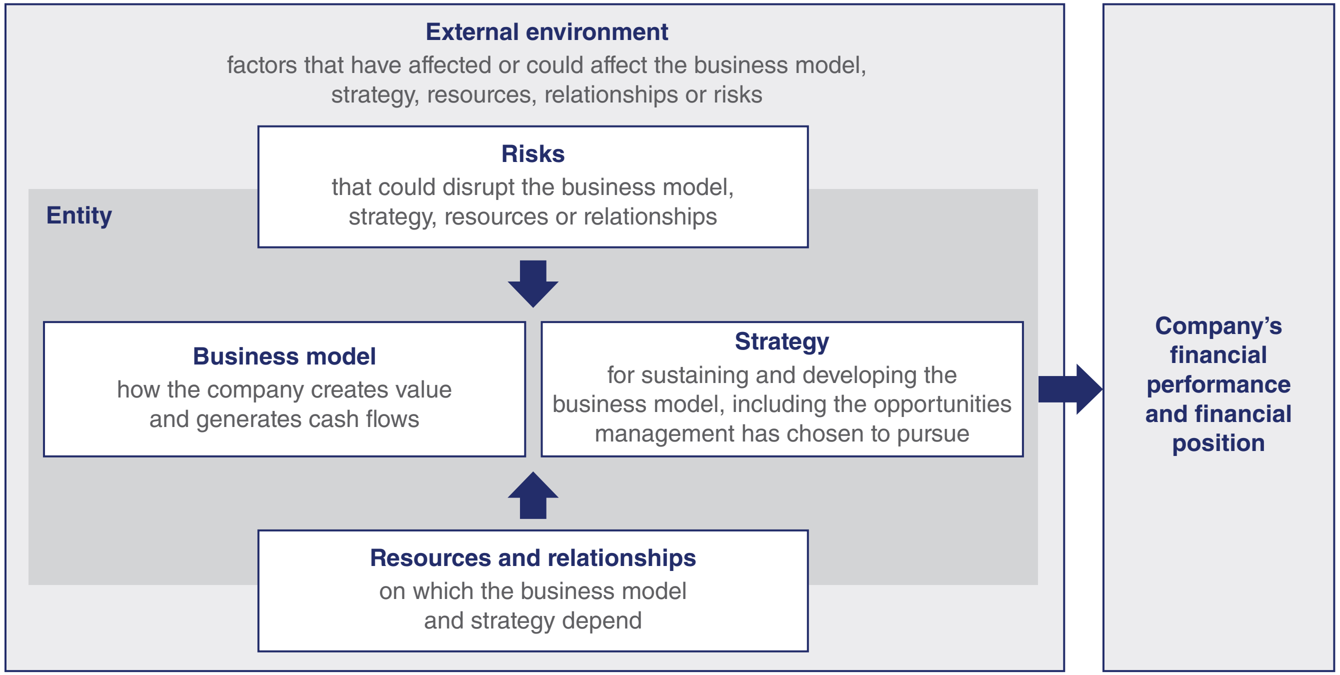
The revised Practice Statement uses an objectives-based approach. It specifies:

- an overall objective for management commentary; and
- disclosure objectives for six interrelated areas of content (see Figure 1).

The revised Practice Statement also includes requirements and guidance on selecting and presenting information and covers:

- material information;
- focus on key matters;
- metrics;
- attributes of useful information; and
- coherence.

Figure 1—Relationships between areas of content



The revised Practice Statement does not specify detailed disclosure requirements on specific topics such as environmental, social and governance matters or other sustainability-related factors. However, it explains that management commentary provides material information about such factors as necessary to meet its overall objective and the disclosure objectives for the areas of content and illustrates how a company might apply the revised Practice Statement to identify such information.

An objectives-based approach

Why an objectives-based approach?

Investors told the IASB they need more company-specific information in management commentary. That information varies from company to company. Accordingly, the IASB decided not to follow a prescriptive approach that would entail specifying a detailed list of disclosure requirements.

Instead, the revised Practice Statement specifies objectives that the information in management commentary is required to meet. This approach is designed to provide both:

- flexibility for a company to be able to tell its story, focusing on what is important for its prospects; and
- rigour for regulators to enforce the revised Practice Statement and for auditors to provide assurance on management commentary.

How does the approach work?

The revised Practice Statement specifies an overall objective for management commentary, supported by disclosure objectives for the six areas of content.

The disclosure objectives for each area of content are accompanied by descriptions of the assessments investors make using the information provided for that area of content, together with examples of key matters, metrics and information that might be material (see Figure 2).

> The areas of content are interrelated:
>
> - information provided to meet the disclosure objectives for one area of content might also help meet the disclosure objectives for other areas of content; and
> - when making assessments using the information provided for one area of content, users might also use information provided for other areas of content.
>
> Companies can choose to apply the structure and headings of the areas of content used in the revised Practice Statement, but are not required to do so.

