
**Intergovernmental Working Group of Experts on
International
Standards of Accounting and Reporting
(ISAR)**

36th SESSION

30 October – 1 November 2019
Room XIX, Palais des Nations, Geneva

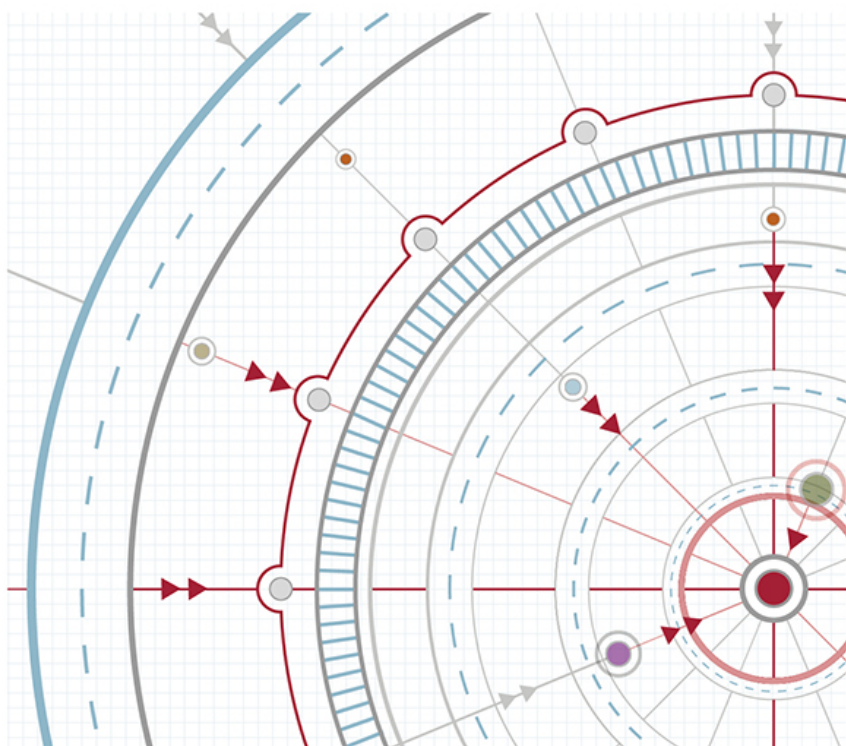
Wednesday, 30 October 2019
Morning Session

**High-Level panel
Impact of sustainability and the 2030 Agenda on Sustainable
Development on financial and non-financial enterprise
reporting**

Presented by

Chungwoo Suh
Member
International Accounting Standards Board

*This material has been reproduced in the language and form as it was provided.
The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.*



Management Commentary

Focus on business sustainability

Chungwoo Suh, Board Member
International Accounting Standards Board
30 October 2019, Geneva

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or IFRS Foundation.

Copyright © 2019 IFRS Foundation. All rights reserved.

What is management commentary?

Management commentary:

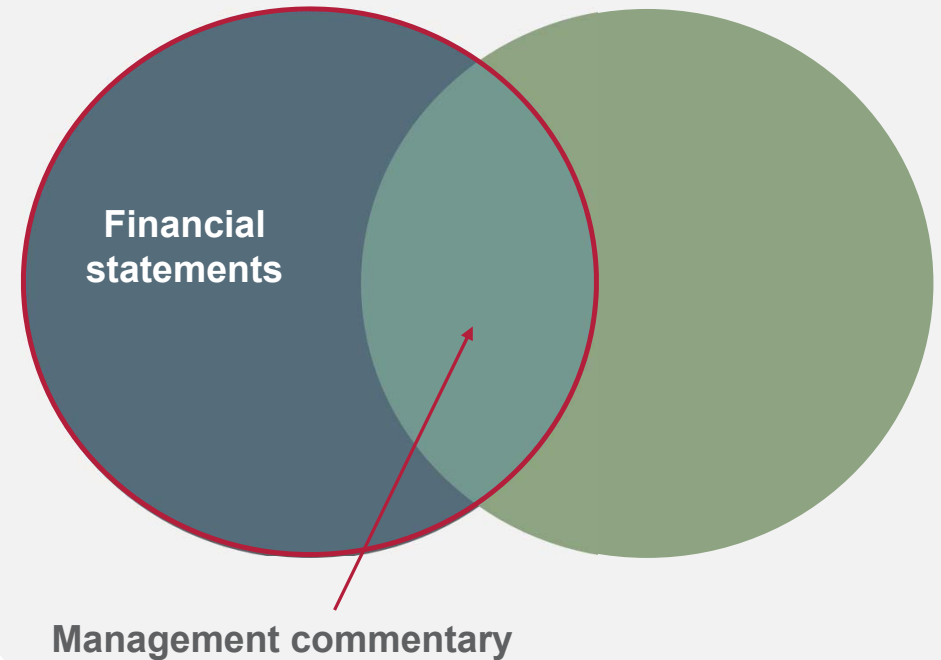
- is a narrative report that gives context for the financial statements and additional insight into the entity's long-term prospects
- sits within the boundaries of financial reporting and is aimed at primary users of financial reports—existing and potential investors, lenders and other creditors



