

STAFF PAPER

April 2022

IASB® meeting

Project	Management Commentary		
Paper topic	Feedback summary—Structure and drafting		
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Purpose of paper

- 1 The papers for this meeting summarise feedback on the International Accounting Standards Board (IASB)'s proposals for a revised Practice Statement on management commentary (Practice Statement), as set out in the Exposure Draft *Management Commentary* (Exposure Draft).
- 2 This paper summarises feedback on the structure of the Exposure Draft and on pervasive drafting matters not reported in other agenda papers.
- 3 This paper should be read in the context of Agenda Paper 15 *Feedback summary—Cover paper*, which explains some of the terminology used and how we have quantified feedback.
- 4 This paper does not ask the IASB to make decisions but invites IASB members' questions and comments on the feedback.

Structure of paper

- 5 This paper includes
- (a) a recap of the Exposure Draft proposals (paragraphs 6–7);
 - (b) an overview of the key messages in the feedback (paragraphs 8–9); and
 - (c) summaries of feedback on:
 - (i) the structure of the Exposure Draft (paragraphs 10–16); and
 - (ii) drafting matters (paragraphs 17–21).

Exposure Draft proposals

- 6 The Exposure Draft proposed to divide the Practice Statement into three parts (A–C) and two appendices, as shown in the table below paragraph 7.
- 7 Chapters 5–10 in Part B each covered one of the six areas of content for management commentary. These chapters all had the same structure and included:
- (a) headline, assessment and specific objectives for the applicable area of content;¹
 - (b) a requirement to focus on key matters affecting that area of content, and examples of possible key matters;
 - (c) a statement that material information is likely to include metrics that management uses to monitor and manage key matters, and examples of possible metrics; and
 - (d) a cross-reference to Chapter 15, which proposed examples of information that might be material for that area of content.

¹ As described further in [Agenda Paper15E Feedback Summary—Disclosure objectives and areas of Content](#) for the IASB’s March 2022 meeting.

Structure of Exposure Draft *Management Commentary*

	Chapter Title
1	Using this [draft] Practice Statement
PART A—GENERAL REQUIREMENTS	
2	Identification, authorisation and statement of compliance
3	Objective of management commentary --including requirement to provide material information
PART B—AREAS OF CONTENT	
4	Introduction to Part B
5 - 10	A chapter for each of the six areas of content: Business model, Strategy, Resources and relationships, Risks, External environment, Financial performance and financial position
11	Overview of disclosure objectives
PART C—SELECTION AND PRESENTATION OF INFORMATION	
12	Making materiality judgements
13	Completeness, balance, accuracy and other attributes
14	Metrics
15	Examples of information that might be material
APPENDICES	
A	Defined terms
B	Long-term prospects, intangible resources and relationships and ESG matters

Key messages in feedback

- 8 Most respondents made no comment on the structure of the Exposure Draft. However, some respondents suggested changes to the structure:
- (a) to help clarify the interaction between the requirement to focus on key matters and the requirement to provide material information;
 - (b) to give more prominence to the general reporting principles for management commentary within the proposed requirements—for example, the notion that management commentary provides management’s perspective, and the requirements for information in management commentary to possess specified attributes; or
 - (c) to give more prominence to requirements and guidance on matters of particular interest to investors—matters that could affect the entity’s long-term prospects, intangible resources and relationships and environmental, social and governance (ESG) matters.
- 9 Additionally, a few respondents suggested ways of making the proposed requirements and guidance clearer or more concise. Their suggestions included:
- (a) expanding the glossary to include more of the terms defined or described in the Practice Statement;
 - (b) reducing repetition within the requirements and guidance covering the six areas of content (Part B); and
 - (c) moving more guidance to appendices.

Structure of Exposure Draft

- 10 Most respondents made no comment on the structure of the Exposure Draft and a few stated that they found the proposed requirements clear and logical. However, some respondents suggested changes to the structure.

Requirements and guidance on key matters and material information

- 11 Some respondents suggested:
- (a) locating the requirement to focus on key matters together with the requirement to provide material information (instead of splitting those requirements between Chapter 3 and Chapter 4); or
 - (b) locating all the guidance on identifying key matters and material information together (instead of dispersing the guidance through Chapter 3, Chapters 4–10 and Chapter 12).
- 12 As reported further in paragraph 17 of [Agenda Paper 15F Feedback summary—Key matters and material information](#) for the IASB’s March 2022 meeting, respondents suggested that relocating the requirements and guidance in this way could help the IASB to clarify the interaction between the requirement to focus on key matters and the requirement to provide material information.

Reporting principles for management commentary

- 13 A standard-setter and a group of academics suggested that requirements and guidance relating to the attributes of management commentary (Chapter 13 in the Exposure Draft) should be located before, not after, the disclosure objectives and other requirements for the areas of content. These respondents suggested that, if the attributes are discussed after the requirements, there is a risk that the attributes will be missed or viewed as an afterthought.
- 14 The group of academics suggested that the Practice Statement should start with a section setting out general reporting principles for management commentary. That section should include the requirements and guidance relating to attributes, as well as other reporting principles—for example, management’s perspective.