Figure 2—An objectives-based approach

The objective of management commentary

Requirements and guidance for each area of content

Headline objective

Investors' overall information needs

Specific objectives

Investors' detailed information needs

Descriptions of investors' assessments

Examples of key matters, metrics and information that might be material

Objective of management commentary

The revised Practice Statement requires management commentary to provide information that:

- enhances investors' understanding of the company's financial performance and financial position reported in its financial statements; and
- provides management's insight into factors, including sustainability-related factors, that could affect the company's ability to create value and generate cash flows across all time horizons, including in the long term.

Focus on investors' information needs

A company's management commentary focuses on the information needs of investors. It can also be useful for other parties—such as the company's employees, government agencies or members of the public. However, management commentary is not prepared with the information needs of those other parties in mind.

Management's perspective

Management commentary provides management's perspective in a fact-based narrative:

- information in management commentary is derived from information used by management in managing the business;
- the key matters that management commentary focuses on are those identified by management; and
- the insights provided about the causes or implications of a matter reflect management's views of these causes or implications.

Complementary information

Management commentary provides information that complements:

- information in a company's financial statements, thus enhancing investors' understanding of the company's financial performance and financial position reported in those financial statements; and
- other information in a company's general purpose financial reports, including information in its sustainability-related financial disclosures, if the company provides that information outside management commentary.

Management commentary includes more discussion, analysis and forward-looking information than is included in the financial statements as well as information about a wider range of matters, including matters that have not led to recognition or disclosure in the financial statements.

Future cash flows and value creation

Management commentary provides information that helps investors assess a company's prospects for future cash flows. The revised Practice Statement explains that:

- it uses the term 'value' to refer to the value a company creates for itself and hence for its investors;
- a company's activities create value if they enhance or preserve the net present value of the company's future cash flows; and
- a company's ability to create value for itself and to generate cash flows is closely related to the value the company's activities create, preserve or erode for other parties, the economy or the natural environment.

Management commentary includes material information about the impacts of a company's activities on other parties, the economy and the natural environment if those impacts could affect the company's ability to create value for itself.

Illustration

If a company's business model depends on a natural resource—such as water—degradation or depletion of that resource, including resulting from the company's own activities, could adversely affect the company's ability to create value and generate cash flows.

In contrast, regeneration and preservation of that resource, including resulting from the company's own activities, could positively affect the company's ability to create value and generate cash flows.

Creating value is a precursor to generating cash flows. Some activities—for example, investment in know-how, expanding a customer base or increasing production capacity—might require a net cash outflow in the short term but can enhance the company's prospects for future cash flows in the long term. Conversely, some activities might increase cash inflows in the short term but can erode value in the long term.

Long-term time horizon

In assessing a company's prospects for future cash flows, investors consider both:

- the present value of the cash flows they estimate the company will generate over a selected forecast period; and
- the present value of the cash flows they estimate the company will generate after that period (the terminal value).

Accordingly, investors need information about factors that could affect the company's ability to create value and generate cash flows across all time horizons, including in the long term.

Illustration

A company has adopted a least-cost approach to manufacturing that might damage its reputation for product quality and reduce demand for its products in the long term.

The management commentary reports on progress in implementing that approach, including metrics used to monitor the short-term effects of the approach (for example, cost savings) and its long-term effects (for example, product failure rates).

Disclosure objectives for areas of content

<table>
<tr><th>Headline objective
provide information that enables investors to understand:</th><th>Specific objectives
provide information that enables investors to understand:</th><th>Descriptions of the assessments
investors make using the information for the area of content:</th></tr>
<tr><td colspan="3">Business model</td></tr>
<tr><td>how the company's business model creates value and generates cash flows.</td><td>• the range, nature and scale of the company's operations;
• the company's cycle of creating value and generating cash flows;
• the environmental and social impacts of the company's activities if those impacts have affected or could affect the company's ability to create value and generate cash flows, including in the long term; and
• progress in managing the company's business model.</td><td>• how effective the company's business model is at creating value and generating cash flows;
• how scalable and adaptable it is; and
• how resilient and durable it is.</td></tr>
<tr><td colspan="3">Strategy</td></tr>
<tr><td>management's strategy for sustaining and developing the company's business model.</td><td>• the drivers of the strategy, including the opportunities management has chosen to pursue;
• the aims of the strategy;
• milestones on the path towards those aims;
• plans for reaching the milestones and achieving the aims;
• the financial resources required to implement the strategy, and management's approach to allocating financial resources; and
• progress in implementing the strategy.</td><td>• how effective the strategy is likely to be in developing the company's ability to create value and generate cash flows; and
• management's ability to implement the strategy.

