

Statement on the International Accounting Standards Board (IASB) Practice Statement on Management Commentary Exposure Draft

The International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) welcome the release of the International Accounting Standards Board (IASB) Practice Statement on Management Commentary Exposure Draft, and steps taken to ensure context is provided to financial statements that takes into account wider corporate reporting. The IIRC and SASB see this consultation period as a vital opportunity to drive further alignment in the reporting system and are committed to working with the IFRS Foundation to achieve this.

The Management Commentary Practice Statement has become an increasingly important tool for organizations to provide context for its financial statements. The IIRC and SASB welcome the progress made by the IASB to ensure it better enables organizations to meet the information needs of investors and other providers of financial capital, and provides insight into drivers of long term enterprise value.

Speaking in 2017, Hans Hoogervorst as Chair of the IASB stated: “Since the publication of our Management Commentary Practice Statement in 2010, the world has moved in. Interest in integrated reporting is rapidly increasing” specifying the role of the International <IR> Framework in providing reporting guidance, emphasising interconnectivity, supporting business model and strategy disclosure, and ensuring businesses take into account the external environment.”

The IIRC and SASB will, as the Value Reporting Foundation, review the exposure draft to identify means to drive further alignment between the <IR> Framework and the Management Commentary Practice Statement, while recognizing the different intended purposes and remits of the frameworks. Whereas the Management Commentary provides context for the financial statements, the <IR> Framework focuses on how, through a multi-capital approach, an organization creates value over time.

Commenting on the publication, Janine Guillot, Chief Executive Officer, SASB said:

“Significant steps have been taken over the last year by all of the major standard setters and framework providers in the reporting landscape to provide greater clarity and drive alignment to support more effective robust reporting. The Management Commentary exposure draft is a key tool to provide more robust reporting, and an example of progress toward a more coherent landscape.”

Charles Tilley, Chief Executive Officer, IIRC added:

“Narrative reporting that provides insight and context to metrics is only growing in importance as disclosure and transparency demands on business grow internationally, to ensure that the business is acting upon and responsive to the information it reports. Both the Management Commentary Practice Statement and the International <IR> Framework are vital tools to supporting this and we are committed to driving further alignment between these reporting tools.”