Building a better working world

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9 November 2021

Dear Board members,

Invitation to comment – IFRS Practice Statement Exposure Draft ED/2021/6 – *Management Commentary*

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the International Accounting Standards Board's (IASB or the Board) IFRS Practice Statement Exposure Draft *Management Commentary* (the ED).

We acknowledge that management commentary is an area that should be updated to reflect the current reporting environment. Therefore, we are supportive of the Board's efforts to improve and make management commentary more relevant.

However, we believe there are challenges with the proposed approach in the ED, and we are also not convinced that the timing of the project is the best, considering other more urgent current projects of the Board, as well as the establishment on November 3rd of the International Sustainability Standards Board, as further explained below and in our responses to the specific questions of the ED.

Generally, we are concerned that the practice statement format is not well suited for the purpose intended by the Board, as it is not grounded in authoritative requirements, such as standards. Its primary purpose is to provide a platform for transparent and informative management reporting, and thus, in nature and function, it represents a framework for such reporting, rather than a practice statement.

On this basis, we believe that the purpose of the ED might be better directed to local regulators to use as a tool as a starting point for developing their local requirements, rather than to preparers, which would further justify a framework format as opposed to authoritative guidance.

Furthermore, our experience suggests that management commentary practice in most jurisdictions is driven by local requirements that are often not aligned with the current Practice Statement 1 (PS1). As such, the application of PS1 is not widespread, and it is questionable whether developing a new framework for this purpose may justify the effort required.

There may be a significant overlap between the scope of PS1 and what might be expected from the newly set up International Sustainability Standards Board, ISSB. As we noted in our comment letter in response to the ED – *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*, if sustainability disclosures that come out of the work by the ISSB are partly included in the Management Commentary section of the financial statements, we would expect both Boards may have to have (shared) responsibility in this regard. It would be onerous for stakeholders if PS1 were to be amended twice in a short space of time.

Based on the above, also considering the list of other more urgent and pervasive projects that the Board has already taken on, or is considering initiating, we believe the management commentary project should be put on hold, to be revisited after the conclusion of the current Third Agenda Consultation process and when more clarity on the mandate and scope of the work of the ISSB has been obtained.

In addition, we highlight that our responses to the specific questions in this comment letter assumes that the Board decides to continue as proposed in the ED, in spite of our concerns explained above.

We believe the proposals, such as disclosure objectives, are appropriate if they are intended as a Framework, but if they are intended to be authoritative guidance, then we do not agree with an objectives approach.

Our detailed responses to the questions are set out in the Appendix to this letter.

Should you wish to discuss the contents of this letter with us, please contact Leo van der Tas at the above address or on +44 (0) 20 7951 3152.

Yours faithfully

Ernst + Young Global Limited

Appendix - Responses to specific questions

Question 1 - The financial statements to which management commentary relates

Paragraph 2.2 proposes that management commentary identify the financial statements to which it relates. That paragraph further proposes that, if the related financial statements are not prepared in accordance with IFRS Standards, the management commentary would disclose the basis on which the financial statements are prepared.

The Exposure Draft does not propose any restrictions on the basis of preparation of the related financial statements (for example, it does not propose a requirement that financial statements be prepared applying concepts similar to those underpinning IFRS Standards).

Paragraphs BC34 – BC38 explain the Board's reasoning for these proposals.

(a) Do you agree that entities should be permitted to state compliance with the revised Practice Statement even if their financial statements are not prepared in accordance with IFRS Standards? Why or why not?

(b) Do you agree that no restrictions should be set on the basis of preparation of such financial statements? Why or why not? If you disagree, what restrictions do you suggest, and why?

Please refer to our response to Question 2.

If the Board decides to allow for entities to state compliance with the revised PS1, we believe it would be helpful to readers of the management commentary for it to always disclose the basis on which the financial statements are prepared rather than only in scenarios where they are not prepared under IFRS.

Question 2 - Statement of compliance

(a) Paragraph 2.5 proposes that management commentary that complies with all of the requirements of the Practice Statement include an explicit and unqualified statement of compliance.

Paragraphs BC30 – BC32 explain the Board's reasoning for this proposal.

Do you agree? Why or why not?

(b) Paragraph 2.6 proposes that management commentary that complies with some, but not all, of the requirements of the Practice Statement may include a statement of compliance. However, that statement would be qualified, identifying the departures from the requirements of the Practice Statement and giving the reasons for those departures.

