22 November 2021

Andreas Barckow
Chair
International Accounting Standards Board
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear Dr Barckow,

AOSSG comments on IFRS Practice Statement *Management Commentary* Exposure Draft

The Asian-Oceanian Standard-Setters Group (AOSSG) would like to express its views on the proposals for revised IFRS Practice Statement 1 *Management Commentary* (Practice Statement).

The AOSSG currently has 27 member standard-setters from the Asian-Oceanian region: Australia, Bangladesh, Brunei, Cambodia, China, Dubai, Hong Kong, India, Indonesia, Iraq, Japan, Kazakhstan, Korea, Macao, Malaysia, Mongolia, Nepal, New Zealand, Pakistan, Philippines, Saudi Arabia, Singapore, Sri Lanka, Syria, Thailand, Uzbekistan and Vietnam.

To the extent feasible, this submission to the IASB reflects in broad terms the collective views of AOSSG members. Please note that the level of concerns from each AOSSG member jurisdiction varies, which reflects the extent of IFRS applied in our region.

We received comments from three member jurisdictions; Australia, China and Korea. The attached appendix provides responses to the questions in the ED.

AOSSG highly appreciates the IASB's significant efforts in proposing the revision to Practice Statement. AOSSG hopes that AOSSG's feedback is taken into account to reach a constructive solution. If you have any questions regarding this submission, please contact either one of us.

Yours sincerely,

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Part A—General requirements

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?

All members agree with the proposals in the Exposure Draft.

However, one member has a comment as follows:

If the financial statements are prepared using accounting standards other than IFRS standards, it is necessary to provide more detailed guidelines for companies to clearly describe that fact in order to prevent confusion among information users of the management commentary.

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?

AOSSG members generally concern about the proposals and have some suggestions as follows:

One member suggests that the IASB should reconsider using the terms *'qualified'* and *'unqualified'* for the statement of compliance because those terms are commonly used in an audit opinion, potentially causing users to assume an unaudited management commentary has been audited.

The other member disagrees with the proposal on the statement of compliance, mainly for the following reasons:

(1) The Practice Statement is a non-mandatory disclosure guideline, so it is debatable whether a compliance statement should be issued.
(2) "*Qualified*" and "*Unqualified*" are seemed to be terms exclusively used in auditing standards, those two terms might not be directly applied to the statement of compliance.
(3) The objectives-based approach is flexible and does not provide a detailed and prescriptive list of disclosure requirements, so it is difficult for entities to make an objective judgment on whether it has fully complied with the requirements of the Practice Statement.
(4) The criteria of issuing unqualified statements of compliance are too strict, which may reduce the entities' willingness to adopt the 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?

All AOSSG members generally agree with the proposed objective of management commentary, however, there are some concerns as follows:

Some stakeholders raised concerns about providing forward-looking information and commercially sensitive information. In Australia, a relevant management commentary for listed entities RG247 *Effective disclosure in an operating and financial review* (RG247) requires the disclosure of forward-looking information but provides an unreasonable prejudice exemption in accordance with section 299A of the Australian Corporations Act (2001). The unreasonable prejudice exemption is most often applied where, for example, disclosing the information is likely to give third parties (such as competitors, suppliers and buyers) a commercial advantage, resulting in a material disadvantage to the entity. IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (para. 92) provides a similar limited exemption for prejudicial information.

Although the member agrees that in most cases entities should be able to disclose commercially sensitive information at a sufficiently high level to avoid incurring proprietary costs, the member suggests that the revised Practice Statement should reconsider including a limited exemption for commercially sensitive information.

One member argues that the expression “across all time horizons (including in the long term)” appears not appropriate. As the entity’s business environment and strategy are constantly changing and adjusting, it’s hard for entities to make sure the long-term information is reliable and accurate, such statements might mislead users and even cause lawsuits.

Lastly, one member concerns that the concept and scope of factors that affect company’s capability to create firm value and future cash flows described in the second objective are not clear, and thus specific regulation and guidance on how to consider them need to be provided in the ED.

Part B and Appendix B—Areas of content

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

Question 4—Overall approach
(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?

AOSSG members generally concern about those *Operability* and *Enforceability* of the ED.

One member argues that the overall approach could be challenging to operationalise by preparers and enforce by auditors or regulators for the reasons discussed below.