Requirements and guidance on matters of particular interest to investors

- 15 A few respondents expressed a view that the Practice Statement should give greater prominence to requirements and guidance on matters that could affect the entity’s long-term prospects, intangible resources and relationships and ESG matters. As reported in paragraph 27 of Agenda Paper 15B *Feedback summary—Long-term prospects, intangible resources and relationships and ESG matters*, suggestions included:
- (a) adding cross-references from requirements and guidance in the body of the Practice Statement to examples in Appendix B;
 - (b) adding hyperlinks from Appendix B to related paragraphs in the body of the Practice Statement; and
 - (c) moving the examples from Appendix B into the body of the Practice Statement.

Other restructuring suggestions

- 16 Other restructuring suggestions included:
- (a) locating the guidance on making materiality judgements (Chapter 12) before the requirements for the areas of content, on the grounds that materiality guidance is pervasive.
 - (b) moving the examples of information that might be material for each area of content (Chapter 15):
 - (i) into an appendix; or
 - (ii) into Chapters 5–10, next to the disclosure objective to which each group of examples relates. A group of academics noted that locating examples next to their related disclosure objective would avoid the need to repeat the disclosure objectives, making the Practice Statement more concise. An accountancy body noted that the disclosure objectives are interlinked and suggested that locating examples with their related disclosure objective would better illustrate the inter-connectedness of information meeting the objectives.

- (c) including only requirements within the body of the Practice Statement and moving all notes, links and illustrations to appendices. A standard-setter made this suggestion because its stakeholders had expressed a view that the level of detail in the Exposure Draft was overwhelming.

Drafting matters

- 17 A few respondents suggested that Part B of the Practice Statement is unnecessarily repetitive and could be made more concise by omitting some of the repetition in Chapters 5–10. Suggestions included:
- (a) omitting from Chapters 5–10 the repeated requirements and guidance on key matters and metrics. A standard-setter argued that:
 - (i) requirements to focus on key matters and provide material information are overarching concepts and do not need to be repeated for each area of content.
 - (ii) discussing metrics for each area of content separately could result in management identifying metrics for each area in isolation without forming an overall view of which metrics are key to the business—to avoid that, all guidance on metrics should be located in one chapter.
 - (b) omitting Chapter 11, which repeats all the disclosure objectives contained in Chapters 5-10. A standard-setter suggested that the overview provided by Chapter 11 could instead be included in a snapshot.
 - (c) omitting from the end of Chapters 5–10 the statement that Chapter 15 provides examples of information that might be material for that area of content.

- 18 As reported in paragraph 43 of Agenda Paper 15F *Feedback summary—Identification, authorisation and statement of compliance*, a few respondents suggested ways to help entities identify the requirements they must comply with to state compliance with the Practice Statement. One suggestion was to clearly distinguish between requirements and guidance. A group of academics suggested using bold font for requirements (as is done in IFRS Accounting Standards).
- 19 A few respondents commented on diagrams in the Practice Statement:
- (a) an accountancy body suggested adding diagrams to show the process that preparers of management commentary should follow to apply the various interconnected features of the proposed requirements—the overall objective, three tiers of disclosure objectives, areas of content, key matters, and materiality. This accountancy body was among respondents expressing a view that the proposed requirements would be complex to understand and apply, and suggesting that guidance explaining the processes to follow would help preparers navigate the requirements.²
 - (b) the Value Reporting Foundation suggested:
 - (i) adding a diagram to connect the concepts of content areas, key matters and material information. It suggested a layout in its comment letter.
 - (ii) refining the diagrams in Chapter 4 of the Exposure Draft. These diagrams illustrated the relationships between the areas of content (Figure 1) and summarised the descriptions and characteristics of key matters (Figure 2). The Value Reporting Foundation’s comment letter showed and explained the suggested refinements.³
- 20 A few respondents suggested expanding the glossary of defined terms (Appendix A) to include more of the terms defined or described in, and used frequently throughout,

² As reported in [Agenda Paper 15D Feedback summary—Objectives-based approach](#) for the IASB’s March 2022 meeting

³ [CL5 Value Reporting Foundation](#)

the Practice Statement—for example, the terms used for the areas of content (business model etc).

- 21 A few respondents suggested ways of making the text more readable. Suggestions included:
- (a) omitting non-essential cross-references;
 - (b) adding hyperlinks to cross-references;
 - (c) omitting guidance respondents described as ‘boilerplate’ from Chapter 13 (attributes of information in management commentary), so the remaining guidance is simpler and more concise; and
 - (d) simplifying the wording of the examples following paragraph 13.4 of the Exposure Draft. These examples illustrated the information needed to provide a complete depiction of possible future events, statistics and estimates. A standard-setter suggested the examples included unnecessarily long sentences and technical language.

Question for IASB members

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Do you have any questions or comments on the feedback reported in this paper?