Environmental, social and governance (ESG) matters—normally part of wider corporate reporting—are discussed in management commentary if they could affect the entity's future cash flows or otherwise affect primary users' economic decisions

Financial reporting
aimed at primary users

Wider corporate reporting
aimed at a wider range of
stakeholders



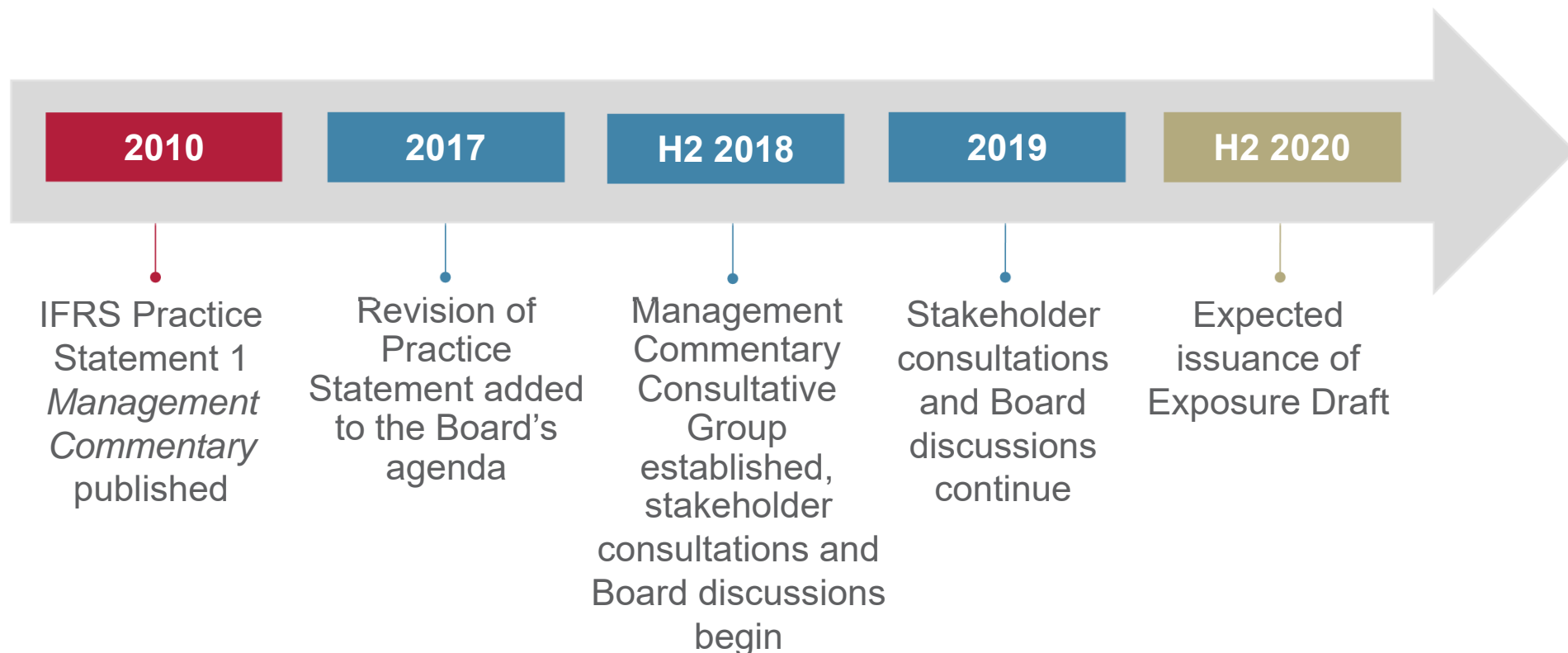
Why is guidance needed?