Paragraph BC33 explains the Board's reasoning for this proposal.

Do you agree? Why or why not?

We acknowledge the argument for a statement of compliance in that it will be useful for users to understand the level of compliance with the revised PS1 and will assist with assessing comparability between entities by easily identifying areas where compliance has been achieved. Furthermore, partial compliance may be useful in jurisdictions where no local requirements are in place or during the adoption phase of the proposals to avoid a "big bang" approach to the change where entities can build their management commentary over a number of periods. However, for the reasons following we are not convinced a statement of compliance, in total or just partial, is justified and helpful.

We note that paragraph 1.5 clarifies that PS1 is not a standard, and paragraphs 2.5 and 2.6 underline the same, when they contemplate the statement of compliance. Our concern is that the introduction of statements of compliance dilutes the conceptual difference between authoritative guidance (standards) and non-authoritative guidance (practice statements). We note that paragraph 4 of Practice Statement 2 *Making Materiality Judgements* states that it is non-mandatory guidance as opposed to the revised PS1, which brings in the notion of compliance, be it full or partial, and which appears to send confusing messages regarding the intention of the management commentary. Furthermore, entities may state compliance with the requirements of local regulators, which may cause further confusion with respect to a statement of compliance with the revised PS1.

In the current PS1, there is no reference to a statement of compliance as such, but there is already guidance on when an assertion of compliance can be made – that is only allowed if the current PS1 in its entirety is applied (paragraph 7). In our view, a partial statement of compliance may be misleading and dilute the impact of the Practice Statement. We understand that the flexibility is introduced to allow for application of the revised PS1 regardless of local regulatory requirements while facilitating enforceability. However, partial compliance seems like a redundant concept. Where local requirements differ from PS1 and leave out parts of the requirements of the revised PS1, compliance with local requirements may be asserted, in which case, the partial statement of compliance adds limited value. Therefore, we would encourage the Board to consider partial compliance as non-compliance, just as in the case of IFRS.

For the reasons outlined above, we are concerned that the practice statement format is not well suited for the purpose intended by the Board, as it is not grounded in authoritative requirements, such as standards. Its primary purpose is to provide a platform for transparent and informative management reporting, and thus, in nature and function, represents a framework for such reporting, rather than a practice statement.

Question 3 - Objective of management commentary

Paragraph 3.1 proposes that an entity's management commentary provide information that:

(a) enhances investors and creditors' understanding of the entity's financial performance and financial position reported in its financial statements; and

(b) provides insight into factors that could affect the entity's ability to create value and generate cash flows across all time horizons, including in the long term.

Paragraph 3.2 proposes that the information required by paragraph 3.1 be provided if it is material. Paragraph 3.2 states that, in the context of management commentary, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that investors and creditors make on the basis of that management commentary and of the related financial statements.

Paragraphs 3.5 – 3.19 explain aspects of the objective, including the meaning of 'ability to create value'.

Paragraphs BC42 – BC61 explain the Board's reasoning for these proposals.

Do you agree with the proposed objective of management commentary? Why or why not? If you disagree, what do you suggest instead, and why?

We agree with the proposed objective for management commentary. The requirement to look to all time horizons and provide a long-term view and value creation approaches complements the information in the financial statements.

We also agree with the definition of material as it is aligned with the materiality definition applicable to financial statements, as per paragraph 7 of IAS 1 *Presentation of Financial Statements*. However, we note that paragraph 3.2 further adds "and of the related financial statements" and thus it differs from the IAS 1 definition of materiality. IAS 1.7 only refers to financial statements as being the relevant document in that context, but more importantly it seems inconsistent with paragraph 3.1 which emphasises both the financial statements in part (a) and value creation information beyond the financial statements in part (b). Therefore, we suggest that the "and of the related financial statements" in paragraph 3.2 should be deleted, to highlight that the management commentary is a document that should be able to stand alone.

Please refer to our response to Question 7 for further discussion on key matters and materiality.

Question 4 - Overall approach

The Exposure Draft proposes an objectives-based approach that:

(a) specifies an objective for management commentary (see Chapter 3);

(b) specifies six areas of content for management commentary and, for each area of content, disclosure objectives that information provided in management commentary is required to meet (see Chapters 5-10);

(c) gives examples of information that management commentary might need to provide to meet the disclosure objectives (see Chapter 15); but

(d) does not provide a detailed and prescriptive list of information that management commentary must provide.

Paragraphs BC69 - BC71 explain the Board's reasoning for proposing this approach.