continued ...</td></tr>
</table>

<table>
<tr><th>Headline objective
provide information that enables investors to understand:</th><th>Specific objectives
provide information that enables investors to understand:</th><th>Descriptions of the assessments
investors make using the information for the area of content:</th></tr>
<tr><td colspan="3">Resources and relationships</td></tr>
<tr><td>the resources and relationships on which the company's business model and management's strategy for sustaining and developing that model depend.</td><td>• the nature of the company's resources and relationships and how the company deploys them;
• how the company obtains and maintains its resources and relationships;
• factors that could affect the availability or the quality of the resources and relationships in the future, including in the long term; and
• progress in managing the resources and relationships.</td><td>• the extent to which the business model and management's strategy depend on particular resources and relationships; and
• the company's ability to obtain the resources and maintain the relationships on which its business model and management's strategy depend.</td></tr>
<tr><td colspan="3">Risks</td></tr>
<tr><td>the risks of events or circumstances that could disrupt:
• the company's business model;
• management's strategy for sustaining or developing that model; or
• the company's resources or relationships.</td><td>• the nature of the risks to which the company is exposed;
• the company's exposure to those risks;
• how management monitors and manages the risks;
• how management will mitigate disruption if it occurs; and
• progress in managing risks.</td><td>• the extent of the company's exposure to risks; and
• how effectively management monitors and manages the company's exposure to risks.

continued ...</td></tr>
</table>

Headline objective provide information that enables investors to understand:	**Specific objectives** provide information that enables investors to understand:	**Descriptions of the assessments** investors make using the information for the area of content:
External environment		
how the company's external environment has affected or could affect: • the company's business model; • management's strategy for sustaining and developing that model; • the company's resources or relationships; or • risks to which the company is exposed.	• the nature of factors and trends in the company's external environment; • how those factors and trends have affected or could affect the company; • how management monitors and plans to respond to those factors and trends; and • progress in responding to those factors and trends.	• how factors and trends in the company's external environment have affected or could affect the company; and • how effectively management monitors and responds or can respond to those factors and trends.
Financial performance and financial position		
the company's financial performance and financial position reported in the company's financial statements.	• what factors have affected the company's financial performance and financial position in the reporting period or could affect them in the future, including in the long term; • how management has allocated financial resources in the reporting period; and • how the company's financial performance and financial position compare with forecasts or targets previously published by the company, if any.	• drivers of the company's financial performance and financial position; • how the company's financial performance and financial position compare with investors' previous expectations; • the extent to which the financial performance and financial position reported in the company's financial statements are indicative of the company's ability to create value and generate cash flows in the future, including in the long term; and • the company's financial resilience.

Material information

What information is material in the context of management commentary?

A company provides information required by the objective of management commentary and the disclosure objectives for the areas of content if that information is material.

In the context of management commentary, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that investors make on the basis of general purpose financial reports, which include management commentary and the related financial statements and provide financial information about a specific company.

Information judged material for management commentary will typically differ from information judged material for financial statements because management commentary and financial statements have different objectives and provide different types of information about a company in accordance with their respective reporting requirements.

Key matters

Much of the material information needed to meet the overall objective of management commentary and the disclosure objectives for the areas of content will likely relate to key matters—that is, matters fundamental to the company's ability to create value and generate cash flows, including in the long term.

If a matter is fundamental to the company's ability to create value and generate cash flows, investors are likely to need more information about that matter than about matters that are not fundamental to that ability.

However, not all information that is material relates to a key matter. For example, material information might include an overview of a company and its range of operations. Material information is included in management commentary even if it does not relate to a key matter.

Guidance and examples

Whether information is material depends on the company and its circumstances. Management applies judgement in identifying material information.

To help management identify material information, the revised Practice Statement provides:

- guidance on identifying key matters and material information;
- examples of key matters for each area of content;
- examples of metrics that management might use to monitor key matters and to measure progress in managing those matters for each area of content; and
- examples of information that might be material, including examples of information that might not relate to a key matter but still be material.

The information described in the examples is not always required, nor is the information investors need limited to those examples.

Management commentary need not provide particular information—such as information required to meet a specific disclosure objective for an area of content—if that information is not material. Conversely, if management determines that the information needed to meet the disclosure objectives for the areas of content is insufficient to meet the overall objective of management commentary, management identifies additional information needed to meet that objective.

Focus on key matters

Key matters

Investors have told the IASB that management commentaries sometimes lack focus on matters that are important to a company's prospects, including in the long term. To target this shortcoming in practice, the revised Practice Statement requires management commentary to focus on key matters.

Identifying key matters requires management to apply judgement. Because key matters are fundamental to the company's ability to create value and generate cash flows, they are likely to be matters that management monitors and manages.

Key matters are likely to be interrelated. Therefore, the effects of related key matters on the company's ability to create value and generate cash flows are likely to be pervasive and to relate to more than one area of content.

Illustration

If a competitive advantage is a key feature of a company's business model, management's plan for sustaining that competitive advantage is likely to be a key aspect of its strategy for sustaining and developing the company's business model.

Figure 3—Overview of key matters by area of content

What are key matters?

Fundamental to a company's ability to create value and generate cash flows, including in the long term

Key features of the company's business model	Key aspects of management's strategy	Key resources and relationships	Key risks	Key factors and trends in the external environment	Key aspects of financial performance and financial position
Fundamentally underpin that ability	Are fundamental to sustaining and developing that ability	That ability fundamentally depends on them	Could fundamentally disrupt that ability	Fundamentally affect that ability	Are fundamental to understanding that ability

Key matters are likely to be monitored and managed by management

Key matters are likely to be interrelated and therefore the effects of related key matters are likely to be pervasive

Metrics

Material information is likely to include metrics that management uses to monitor key matters and to measure progress in managing those matters.

