

November 23, 2021

International Accounting Standards Board (IASB)

Submitted electronically: [IFRS - Exposure Draft and comment letters: Management Commentary](#)

**Re: IFAC response to IASB Exposure Draft of the revised IFRS Practice Statement 1
*Management Commentary***

Dear Mr. Barckow and IASB

IFAC (International Federation of Accountants) is pleased to respond to the International Accounting Standards Board (IASB) Exposure Draft of the revised IFRS Practice Statement 1 *Management Commentary* (“Exposure Draft”). As the global voice of the accountancy profession, IFAC represents over 180 Professional Accounting Organizations (PAOs) in 135 jurisdictions, thereby representing over three million professional accountants worldwide.

A fundamental tenant of IFAC’s vision about the information companies provide to investors and stakeholders is that reporting and disclosure should capture all relevant information about organizations. To be accountable, companies need to provide a clear and comprehensive picture of their organization’s ability to create sustainable value over time.

As we stated in our Point of View on [Enhancing Corporate Reporting](#), “the management report (“MD&A” or equivalent) might be the most appropriate channel for including integrated and supplementary narratives and metrics” that allow a company to provide a more complete picture of enterprise value. Further, “integrated thinking” and forward-looking reporting enable[s] organizations to communicate effectively—and stakeholders to understand—prospects for longer-term value creation.”

We support the IASB’s efforts to update and enhance its Management Commentary Practice Statement (“Management Commentary” or “Practice Statement”) and to make it sufficiently flexible to accommodate jurisdictional requirements as well as various frameworks and initiatives, such as integrated reporting, investor-focused initiatives like those that contributed to the IFRS Technical Readiness Working Group, and—of course—the recently announced International Sustainability Standards Board (ISSB).

- 1. IFAC believes that high-quality application of the IFRS Management Commentary across all IFRS reporting jurisdictions would benefit investors globally.**

As we noted in our [comment letter](#) to the IFRS Foundation Consultation in 2020, IFAC conducted extensive engagement with its membership and other stakeholders—and we continue to do so—regarding issues we believe important to harmonizing a global system for sustainability-related reporting that serves the needs of investors and capital markets, as well as other stakeholders. IFAC’s stakeholder engagement and analysis with respect to the new ISSB is relevant to this Exposure Draft in that the revised Management Commentary is envisioned to:

- 1) be an appropriate location for information about sustainability matters that are material to investors—including future disclosure standards that will be set by the ISSB; and
- 2) facilitate connectivity between requirements under IASB and ISSB standards.

IFAC’s [The Way Forward](#) roadmap recommends that the IASB remain focused on financial reporting standards, but that “coordination between the ISSB and IASB will be necessary to avoid overlaps and gaps (e.g., Management Commentary).” Stakeholder feedback we received especially supports the need for connectivity between the activities of the two Boards—one of the key advantages of having both financial reporting and sustainability disclosure standards set by global standard setters under the IFRS Foundation.

IFAC believes that Management Commentary serves as a valuable investor tool for assessing a company’s overall prospects—addressing business model, strategy, resources and relationships, risks, external environment, financial performance/condition—including sustainability-related factors. Therefore, this Practice Statement would be best refined and updated with input from the recently announced, but still to be established, ISSB.

- 2. IFAC urges the IASB to pause its work on the Practice Statement and resume efforts once a majority of the new ISSB has been seated and is able to collaborate with the IASB.**

Finally, IFAC believes that assurance enhances the credibility of corporate reporting, and that authorities and regulators must maximize trust and confidence in sustainability disclosure by mandating high-quality assurance (e.g., as proposed under the European Union’s Corporate Sustainability Reporting Directive and is current practice in some European jurisdictions).

Throughout 2021, IFAC conducted research on the [State of Play in Sustainability Assurance](#) across 1400 large companies in twenty-two jurisdictions. The data we gathered, and stakeholder feedback received, suggests that sustainability information presented in management commentary correlates with being more robust, more decision-useful, and more often subjected to independent assurance by professional assurance practitioners acting in accordance with globally accepted standards for assurance engagements.

- 3. The IASB must work in collaboration with the IAASB and other stakeholders to ensure the finalized Practice Statement is consistent with requirements (e.g., suitable criteria, appropriate subject matter, and sufficient/appropriate evidence) that support high-quality assurance of the information it addresses.**



The accountancy profession must play its part in supporting companies to deliver relevant, reliable and assurable information to investors. Management Commentary can be a key tool in this endeavor. IFAC supports the efforts of both the IASB and ISSB in the completion of this important project.

Sincerely,

A handwritten signature in black ink, which appears to read 'Kevin Dancey', is positioned below the word 'Sincerely,'.

Kevin Dancey, CEO IFAC