Do you expect that the Board's proposed approach would be:

(a) capable of being operationalised — providing a suitable and sufficient basis for management to identify information that investors and creditors need; and

(b) enforceable — providing a suitable and sufficient basis for auditors and regulators to determine whether an entity has complied with the requirements of the Practice Statement?

If not, what approach do you suggest and why?

We generally support the Board's proposal to develop disclosure objectives and guidance on identifying key matters and metrics for each area of content to assist preparers in developing relevant and useful disclosure requirements that aim to meet the general information needs of users. We believe this would provide context for the disclosures as a whole and would help to explain why the disclosures are required. The disclosure objectives may enable entities to better evaluate whether certain disclosure requirements are material in their circumstances, as well as assist preparers in evaluating whether additional disclosures are required to meet users' information needs (on the issue of key matters and materiality, please refer to our responses to Questions 7 and 10 below).

Furthermore, we are supportive of including examples of information that the management commentary might need to provide to meet the disclosure objectives.

However, with the Board's suggestions to make the proposals in the revised PS1 authoritative by requiring a statement of compliance (see our response to Question 2), we do not support the proposal to develop objective-based disclosure requirements in the management commentary without requiring disclosure of specific items.

We reiterate the point in our cover letter that our response to this question assumes that the Board decides to continue as proposed in the ED. We believe the proposals, such as disclosure objectives, are appropriate if they are intended as a Framework, but if it is intended to be authoritative guidance, we do not believe an objectives based approach is appropriate. If the proposals are to have authoritative guidance, then the level of granularity of the proposals will need to be at a much higher level.

In our experience, disclosures based only on objectives tend not to be comparable between entities, even when drafted with good intentions. The Board should, therefore, consider providing additional support in the form of application guidance or educational material to assist a consistent understanding across different stakeholders, such as preparers and regulators.

Since comparability is often an expectation of preparers, auditors, regulators, and users of financial statements, if the Board's intention is for tailored disclosures to be prioritised over comparability, we believe that the risk of reduced comparability should be acknowledged. That is, we believe additional guidance is needed to understand the Board's expectations in a way that the relative importance of factors, such as comparability, consistency between periods and specificity to the entity's circumstances, are appropriately balanced.

We believe that consistent application of an overall disclosure objective could prove very challenging in practice as it is not clear where to "draw the line" regarding the level of detail required. For instance, certain regulators may use the overall disclosure objective to insist on extensive disclosures.

It is our view that the use of specific disclosure objectives to convey mandatory requirements would represent a significant change in mindset for preparers, auditors, and regulators. In practice, it may prove very challenging and time consuming to determine whether the objectives are met. If the revised PS1 is made mandatory in a jurisdiction, and there is a local external assurance requirement attached to the management commentary, we believe it will be difficult for auditors to require entities to provide the disclosures suggested.

Question 5 - Design of disclosure objectives

The proposed disclosure objectives for the areas of content comprise three components — a headline objective, assessment objectives and specific objectives. Paragraph 4.3 explains the role of each component. Paragraphs 4.4 – 4.5 set out a process for identifying the information needed to meet the disclosure objectives for the areas of content and to meet the objective of management commentary.

Paragraphs BC72 – BC76 explain the Board's reasoning for these proposals.

(a) Do you agree with the proposed design of the disclosure objectives? Why or why not? If you disagree, what do you suggest instead, and why?

(b) Do you have general comments on the proposed disclosure objectives that are not covered in your answers to Question 6?

We note that paragraph 4.3 introduces three layers of objectives, and then chapter 15 provides a number of examples of what to disclose within the six areas of content on each of the three layers of objectives. We are concerned that there is a significant risk that this layering of objectives will increase both the volume and complexity of disclosures, with the potential result being less useful information.

Question 6 - Disclosure objectives for the areas of content

Chapters 5 – 10 propose disclosure objectives for six areas of content. Do you agree with the proposed disclosure objectives for information about:

(a) the entity's business model;

(b) management's strategy for sustaining and developing that business model;

(c) the entity's resources and relationships;

(d) risks to which the entity is exposed;

(e) the entity's external environment; and

(f) the entity's financial performance and financial position?

Why or why not? If you disagree, what do you suggest instead, and why?

We support the proposed disclosure objectives in the ED for the six areas of content.