Metrics are measures that management uses to monitor a quantitative or qualitative aspect of a company's financial or non-financial performance or position. These measures are specific to the company and typically depend on the company's activities and the industry in which it operates.

Metrics could be derived from information generated by a company or obtained from external sources—for example, providers of market share statistics or customer surveys.

The revised Practice Statement provides requirements and guidance for metrics provided in management commentary.

The revised Practice Statement does not require management commentary to include forecasts or targets. However, it contains requirements and guidance that apply if management determines that a forecast or target needs to be provided in management commentary.

Examples of metrics that might need to be included in management commentary

Metrics for business model might relate to:

- the scale of a company's operations—for example, production capacity or volumes; or
- environmental or social impacts of the company's activities—for example, greenhouse gas emissions.

Metrics for risks might relate to:

- exposure to a risk—for example, the extent to which a company relies on a raw material; or
- the effectiveness of management's response—for example, the number of safety incidents.

Metrics for strategy might relate to:

- progress towards long-term aims—for example, brand reputation scores; or
- progress towards milestones—for example, measures of product quality.

Metrics for external environment might relate to:

- factors and trends—for example, market-share statistics; or
- the effectiveness of management's response—for example, the proportion of revenue exposed to a trend.

Metrics for resources and relationships might relate to:

- how effectively a resource is deployed—for example, store revenue per unit of floor area; or
- the strength of a relationship—for example, customer-retention statistics.

Metrics for financial performance and financial position might relate to:

- amounts presented or disclosed in the financial statements, such as line items, totals and subtotals; or
- measures derived from the amounts presented or disclosed in the financial statements.

Attributes of useful information

Investors told the IASB that information in management commentary sometimes lacks qualities of useful information. To help companies provide useful information, the revised Practice Statement specifies:

- required attributes of useful information—completeness, neutrality and freedom from error; and
- desired attributes of useful information—understandability, comparability and verifiability.

The revised Practice Statement describes those attributes and includes guidance on how to provide information with those attributes.

The attributes are based on qualitative characteristics of useful financial information set out in the *Conceptual Framework for Financial Reporting*. However, because management commentary is often prepared by a larger group of individuals than those involved in preparing financial statements and they might not be familiar with the *Conceptual Framework*, the revised Practice Statement uses plain language to describe those attributes.

Required attributes	Desired attributes
Completeness Management commentary should provide a complete depiction of the matters it addresses. A complete depiction of a matter requires the provision of all material information that is necessary for investors to understand the matter.	**Understandability** Information in management commentary is more useful if it is understandable, meaning it is clear and concise—plain language is used and jargon, generic information and unnecessary duplication of information are avoided.
Neutrality Information in management commentary is neutral if it is balanced so it is not slanted, weighted, emphasised, de-emphasised or otherwise manipulated to make it more likely that investors will receive that information favourably or unfavourably.	**Comparability** Information in management commentary is more useful if it is comparable, both with information provided by other companies (particularly those in the same industry) and with information provided by the company in the past.
Freedom from error Information in management commentary should be free from error. Information can be free from error without being perfectly precise or perfectly accurate in all respects. The degree of precision needed depends on the nature of the information and the nature of the matters addressed.	**Verifiability** Information in management commentary is more useful if it is verifiable—that is, if it is possible to corroborate either the information itself or the inputs used to derive it.

Coherence

Investors told the IASB that information in management commentaries is sometimes fragmented and difficult to reconcile to other information provided by a company. To respond to these concerns, the revised Practice Statement includes requirements for coherence.

A coherent narrative

The revised Practice Statement explains that the completeness, understandability and comparability of information in management commentary all rely on that information being presented as a well-integrated, coherent whole.

Coherence requires that information is provided in a way that makes clear:

- the relationships between related matters; and
- the relationships between related pieces of information.

Related matters

The revised Practice Statement requires management commentary to effectively depict the relationships between related matters. If a matter discussed for one area of content has implications for matters discussed for other areas of content, management commentary includes information necessary for investors to assess those implications.

Illustration

A trend in the external environment could have implications for a company's business model, for management's strategy for sustaining and developing that model, for the company's resources and relationships, for risks to which the company is exposed, or for the company's financial performance or financial position. Management commentary includes the information necessary for investors to assess those implications.

Related pieces of information

The revised Practice Statement focuses on coherence of information:

- within management commentary; and
- across management commentary and a company's other general purpose financial reports.

In specified cases, the revised Practice Statement also requires management to consider coherence between management commentary and the company's public communications—for example, presentations to investors or press releases.

Information in management commentary and other general purpose financial reports

The revised Practice Statement requires management commentary to provide information in a way that:

- explains the context and the relationships between related pieces of information.

Illustration

In providing information about management's strategy to expand a section for a company's customer base, management commentary includes a reference to the discussion of the company's relationships that describes that section of the customer base.