- It is unclear how the relationships between materiality, the six areas of content and key matters should be applied and made operational by preparers. For example, Chapter 3 discusses materiality and introduces key matters but provides limited guidance on how, at a practical level, key matters should be related to the six areas of content and the disclosure objectives. These relationships are critical because they seem to comprise the Practice Statement's underlying framework and principles. In our view, the relationships should be clarified and introduced early in the revised Practice Statement (possibly in Chapter 3). Field testing may also be useful;

- Stakeholders felt the level of detail in the revised Practice Statement is overwhelming and may encourage a tick-a-box approach to preparation, assurance and enforcement. For example, Chapters 5–10 set out the requirements for each area of content, providing introductions, three levels of disclosure objectives, notes, links, illustrations, examples of key matters and metrics. These chapters repeat the disclosure requirements using different words that appear to extend or confuse the black letter requirements. Chapters 5–10 in the revised Practice Statement should focus on the principles and requirements; and if some of the notes, links, illustrations and examples are deemed necessary but are not primary guidance or principles they should be moved to appendices to improve the readability of the document; and

- The three levels of disclosure objectives (headline, assessment and specific objectives) for the six areas of content and the application of materiality principles also affect operability and enforceability and are discussed in Questions 5 and 10.

Overall, the member suggests that the revised Practice Statement should:

1. provide a clearer framework that clarifies the relationship between materiality, the six areas of content and key matters; and
2. improve the readability, such as moving explanatory material and examples to appendices.

Also, one member concerns about whether this method can be effectively applied in practice. For preparers, compared with the objectives-based approach, a check-list provided by local regulators is easier to implement. Further, the member argues that it may be difficult for auditors and regulators to assess the compliance of management commentary, mainly for the following reasons:

1. The objectives-based approach involves the management in lots of subjective judgements. There might be a large amount of qualitative information and forecast information in MC. However, the process of making subjective judgement cannot be observed by auditors and regulators. Therefore, it's hard for auditors and regulators to determine whether an entity has complied with the requirements of the Practice Statement.
2. Preparing management commentary may involve some internal and sensitive information, but there is information asymmetry among management, auditors and regulators. It will be difficult and costly for auditors and regulators, as outsiders, to obtain and verify internal information.

Lastly, one member argues that although the ED categorizes the contents to be included in the management commentary and provides specific examples of information to be described for each area of content, there is still no specific guidance on the identification and generation of information to achieve the disclosure objectives of the management commentary and the areas of content. Also it is unclear if the ED provides adequate and appropriate evidences for the auditors and regulatory agencies to determine compliance with the practice statement. Unless clearer taxonomy and explicit guidelines are provided, it seems difficult to achieve inter-period and inter-company comparability and enforceability.

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

Question 5—Design of disclosure objectives
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?

There are mixed opinions among AOSSG members. One member agrees with the proposals (with no additional comments); however, the other members generally do not agree with the proposed disclosure objectives for the following reasons:

(1) repeating the disclosure objectives (i.e., headline objectives, assessment objectives, and specific objectives) using slightly different words at three different levels of granularity is confusing. Chapter 11 (that summarises the objectives) could be an appendix rather than a chapter.

(2) the assumption that management can positively assert that they have provided sufficient information for investors and creditors to make assessments may introduce litigation risk. We do not agree that assessment objectives are necessary to meet the headline or overall objectives.

(3) ED/2021/3 *Disclosure Requirements in IFRS Standards—A Pilot Approach* proposes entities meet overall and specific objectives but does not have assessment objectives. We think that the disclosure objectives for each area of content should be consistent with the eventual outcome of consultations for ED/2021/3.

Overall, the member suggests that the disclosure objectives in the revised Practice Statement should or language consistent with the eventual outcome of consultations for ED/2021/3) but not assessment objectives.

The other member also concerns that the three-tier structure of the disclosure objectives is too complicated for preparers to understand and apply, and the boundary between the assessment objectives and specific objectives is not clear enough. The member recommends simplifying the structure of the disclosure objectives.

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?

All AOSSG members concern about the disclosure objectives for the areas of content. Specifically, most members point out the duplication and/or overlapping between six areas of content. (For example, information about specialised employees or raw materials with only one supplier could be related to the entity's business model, the entity's resources and relationships, or risks to which the entity is exposed) Also, they conjecture that the definition of each area and the detailed criteria for disclosure and analysis may conflict with each other.

Also, one member suggests that the Note located under paragraph 4.5 that explains the areas of content are interrelated and information may meet more than one disclosure objective without being duplicated, should be a paragraph rather than a Note.

Meanwhile, one member concerns that the content of "resources and relationships", "strategy" and other areas may involve the entity's sensitive information and recommend that the board propose an exemption permitting an entity not to disclose information that is material but sensitive.

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?

Most AOSSG members generally agree with the proposals, however, there are some suggestions regarding the relationship "identifying key matters" and "making materiality judgements".