Question 7 - Key matters

Paragraphs 4.7 – 4.14 explain proposed requirements for management commentary to focus on key matters. Those paragraphs also propose guidance on identifying key matters. Chapters 5 – 10 propose examples of key matters for each area of content and examples of metrics that management might use to monitor key matters and to measure progress in managing those matters.

Paragraphs BC77 – BC79 explain the Board's reasoning for these proposals.

(a) Do you agree that the Practice Statement should require management commentary to focus on key matters? Why or why not? If you disagree, what do you suggest instead, and why?

(b) Do you expect that the proposed guidance on identifying key matters, including the examples of key matters, would provide a suitable and sufficient basis for management to identify the key matters on which management commentary should focus? If not, what alternative or additional guidance do you suggest?

(c) Do you have any other comments on the proposed guidance?

We agree that the disclosures in the management commentary should focus on key matters that are fundamental to the entity's ability to create value and generate cash flows.

We do, however, find interaction between the concept of "key matters" and the materiality concept difficult to understand, with differentiation between the two concepts somewhat unclear. Key matters are defined as fundamental aspects of the areas of content. Although we appreciate the difference between key matters as the underlying event, transaction or development, and information about those, it appears that the suggestion that all information about key matters is material risks leading to disclosure overload. Similarly, material information not regarding a key matter seems like an unlikely combination. On this basis, we believe that the interaction between key matters and materiality is currently overly complex and should be further clarified.

We believe the identification of key matters may be challenging. Key matters may not be anticipated in all instances. For example, we would suggest, after having the experience of the Covid-19 pandemic, that the impact of a pandemic is a potential key risk impacting all entities, but prior to the Covid-19 pandemic, not many, if any, would have identified it as a key matter. There is a chance that the requirement to identify key matters may put reporting entities in a difficult position, after such risks have materialised. As a result, there is a risk that this approach could result in entities providing numerous "key matters" disclosures, regardless of likelihood, to cover all possible eventualities to ensure they address the requirements of the proposals in the ED. If this were to occur, the key matters would become a laundry list of items which would then obscure those which are most relevant.

Question 8 - Long-term prospects, intangible resources and relationships and ESG matters

Requirements and guidance proposed in this Exposure Draft would apply to reporting on matters that could affect the entity's long-term prospects, on intangible resources and relationships, and on environmental and social matters. Appendix B provides an overview of requirements and guidance that management is likely to need to consider in deciding what information it needs to provide about such matters. Appendix B also provides examples showing how management might consider the requirements and guidance in identifying which matters are key and which information is material in the fact patterns described.

Paragraphs BC82 – BC84 explain the Board's reasoning for this approach.

(a) Do you expect that the requirements and guidance proposed in the Exposure Draft would provide a suitable and sufficient basis for management to identify material information that investors and creditors need about:

  (i) matters that could affect the entity's long-term prospects;

  (ii) intangible resources and relationships; and

  (iii) environmental and social matters?

  Why or why not? If you expect that the proposed requirements and guidance would not provide a suitable or sufficient basis for management to identify that information, what alternative or additional requirements or guidance do you suggest?

(b) Do you have any other comments on the proposed requirements and guidance that would apply to such matters?

We agree that the reporting on matters that could affect the entity's long-term prospects, on intangible resources and relationships, and on environmental and social matters should be included in the management commentary.

However, we are concerned that the requirements and guidance proposed in the ED may not provide a sufficient basis for management to identify material information relating to ESG matters as this is still under discussion as part of the sustainability reporting initiatives currently being undertaken by the IFRS Foundation Trustees. It is for this reason that we suggest that the Board consider pausing this project until other initiatives that relate to it are concluded.

In the Basis for Conclusions, paragraph BC82 explains that Appendix B is intended to provide "an overview of requirements and guidance throughout the revised PS1 that management is likely to need to consider in deciding what information it needs to provide about ESG matters". We have concerns with this approach as it potentially downplays the importance of such disclosures, as well as adding complexity in applying the guidance. Therefore, we suggest the Board integrate the information contained in Appendix B in the main body of the ED.