- enables investors to relate it to information in a company's other general purpose financial reports.

Illustration

Management commentary analyses information about a company's operations in a way that enables investors to relate that information to, for example, segment information disclosed in the financial statements.

Information in other public communications

The revised Practice Statement requires management commentary to explain:

- apparent inconsistencies between management commentary and the company's other general purpose financial reports and public communications; and
- how a metric provided in management commentary relates to a similar metric provided in another context, including in the company's other public communications.

The revised Practice Statement explains that the inclusion of information in a company's capital market communications, such as presentation to investors, is an indication that information might be material for management commentary.

Similarly, if management commentary includes information that appears inconsistent with information in those capital market communications, an explanation of that apparent inconsistency might be material information.

Illustration

In the reporting period, a company launched an innovative new product. In a capital markets update, the company provided information on orders for the new product since its launch and initial customer feedback. Due to the production of the new product not reaching its full capacity in the initial stages of the production process, sales of the new product for the reporting period were not commensurate with the volume of orders received.

In discussing the potential of the company's innovation, the management commentary provides information about sales of the new product for the reporting period and explains the apparent inconsistency with the information about the volume of orders.

Expected effects of the revised Practice Statement

For investors

The IASB developed the revised Practice Statement with investors' information needs in mind, targeting shortcomings in practice.

The IASB expects that applying the revised Practice Statement will result in improvements to the quality of information provided to investors, such as:

- better focus on matters that are important to a company's prospects—including sustainability-related factors—across all time horizons, including in the long term;
- more company-specific information;
- more coherent information both within management commentary and across management commentary and a company's other general purpose financial reports and public communications; and
- more comparability, balance, completeness and verifiability of information.

The revised Practice Statement also provides a basis for improved tagging of information in management commentary.

For regulators

The IASB intends for the revised Practice Statement to provide a global benchmark for regulators to use in updating or developing national requirements and guidance on management commentary or a similar report.

The IASB developed comprehensive requirements focusing on information investors need and guidance designed to help companies identify that information and present it clearly. Comprehensive requirements, including clear disclosure objectives, are designed to provide an effective basis for:

- enforcing the revised Practice Statement; and
- external assurance of management commentary.

The revised Practice Statement could be adopted into local law or regulation, either in full or with some adaptation, or applied alongside local law or regulation.

The IASB expects jurisdictions to benefit from adopting, or otherwise enabling the application of the Practice Statement, through a greater global alignment in requirements and a resulting improvement in management commentary or a similar report.

For companies

The IASB intends for the revised Practice Statement to provide a comprehensive resource to assist companies in providing information that meets investors' information needs.

The revised Practice Statement provides practical tools for companies to prepare management commentary that is useful to investors. The revised Practice Statement:

- contains comprehensive guidance, including examples, notes, illustrations and links to help companies understand and apply the requirements;
- uses plain language where appropriate and presents the requirements and guidance in a user-friendly way to be more accessible to a wide group of individuals involved in preparing management commentary; and
- provides clarity on how it can be applied together with other reporting requirements or guidelines (see page 21).

Implementing and applying the revised Practice Statement are unlikely to lead to significant costs for companies because the required information would be derived from the information used in managing the business and would reflect management's perspective.

Using the revised Practice Statement

The IASB designed the revised Practice Statement to be flexible, so that it could be applied by companies in different circumstances.

For example, companies can apply the revised Practice Statement together with local law or regulation.

Companies can also apply the revised Practice Statement together with reporting requirements or guidelines published by other organisations, including requirements or guidelines for specific industries or on specific topics, such as sustainability reporting.

Other narrative reporting requirements or guidelines could help management identify material information. That is more likely to be the case if those requirements or guidelines have a reporting objective that focuses on information needs of investors, such as IFRS Sustainability Disclosure Standards.

If local law or regulation specifies only general requirements, a company could apply the revised Practice Statement to help it comply with that local law or regulation.

If local law or regulation requires disclosure of particular information that is additional to information required by the revised Practice Statement, a company can include that information:

- in management commentary provided that it does not obscure material information; or
- in the same larger report outside management commentary and identify management commentary clearly and distinguish it from that other information.

The revised Practice Statement permits a company that complies with some, but not all, of its requirements to provide a qualified statement of compliance, identifying the departures from the requirements and giving the reasons for those departures.

Using the revised Practice Statement together with IFRS Sustainability Disclosure Standards

The revised Practice Statement is designed to be flexible—it allows a company to provide sustainability-related financial disclosures prepared in accordance with IFRS Sustainability Disclosure Standards within management commentary. Although they have different objectives, the requirements in the revised Practice Statement and in IFRS Sustainability Disclosure Standards work well together because they focus on investor information needs, share aligned conceptual foundations and specify complementary requirements.

Both the revised Practice Statement and IFRS Sustainability Disclosure Standards are built on a shared concept of value creation, requiring investor-focused material information about sustainability-related factors that have affected a company's financial performance or financial position or could affect its prospects.
A company could benefit from applying the revised Practice Statement together with IFRS Sustainability Disclosure Standards and incorporating sustainability-related financial disclosures within its management commentary. For example, the company:

- could use its processes for identifying sustainability-related risks and opportunities to identify sustainability-related factors to report on in management commentary; and
- could refer to IFRS Sustainability Disclosure Standards to help it identify material information about those factors.