Further, materiality has already been dealt with in the Financial Reporting Conceptual Framework and IFRS Practice Statement 2 'Making Materiality Judgements'. Thus, in relation to the materiality and key matters covered in the Practice Statement 1 Management Commentary, practical guidelines need to be provided on whether there is any difference from the contents of Practice Statement 2 and what additional considerations are needed.

In particular, the information provided in the ED does not give clear explanations about the relationship with other terms, including definitions and concepts of key matters, and materiality concepts from other statements. Consequently, the member argue that considerable management judgment is needed in determining the nature of major issues, and thus specific guidance is needed.

On the other hand, some stakeholders in one jurisdiction requested the term' key matters' be replaced by a different term to avoid confusion with 'key audit matters'.

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?

All AOSSG members generally support the proposals.

However. one member argues that some stakeholders felt very strongly that the revised Practice Statement must address disclosures about governance and agrees with this concern because governance is integral to matters addressed in the management commentary. IASB should consider the outcome of the IASB's Third Agenda Consultation before finalising the revised Practice Statement because some disclosures might be required in the financial statements rather than in management commentary (for example, the disclosures of intangible assets in IAS 38 are closely related to disclosures of intangible resources. If any changes are made to disclosure requirements in IAS 38 as a result of IASB Agenda Consultation process, it may affect the proposals in the practice statement)

Meanwhile, all AOSSG members have some suggestions regarding the relationship with ISSB and/or sustainability reporting (ESG reporting) requirements. Most members require IASB need to clarify the connections and make a clear line between them and IASB should consider the directions of the new ISSB before further developing the revised Practice Statement.

Also, one member points out that there is no explicit and unambiguous definition or explanation about ESG matters mentioned in this Practice Statement 1 ED. The member argues that the direction and perspectives on ESG-related disclosures are way too diverse, so it is necessary to define ESG matters more clearly that are required by the ED.

It is true that environmental and social matters are key factors of the close interrelationship that embodies the concept of sustainability, but it is expected that it will be difficult to deal with them in the same area in practice. It is somewhat questionable whether the description of the characteristics, concepts, and examples of the key matters in the amended ED is helpful in identifying and understanding environmental and social matters by jurisdiction and industry.

Environmental or social examples for each area of content are provided, but it is necessary to provide examples for each individual topic for E and S matters. On the other hand, governance matters are addressed separately from other ESG matters. Thus, there seems to be a lack of consistency as to why environmental and social matters are not dealt with separately.

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?

Most AOSSG members generally argue that the IASB should clarify and discuss the relationship between Sustainability reporting and Management commentary in detail, and pay more attention to the preparation cost of the entities. Since there are some similar disclosure requirements, such as "risks" and "strategy" in the two reports, which might cause information overlap. And sustainability information is closely related to the objectives of management commentary in that information users use them to systematically consider future uncertainties and risks related to the company.

One member argues that the governance (G) among ESG matters is reserved as a legal issue in each jurisdiction, but governance is an important factor in management, firm valuation, and information disclosure, and needs to be explicitly addressed in the management commentary.

Further, one member recommends that the IASB defer its development of the revised Practice Statement until there is clarity on the direction of the new ISSB. The member argues that stakeholders have raised concern about the timing of this ED as it relates to the work to be undertaken by the proposed International Sustainability Standards Board (ISSB). Some stakeholders in that jurisdiction suggested that the IASB should defer this project until there is more clarity on how the IASB intends to collaborate with the proposed ISSB to avoid duplication of effort and costs for preparers.

The feedback received is consistent with the AASB outreach conducted for the April 2021 IFRS Foundation Trustees Exposure Draft *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*. In July 2021, the AASB with the FRC and the Auditing and Assurance Standards Board (AUASB) provided joint comments to the exposure draft. Similarly, one of the concerns raised in the comment letter was a lack of clarity about the proposed new standard-setter's remit, agenda, and its interaction with the work of the IASB. Further, a management commentary could reasonably be expected to include a discussion of topics for which a sustainability reporting standard-setter might develop requirements, placing outputs of both boards into the same document and introducing complexity into the reporting process, especially if the requirements are not aligned. Stakeholders had raised concerns about the duplication of effort by the boards, and more significantly, they were concerned that the different project outcomes would unnecessarily introduce complexity into their external reporting. Given the overlap, the comment letter suggested that the Foundation consider how it envisages the boards will develop coherent external reporting guidance or standards.

Part C—Selection and presentation of information

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?

All AOSSG members generally support the guidance in the ED with respect to making materiality judgements.

However, at the same time, all members concern about the relationship between *IFRS Practice Statement 2: Making Materiality Judgements* and those in the ED.