It is not clear to us where the demarcation between financial statement disclosures and management commentary disclosures on intangibles is drawn. We understand that the objective of the Board has not been to address financial statement disclosures within the scope of IAS 38 *Intangible Assets*. However, the proposal for disclosures required under the somewhat potentially wide-reaching objectives approach about intangible resources in the management commentary may raise questions as to why the same or related disclosures are not provided within the financial statements. As such, we are concerned that there is a risk that the management commentary intangibles disclosure requirements will raise questions around relevant intangibles disclosure in the financial statements. This raises the issue of whether alignment between the disclosure requirements applicable to the management commentary and the financial statements is required. The Board may consider allowing cross-referencing from the financial statements to the management commentary to mitigate this concern to some extent. However, that would necessarily lead to an increase in audit scope, including auditing information outside of the financial statements, which may have unintended consequences that would need to be addressed before such an approach was adopted. Alternatively, if the Board's intention is that the management commentary should only include information not required by IAS 38, then the revised PS1 should clarify this key distinction between disclosures required in the management commentary and the financial statements.

We believe the requirements and guidance proposed in the ED may appear to resolve deficiencies that currently exist with IAS 38, and suggest that the Board consider revisiting whether the requirements of IAS 38 are appropriate, rather than addressing these items through the management commentary.

Question 9 - Interaction with the IFRS Foundation Trustees' project on sustainability reporting

Paragraphs BC13 – BC14 explain that the Trustees of the IFRS Foundation have published proposals to amend the Foundation's constitution to enable the Foundation to establish a new board for setting sustainability reporting standards. In the future, entities might be able to apply standards issued by that new board to help them identify some information about environmental and social matters that is needed to comply with the Practice Statement.

Are there any matters relating to the Trustees' plans that you think the Board should consider in finalising the Practice Statement?

Please refer to our cover letter and our response to Question 8.

We encourage the Board to clarify the ownership of management commentary as common ground for both the IASB and ISSB.

The interaction with the IFRS Foundation Trustees' project on sustainability reporting is pervasive to this ED and with the dynamic situation of the sustainability reporting project, we recommend that the management commentary project should be put on hold, to be revisited after the conclusion of the Third Agenda Consultation process and more clarity on the mandate and scope of the ISSB has been finalised.

Question 10 - Making materiality judgements

Chapter 12 proposes guidance to help management identify material information.

Paragraphs BC103 – BC113 explain the Board's reasoning in developing that proposed guidance.

Do you have any comments on the proposed guidance?

We believe that there should be a reference to Practice Statement 2 in Chapter 12. There appears to be some overlap between the two Practice Statements, and Practice Statement 2 is intended to address, at least in part, the issues addressed in Chapter 12.

We believe there should be consistency between paragraphs 12.10 and 12.11 and the aggregation/disaggregation guidance in IAS 1.29 through IAS 1.31. More specifically, we interpret paragraph 12.11(b) to suggest that a greater level of disaggregation is applied in communication to investors than in the financial statements and, therefore, more disaggregated information must be presented in the management commentary. This seems to raise a rather complex issue in terms of whether the financial statements are aligned with the requirements on aggregation in IFRS in the applicable fact pattern. We, therefore, encourage the Board to reconsider the consistency between the requirements in paragraph 12.11(b) and aggregation requirements in IFRS.

Question 11 - Completeness, balance, accuracy and other attributes

(a) Chapter 13 proposes to require information in management commentary to be complete, balanced and accurate and discusses other attributes that can make that information more useful. Chapter 13 also proposes guidance to help management ensure that information in management commentary possesses the required attributes.

Paragraphs BC97 – BC102 and BC114 – BC116 explain the Board's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

(b) Paragraphs 13.19 – 13.21 discuss inclusion of information in management commentary by cross-reference to information in other reports published by the entity.

Paragraphs BC117 – BC124 explain the Board's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

We understand the reasons for the Board introducing new terminology for the attributes of information in the management commentary, being the belief that terminology in the *Conceptual Framework for Financial Reporting* (*Conceptual Framework*) and IFRS Standards are unfamiliar to those involved in preparing management commentaries. However, we would generally expect those involved in preparing management commentaries to be familiar with accounting terminology, and also, we believe introducing new terminology for the same concepts only serves to add complexity and increase the risk of lack of clarity.

To further elaborate on the above, Chapter 13 is similar to Chapter 2 of the *Conceptual Framework*, and to a great extent overlapping. As such, we fail to understand why there is a need to include a separate set of qualitative characteristics in revised PS1. Also, we believe there should be an explicit connection between the two.

We note that the definition of "balanced" in paragraph 13.7 is identical to the definition of "neutral" in paragraph 2.15 of the *Conceptual Framework*. It is unclear to us why a different term is used to describe the same concept. We suggest that the term "balanced" be replaced with the known and understood term of "neutral" per the *Conceptual Framework*. For clarity, we do not have any concerns with the concept described.