Because management commentary provides information that complements information in the financial statements, a well-designed management commentary incorporating sustainability-related financial disclosures could also effectively connect information in the company's financial statements and in its sustainability-related financial disclosures.

Feedback Statement

The IASB:

- received 82 comment letters on the Exposure Draft *Management Commentary*;
- participated in more than 170 meetings with stakeholders;
- paused the project in response to stakeholder feedback to await the outcome of the ISSB's Consultation on Agenda Priorities;
- jointly with ISSB discussed feedback on a potential project on integration in reporting, including whether it should build on the Management Commentary project;
- decided to finalise the project by making targeted refinements to its proposals after the ISSB determined its agenda priorities; and
- made targeted refinements to aid connectivity with IFRS Sustainability Disclosure Standards and to improve alignment with the Integrated Reporting Framework.

Most stakeholders who commented on the Exposure Draft, including almost all investors, expressed support for the project and broad support for the IASB's proposals. Investors emphasised the important role of management commentary in their analyses and agreed with the IASB's analysis of the shortcomings in practice.

Most respondents commented on the interaction between the project and the future work of the ISSB and asked for connectivity between the boards on advancing this project. In response, the IASB paused the project to await the outcome of the ISSB's Consultation on Agenda Priorities.

Following the ISSB's decision not to add a research project on integration in reporting to its next two-year work plan, the IASB conducted additional outreach on the direction of the Management Commentary project, in particular with regulators. Stakeholder feedback showed continued support for the project. In particular, the IASB heard that the revised Practice Statement would be useful for regulators as they consider updates to national requirements and guidance.

In June 2024, the IASB decided to finalise the Management Commentary project by making targeted refinements to its proposals. Targeted refinements were made:

- if many respondents questioned a proposal or asked for clarifications; or
- to reflect developments in the reporting landscape such the issuance of the ISSB's inaugural Standards and the Integrated Reporting Framework becoming part of the materials of the IFRS Foundation (Foundation).

The Feedback Statement outlines the aspects of the proposals that were subject to the targeted refinements. Because many stakeholders expressed broad support for the IASB's proposals, the IASB did not need to reconsider many aspects of the proposals in finalising the revised Practice Statement.

Proposal	Feedback	Response
Interaction with other reporting requirements or guidelines, including IFRS Sustainability Disclosure Standards		
The IASB's proposals were designed to enable companies to apply the revised Practice Statement: • alongside local law or regulation. The Exposure Draft included proposals that applied to situations in which a company is required by local law or regulation to include specific information in management commentary. • together with narrative reporting requirements or guidelines issued by other bodies for use by companies in specific industries or for specific topics, such as environmental, social or other sustainability-related matters. The Exposure Draft was published before the creation of the ISSB. The Exposure Draft: • acknowledged the project of the Trustees of the Foundation (Trustees) on sustainability reporting; • explained that, in the future, companies might be able to apply the revised Practice Statement alongside requirements to be issued by a new board proposed by the Trustees; and • invited respondents to comment on any matters relating to the Trustees' project on sustainability reporting for the IASB to consider in finalising the revised Practice Statement. The Exposure Draft built on innovations in narrative reporting, including the Integrated Reporting Framework.	Most respondents commented on the interaction between the project on Management Commentary and the future work of the ISSB. Most of these respondents emphasised the need for connectivity—between the IASB and the ISSB, between the boards' requirements, and between the information in a company's financial statements and that in its other general purpose financial reports. Most respondents who commented on this topic suggested the project be paused until the ISSB was established and its remit was clear, the relationship between the two boards and their requirements was clearer or the ISSB had made progress on its first Standards. Many of the investors who commented suggested that the IASB and the ISSB work together on cross-cutting matters, but emphasised that, in addition to better information about sustainability-related matters, investors sought improvements to other aspects of management commentary. A few respondents asked for aspects of the proposals to be aligned more closely with the Integrated Reporting Framework. A few respondents asked the IASB to seek compatibility with laws and regulations worldwide (in particular, those issued by the European Commission) to create globally accepted baseline requirements for management commentary and to facilitate wider adoption of the revised Practice Statement.	The IASB heeded stakeholder calls for it to collaborate with the ISSB on advancing the project. The IASB therefore initially put the project on hold, pending the issuance of the ISSB's inaugural IFRS Sustainability Disclosure Standards and the outcome of the ISSB's Consultation on Agenda Priorities. After the ISSB decided on its agenda priorities, the IASB decided to finalise the Management Commentary project by making targeted refinements to its proposals. In doing so, the IASB considered the IFRS Sustainability Disclosure Standards and collaborated with ISSB colleagues. Targeted refinements that aid connectivity of the revised Practice Statement with IFRS Sustainability Disclosure Standards include: • acknowledging that management commentary might accompany or include sustainability-related financial disclosures prepared in accordance with IFRS Sustainability Disclosure Standards or on another basis; • adding a reference to sustainability-related factors to the objective of management commentary, to acknowledge the role of sustainability-related financial information as part of that objective; • aligning some of the terminology and descriptions of shared concepts—such as materiality, value creation and coherence—more closely with IFRS Sustainability Disclosure Standards; and • noting that IFRS Sustainability Disclosure Standards could be helpful to management in identifying information that might be material in the context of management commentary. The IASB considered opportunities to align the revised Practice Statement more closely with the Integrated Reporting Framework. For example, the IASB decided to clarify that the term 'management' can include the governing body of a company. Some of the targeted refinements made to aid connectivity with IFRS Sustainability Disclosure Standards also aid closer alignment with the Integrated Reporting Framework. To help ensure the revised Practice Statement is compatible with local law and regulation, the IASB decided to give greater prominence to the requirements that apply to situations in which a company is required by law or regulation to include specific information in management commentary. *continued ...*