Guidance on management commentary is not a mandated part of IFRS Standards, though it can be mandated by national standard-setters

Management Commentary project

4



These slides present the staff's proposed approach to reporting on business sustainability matters that was discussed with the Management Commentary Consultative Group. The Board will discuss this approach in future meetings.

Content of management commentary

The guidance on management commentary is expected to be cover broad topics ('content elements'):

- The guidance for each content element provides a basis for determining **what** to include. Management decides **how** best to structure this information.
- Providing information 'through eyes of management' means that information on each content element is derived from the information used to manage the business.

STRATEGY

PERFORMANCE,
POSITION, PROGRESS

OPERATING
ENVIRONMENT AND RISKS

BUSINESS MODEL
(including key resources and relationships)

Factors affecting business sustainability (typically resources and relationships that the entity depends on) are rarely managed in isolation from the rest of the business. The information about those items is expected to be provided across the content of management commentary.

Reporting on business sustainability matters— key considerations

These slides focus on proposals for reporting on intangible resources and relationships and ESG matters—information about them has been identified as lacking in current reporting practice

Information addressing business sustainability can be important for users' decision making

- Information about intangibles and ESG matters can play an important role in users' assessments of future cash flows irrespective of whether related items are recognised in the financial statements

To be useful, the information must address the entity's specific circumstances

- The guidance on management commentary should not make assumptions about what is important to an entity's future success because this could lead to boilerplate disclosure and important matters not being addressed

Management commentary is not expected to require forecasts or other predictions of future outcomes. References to 'users' are to 'primary users' as defined in the Conceptual Framework.

Reporting on business sustainability matters— intangibles (1/2)

Overarching requirements

- Set overarching requirements for management commentary to support a long-term perspective, including emphasising that information may be material whether it relates to the short or long term

Business model

- Require information about intangible resources and relationships that the entity depends on, including information that helps users understand the nature, importance to the entity, and durability of that resource or relationship

Operating environment & risks

- Require management to address risks arising from the entity's dependence on intangible resources and relationships

Reporting on business sustainability matters— intangibles (2/2)

Strategy

- Require information on the entity's strategy for developing and maintaining its intangible resources and relationships

Performance, position and progress

- Require information on the entity's investment in and depletion of intangible resources and relationships
- Require information to help users understand the entity's progress in managing its intangibles and the resulting implications, including information about progress in managing resources and relationships, and the entity's impact on resources and relationships that the entity depends on

Reporting on business sustainability matters— ESG (1/2)

corporate purpose

- Require a description of strategy that is anchored in the entity's long-term purpose, or mission, with information on progress implementing the strategy that helps users assess whether that purpose is being achieved

culture

- Require information that provides insight into progress in managing key relationships the entity depends on and explanations of how management incentives align with the entity's strategy

stakeholder relationships

- Require information about key relationships the entity depends on. If there is uncertainty over the continuation of a key relationship, require information about the strategy for, and progress in, managing that relationship

Reporting on business sustainability matters— ESG (2/2)

10

impacts of the
business

- Require information about the impacts the business has that could affect the ongoing availability of resources or relationships that the entity depends on, for example of the impacts that affect the entity's 'licence to operate'

climate

- Require information about entity-specific systemic risks as part of the discussion of operating environment, including information about exposure to climate and climate regulation, and the strategy for, and progress in, managing climate risk, if material

Other frameworks such as those of Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) may help entities decide which subject-matter information to provide to meet the objective of management commentary

Get involved

11

Find out more: www.ifrs.org

Follow us:  @IFRSFoundation

 IFRS Foundation
International Accounting Standards Board

 IFRS Foundation

 IFRS Foundation

Join our team: go.ifrs.org/careers