Specifically, one member suggests that many discussions and concepts developed in *IFRS Practice Statement 2: Making Materiality Judgements,* such as the four-step materiality process, could be included (and modified) in the Management Commentary Practice Statement.

In addition, the other member argues that materiality has already been addressed in the Financial Reporting Conceptual Framework and IFRS Practice Statement 2. In this regard, it is expected that it will be of great help to the companies and users if practical guidelines are provided on what is the difference from the contents of the Practice Statement 2 and what additional considerations are needed (see the answer to question 7).

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.

Question 11—Completeness, balance, accuracy and other 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?

AOSSG members have some suggestion as follows:

One member recommends the IASB should conduct further research on whether the proposed new terminologies are an improvement over existing terminology in the Conceptual Framework or are simply different and may therefore lead to confusion over meanings. Consistent with the discussion in Question 9, this section should be revised in conjunction with the directions of the new ISSB, particularly if the ISSB intends to develop a conceptual framework for sustainability reporting, possibly with new concepts and terminologies.

In addition, the other member concerns that management commentary involves a lot of forward-looking and subjective information, so "accuracy" is difficult to be guaranteed. There is a recommendation to replace "accuracy" with "reliability", which is more appropriate.

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.

Question 12—Metrics
Do you agree with these proposals? Why or why not? If not, what do you suggest instead and why?

AOSSG members generally agree with the proposals in the ED.

Specifically, one member agrees that relevant metrics will be useful in decision making (Consistent with stakeholder feedback received). Many stakeholders in that jurisdiction, however, raised concerns like those considered in the previous questions about how metrics fit into the relationship between materiality, the six areas of content and key matters.

Also, since the suggested metrics are at a conceptual level, it is difficult for those in charge of reporting them to apply. Therefore, it is necessary to propose specific procedures so that they can develop their own metrics that are suitable for individual companies' circumstances.

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;

Question 13—Examples of information that might be material
(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?

AOSSG members have some suggestion as follows:

Subject to responses to earlier questions to clarify relationships between materiality, areas of content and key matters, and to make more use Practice Statement 2 for assessing materiality, one member supports the provision of additional guidance on information that might be material. Stakeholders in that jurisdiction raised the following additional comments.

- as part of reducing the length of the document, the examples in Chapter 15 could be cross-referenced in Chapter 12 and the examples placed in an appendix rather than a chapter;
- locating the examples in an appendix may also help with a request from stakeholders to make clearer that the examples are not requirements; and
- more examples are needed to demonstrate the application of aggregation (paras. 12.10–12.11).

In addition, the other member argues that if the entity identifies material information based on the proposed examples in ED, there will be too much information in MC, which might not be user-friendly. Besides, much sensitive information in MC might cause threats and challenges from competitors, and finally may harm the benefits of investors and creditors.

Other comments

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?

All AOSSG members generally agree with the above proposals.

However, one member concerns that there are uncertainties about how the ISSB standards might impact the adoption and implementation of the revised Practice Statement, and entities may need additional time to implement potential new standards developed by the ISSB in conjunction with the revised Practice Statement. So, the member suggests the effective date be reconsidered when there is clarity of the direction and work developed by the potential ISSB.

Also, one member argues that, for jurisdictions that do not adopt the IFRS practice statement 1 'management commentary', discussion on the effective date is meaningless and may rather cause unnecessary confusion to stakeholders.

Question 15—Effective 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.

Question 15—Effective analysis
Are you aware of any local legal or regulatory obstacles that would make it difficult for entities to comply with the Practice Statement?

One member argues that there are general concerns from stakeholders that some of the proposed disclosure requirements could give rise to class action or litigation risks. However, the member is not aware of any legislation in Australia that would preclude entities from voluntarily adopting the revised Management Commentary.

Question 16—Other comments
Do you have any other comments on the proposals set out in the Exposure Draft?

One member makes some comments as follows:

(1) Useful information to users would be internal information of management that can resolve uncertainties related to understanding of the firm value, but it is difficult to expect that such information will still be provided with the construction of the proposed ED.

Since the main concern of information users about the information produced according to the existing Practice Statement 1 is the overlapping of general information that is not unique, it is difficult to be sure how much the amendment will improve the issue.

(2) Both the existing and revised Practice Statement 1 provide only a single principle without considering the industry-specific factors, but to improve the usefulness of information, separate Practice Statement for each industry may be prepared.

(3) There are still many matters to be judged by the company, such as materiality, so it is expected that there will be many difficulties when applying this ED in practice.

In addition, since comparability between periods and companies is likely to decrease due to the above judgment issues, more specific definitions of newly introduced terms (e.g., key matters, etc.), specific practical guidelines, and explanations of the differences from the existing statements need to be provided.