Proposal	Feedback	Response
Objective of management commentary and supporting explanations		
The Exposure Draft proposed to specify that the objective of management commentary is to provide information that: • enhances investors' understanding of a company's financial performance and financial position as reported in its financial statements; and • provides insight into factors that could affect the company's ability to create value and generate cash flows across all time horizons, including in the long term. The proposed objective of management commentary was accompanied by supporting explanations, including explanations on management's perspective and the company's ability to create value. The Exposure Draft also explained that management commentary complements the related financial statements but did not specifically discuss the relationship between management commentary and other general purpose financial reports—such as sustainability-related financial disclosures provided outside the management commentary—other than as part of the proposed requirements and guidance on coherence of information.	Most respondents who commented on the proposed objective of management commentary supported it. 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. Most respondents who commented supported the concept of 'value creation' as set out in the Exposure Draft. Some respondents suggested taking a broader view of value creation or argued that a company's ability to create value for itself is dependent on its ability to create value for others. Some respondents also suggested that the guidance on value creation be more closely aligned with concepts in the Integrated Reporting Framework.	The IASB decided: • to acknowledge in the objective of management commentary management's perspective and information about sustainability-related factors; • to acknowledge that management commentary complements other information in general purpose financial reports, including information in sustainability-related financial disclosures, if that information is provided outside of management commentary; and • to clarify that a company's ability to create value for itself is closely related to the value the company creates, preserves or erodes for others. The targeted refinements to the objective of management commentary and to the supporting explanations aid connectivity with IFRS Sustainability Disclosure Standards and improve alignment with the Integrated Reporting Framework. *continued ...*

Proposal	Feedback	Response
Meaning of the term 'management'		
The Exposure Draft did not propose to specify who authorises management commentary for issue. However, it proposed to require a company to state the body(s) or individual(s) who authorised management commentary for issue. The Exposure Draft did not propose a definition or specific description of the term 'management'.	Some respondents suggested that without a definition of 'management', it is unclear whether the term is meant to include both the executive management personnel and a governing body, such as a board of directors.	The IASB decided to clarify that the term 'management' in the revised Practice Statement refers to those who are responsible for authorising management commentary for issue. Depending on a company's circumstances (such as local law or regulation), those responsible could include the company's governing body. This targeted refinement helps to align the term 'management' in the revised Practice Statement with the term 'those charged with governance' in the Integrated Reporting Framework.
Areas of content		
The Exposure Draft proposed requirements and guidance for six interrelated areas of content: • business model; • strategy (including the opportunities that management has chosen to pursue); • resources and relationships; • risks; • external environment; and • financial performance and financial position. The Exposure Draft explained that companies are permitted to use this structure in preparing management commentary but are not required to do so. The Exposure Draft did not propose specific requirements for reporting on a company's governance, noting that local law or regulation typically regulates governance and might require companies to provide specified information. The Exposure Draft proposed no exception for commercially sensitive information.	Respondents broadly agreed with the proposed areas of content. Many respondents suggested the revised Practice Statement provide guidance on reporting on governance-related matters in management commentary. Some respondents suggested adding governance as an area of content and some others suggested including requirements for disclosure of governance-related information throughout the areas of content. A few respondents suggested the IASB align the areas of content with those of the recommendations of the Task Force on Climate-related Financial Disclosures (which later formed the basis for the structure of the requirements on governance, strategy, risk management, and metrics and targets—referred to as 'core content'—in IFRS Sustainability Disclosure Standards) or the Integrated Reporting Framework. Some respondents suggested the IASB add an exception for commercially sensitive information.	The IASB decided to acknowledge in the main body of the revised Practice Statement that management commentary provides material information about governance-related matters as necessary to meet its objective and the disclosure objectives for areas of content. The IASB also acknowledged differences between the structure of the requirements in the revised Practice Statement and those in IFRS Sustainability Disclosure Standards, but noted that these differences would not prevent companies from applying both sets of requirements together. The IASB decided not to provide an exception for commercially sensitive information because: • in general, IFRS Accounting Standards do not provide such an exception; • in the few instances in which such an exception is provided, the exception applies to requirements to disclose more detailed information than is disclosed in management commentary; and • in those limited cases in which a company's management concluded that disclosing particular information would seriously prejudice the interests of the company, the company could depart from a requirement in the revised Practice Statement. In such a case, the company is required to provide a qualified statement of compliance identifying the departure from the requirement and explaining the reason for the departure (for example, commercial sensitivity). *continued ...*