We do acknowledge that "balanced" is well understood in some jurisdictions. However, we also recognise that the meaning of the term can vary between jurisdictions. For instance, in some jurisdictions, balanced has a more overarching meaning, for the purpose of the annual report including both the management commentary and the financial statements and, as such, is not comparable to the use of the term in the ED, in which it is applied in the context of the management commentary only.

For the reasons described above, we believe the Board should ensure that the same attributes are referred to using the same terminology.

Please refer our response to Question 8 regarding the issue of cross-referencing.

Question 12 - Metrics

Chapter 14 proposes requirements that would apply to metrics included in management commentary.

Paragraphs BC125 – BC134 explain the Board's reasoning for these proposals.

Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

The link following paragraph 14.6(c) states that "some metrics might be included in management commentary because local laws or regulations require them, not because they provide material information. Paragraph 13.18 requires those metrics to be provided in management commentary in a way that avoids obscuring material information." We believe that this requirement applies to all information presented in the management commentary and, as such, the underlining of it here is redundant, and potentially confusing. We suggest that it is deleted unless there is something specific that applies to this type of information, which should be made clear.

We understand that the intention of paragraph 14.15 is to provide information on how the current period metrics are compared with those that have been forecast in publicly available information before, but the difference between (a) "… a forecast or target amount was included in a publicly-available communication" and (b) "… a forecast or target amount for the current period was included in previous period's management commentary" is not clear. We question whether there is a need to differentiate (a) from (b) since they both relate to the requirement to present comparable information.

We believe there may be an overlap between metrics described in paragraph 14.2(a) and alternative performance measures (APMs). Different jurisdictions have different requirements applicable to APMs, so it is possible that conflicts may arise. The revised PS1 should acknowledge and address such potential conflicts.

Question 13 - Examples of information that might be material

Material information needed to meet the disclosure objectives set out in Chapters 5 –10 will depend on the entity and its circumstances. Chapter 15 proposes examples of information that might be material.

Paragraphs BC80 – BC81 explain the Board's reasoning for these proposals.

Do you expect that the proposed examples would help management to identify material information that management commentary might need to provide to meet disclosure objectives for information about:

(a) the entity's business model;

(b) management's strategy for sustaining and developing that business model;

(c) the entity's resources and relationships;

(d) risks to which the entity is exposed;

(e) the entity's external environment; and

(f) the entity's financial performance and financial position?

If not, what alternative or additional examples do you suggest? Do you have any other comments on the proposed examples?

We are concerned that the "examples of information that might be material" sections in these chapters may lead to disclosure requirements that are onerous, and too detailed (see for instance paragraph 15.10(b)). We believe this may lead to preparers adopting a checklist approach and, thus, a risk of disclosure overload.

Question 14 - Effective date

Paragraph 1.6 proposes that the Practice Statement would supersede IFRS Practice Statement 1 Management Commentary (issued in 2010) for annual reporting periods beginning on or after the date of its issue. This means that the Practice Statement would be effective for annual reporting periods ending at least one year after the date of its issue.

Paragraphs BC135 – BC137 explain the Board's reasoning for this proposal.

Do you agree with the proposed effective date? Why or why not? If not, what effective date do you suggest and why?

We agree with the proposed effective date, where the proposals become effective for annual reporting periods ending at least one year after the date of issue. However, we believe it may be useful for the Board to provide transitional, provisions for the first period of application in terms of requirements to provide comparative information for prior period(s).

Question 15 - Effects analysis

(a) Paragraphs BC139 – BC177 of the Basis for Conclusions accompanying the Exposure Draft analyse the expected effects of the proposals in this Exposure Draft.

Do you have any comments on that analysis?

(b) Paragraphs BC18–BC22 discuss the status of the Practice Statement. They note that it would be for local lawmakers and regulators to decide whether to require entities within their jurisdiction to comply with the Practice Statement.

Are you aware of any local legal or regulatory obstacles that would make it difficult for entities to comply with the Practice Statement?

Throughout our comment letter we have raised our concerns regarding the application of the proposals. However, we highlight that we have not performed a survey of local regulations applicable to management commentaries, and thus cannot provide any qualified input on any potential obstacles to the adoption of the revised PS1.

Question 16 - Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

It is not clear us why paragraphs 4.16 and 4.17 have been included at the end of Chapter 4, especially since this seems to address areas that are included within three of the areas identified in paragraph 4.1 (c, d, and e). We suggest that these paragraphs are deleted.