Proposal	Feedback	Response
Design of disclosure objectives		
For each area of content, the Exposure Draft proposed three types of disclosure objectives: • a headline objective—describing the overall information needs of investors for the area of content; • assessment objectives—describing the assessments that rely on the information provided for the area of content; and • specific objectives—describing the detailed information needs of investors for the area of content.	Respondents broadly agreed with the proposed disclosure objectives for the areas of content, with investors stating that these objectives correctly identify their information needs. Many respondents supported the three-tiered design. However, many others expressed concerns about the complexity of the three-tiered design, specifically about the workability of the assessment objectives expressed as requirements. Many of these respondents suggested the IASB follow instead the approach it proposed in its project on Disclosure Initiative—Targeted Standards-level Review of Disclosures.	The IASB decided to simplify the design of the disclosure objectives by expressing the proposed assessment objectives as explanations supporting the headline and specific objectives instead of as requirements. This approach is broadly aligned with the IASB's *Guidance for developing and drafting disclosure requirements in IFRS Accounting Standards*, which was developed as part of its project on Disclosure Initiative—Targeted Standards-level Review of Disclosures.
The focus on key matters and material information		
The Exposure Draft proposed that management commentary should focus on key matters—that is, matters that are fundamental to a company's ability to create value and generate cash flows, including in the long term. It explained that it is likely that much of the information that is material will relate to key matters, but material information does not necessarily relate to a key matter. The Exposure Draft provided guidance on identifying key matters and explained that key matters are likely to be pervasive and to relate to more than one area of content.	Most respondents commenting on this matter supported the proposal that management commentary should focus on key matters. However, many suggested the IASB clarify the way in which the requirement to focus on key matters interacts with the requirement to provide material information. One suggestion was to locate these requirements in the same section of the revised Practice Statement.	The IASB decided to clarify the relationship between the requirement to focus on key matters and the requirement to provide material information by: • explaining that if a matter is fundamental to a company's ability to create value and generate cash flows, investors are likely to need more information about that matter than about matters that are not fundamental to that ability; and • consolidating the requirements and guidance on key matters and material information in a single chapter. *continued ...*

Proposal	Feedback	Response
Alignment with the *Conceptual Framework* and other IFRS Foundation literature		
The Exposure Draft proposed attributes that information in management commentary should possess, and guidance to help companies identify and present information with those attributes. Apart from the proposals on coherence (discussed below), the IASB derived the proposed requirements and guidance for the attributes from the descriptions of the qualitative characteristics of useful financial information in the *Conceptual Framework*. However, recognising that management commentary is often prepared by individuals who might be unfamiliar with the *Conceptual Framework*, the IASB proposed plain terminology for some of the attributes. The Exposure Draft proposed that companies be permitted to include information in management commentary by cross-reference to another report subject to specified conditions.	Most of the respondents (including investors) commenting on the proposed requirements and guidance on the attributes of information in management commentary broadly supported the proposals. Some respondents suggested the IASB align the terminology used for the attributes of useful information and related requirements and guidance more closely with the *Conceptual Framework* and other IFRS Foundation literature, including the requirements to be issued by the ISSB. Most respondents commenting on the proposal to permit information to be included in management commentary by cross-reference to another report, subject to specified conditions, supported the proposals.	The IASB decided: • to align the terminology used for the attributes of useful information with the terminology used in the *Conceptual Framework*, but to retain the plain language used in the supporting explanations of these attributes; and • to align the definition of 'material' more closely with the definitions in the *Conceptual Framework*, IFRS Accounting Standards and IFRS Sustainability Disclosure Standards. *continued ...*

Proposal	Feedback	Response
Coherence		
As part of the proposals on attributes of information in management commentary, the Exposure Draft proposed requirements and guidance related to coherence of information in management commentary.	Respondents generally agreed with the proposed requirements and guidance related to the coherence of information in management commentary. A few respondents suggested that coherence is so important it should be given more prominence in the revised Practice Statement. A few respondents suggested refinements to aspects of the supporting guidance.	The IASB decided: • to include the requirements and guidance on coherence in a separate chapter in the revised Practice Statement; • to clarify that coherence includes effectively depicting the relationships between related matters; and • to specify that coherence extends to coherence between information in management commentary and in a company's other general purpose financial reports, which include its financial statements and its sustainability-related financial disclosures, if those disclosures are provided outside the management commentary.

Important information

The Project Summary has been compiled by the staff of the IFRS Foundation for the convenience of interested parties. The views in this document are those of the staff who prepared this document and are not the views or the opinions of the IASB and should not be considered authoritative in any way. The content of this Project Summary does not constitute any advice.

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