Australian Government

Australian Accounting Standards Board

AASB STAFF PAPER

COMPARISON OF NARRATIVE REPORTING REQUIREMENTS APPLICABLE TO FOR-PROFIT ENTITIES

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Contents

Executive Summary

The International Accounting Standards Board (IASB) is undertaking a project to revise the IFRS Practice Statement 1 *Management Commentary* (MCPS). The current MCPS, issued by the IASB in December 2010, is a broad framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRSs. The revised MCPS is expected to consolidate innovations in narrative reporting since the publication of the current MCPS and address gaps in reporting practice, such as the short-term focus in reporting and failure to identify and discuss matters that are specific and important to an entity. The exposure draft of the revised MCPS (forthcoming ED) is expected to be published in May 2021.

Although the IASB has concluded that management commentary is within the scope of financial reporting, the Practice Statement is not an IFRS and, consequently, entities applying IFRSs are not required to comply with the IFRS Practice Statement, unless otherwise required by a regulator. Consistent with this, the AASB has included the existing IFRS Practice Statement on the AASB website, thereby making it available for all entities, including public sector entities.

The management commentary continues to have an important role in explaining the long-term strategy of a company and how long-term trends might affect future cash-flows that are not (yet) recognised in the financial statements. In preparation for the public outreach to inform the response to the forthcoming ED and any considerations of the possible application of the revised MCPS in Australia, this Paper compares the draft disclosure objectives for each of the main content areas to be included in the forthcoming ED of the revised MCPS with existing narrative reporting requirements applicable to for-profit entities in Australia and selected overseas jurisdictions. The comparison is based on the draft disclosure objectives included in publicly available July 2020 IASB staff papers (draft disclosure objectives).

This Paper aims to provide early input into the upcoming AASB consultation on the forthcoming proposals and to provide a basis to support respective Australian regulators in their efforts to maintain the quality of narrative reporting in Australia in step with the global best practice. With these objectives, the Paper examines the following aspects of narrative reporting requirements for for-profit entities in Australia and overseas jurisdictions:

- how current Australian narrative reporting requirements compare to requirements in selected jurisdictions, including: Canada, Hong Kong, Germany, New Zealand, Singapore, South Africa, the United Kingdom and the United States through a comparison with the draft disclosure objectives;
- key similarities and differences between the requirements in section 299A of the *Corporations Act 2001* (Corporations Act), the Australian Securities and Investments Commission's (ASIC) Regulatory Guide RG 247 *Effective disclosure in an operating and financial review* (RG 247) and the draft disclosure objectives; and
- the potential benefits the revised MCPS guidance may provide for the application of local requirements.

Key findings

Based on the compared disclosures' objectives and requirements, the current requirements in Australia in respect of management commentary on 'risks' and 'performance and position' appear to compare well against the draft IASB proposals. Subject to the further analysis and consultation with the stakeholders including users of the narrative reporting, the forthcoming ED provides opportunity to consider whether management commentary prepared under the revised MCPS would provide the users, including investors and creditors, with a more comprehensive understanding of the business. Compared to the information currently required to be provided to users under section 299A of the Corporations Act and RG 247, the revised MCPS also covers additional information for the content areas such as the external environment in which the business operates, the key resources and relationships it relies upon, the business model and strategy for the future, and how the business has performed against its strategy.

Internationally, the narrative reporting requirements (and accompanying guidance) in Singapore, South Africa and the United Kingdom compared well with the draft disclosure objectives and could be considered as reference points when determining how best to continue improving narrative reporting in Australia.

Key findings from the comparison of RG 247 with the draft disclosure objectives are summarised below:

Content area	Strength of disclosure objective content *High* *Low*	Key findings
External environment		RG 247 recognises that the information presented in the operating and financial review (OFR) needs to be tailored to reflect the business environment in which the entity operates, however there is lack of further guidance on how such disclosure objective can be achieved, or an indication of the level of analysis expected about the external environment beyond factors already affecting entity's performance and consideration of external environment from a risk perspective.
Business model		RG 247 states that the entity's business model should be clearly articulated, including the key features of the business model, such as how the entity makes money and generates income or capital growth for shareholders. The draft disclosure objectives in the revised MCPS provide further guidance for what the key features of the business model are.
Strategy		Both frameworks require entities to outline their key business strategies (what management sets out to achieve) and the significant plans that are part of those strategies (how management plans to achieve it). However, the draft disclosure objectives also require reporting of how management will monitor and measure success in delivering on the strategy. This is an area that RG 247 does not specifically address.
Resources and relationships		RG 247 does not include any specific requirement to discuss resources and relationships, however the key dependencies of the business model should be disclosed as well as environmental, social and governance risks that could affect entity financial performance or disclosed outcomes.
Risks		RG 247 focuses on risks that could affect the entity's achievement of financial prospects, whereas the draft disclosure objectives expand on this to include risks that could disrupt the entity's business model; management's strategy for developing and sustaining that model; or the entity's resources and relationships – i.e., risks that could affect value creation. Both require similar levels of disclosure about identified risks, including a description of the risks and how management monitors and manages the risks, and would mitigate disruption if it occurs.
Performance and position		Reporting on the results of the entity's operations, performance and financial position is a key focus of RG 247 and detailed guidance and examples are therefore provided. The majority of the key areas discussed in the draft disclosure objectives are also covered in RG 247. However, the draft disclosure objectives link the financial performance and position with the business model, strategy, resources and relationships, risks and trends in the external environment. This is addressed in RG 247 only through general references to underlying factors and drivers of the entity's performance.

The focus of this Paper is to compare the contents of the disclosure objectives, requirements and guidance for narrative reporting for for-profit entities. This Paper does not compare and assesses other aspects of the requirements such as whether narrative reporting is mandatory, the scope of the requirements or whether the narrative reporting is subject to audit. However, the Paper notes that only one jurisdiction (Germany) of those compared requires the narrative reporting to be audited.

Next steps

This Paper identified possible sources of the best practice in relation to the narrative reporting requirements and guidance for for-profit entities that could be considered by the public discourse during the upcoming AASB consultation on the forthcoming ED on revised MCPS. In due course, consideration could also be given to the role of the management commentary to link broader sustainability reporting and financial reporting. This Paper could also provide a basis to support relevant regulators in their efforts to keep Australian narrative reporting in step with global best practice, working collaboratively with other standard setters, users, preparers and other stakeholders.

1. Introduction

The International Accounting Standards Board (IASB) is currently undertaking a project to revise the IFRS Practice Statement 1 *Management Commentary* (MCPS), with the aim of publishing an exposure draft (ED) of the revised MCPS in the second quarter of 2021 (forthcoming ED). The current MCPS, which the IASB issued in December 2010, is a broad framework for the presentation of narrative reporting to accompany financial statements prepared in accordance with IFRSs.

The revised MCPS is expected to:[1]

- consolidate innovations in narrative reporting since the publication of the MCPS in 2010;
- address gaps in reporting practice, such as the short-term focus in reporting and failure to identify and discuss matters that are specific and important to an entity; and
- remain principles-based but contain sufficient detail to support rigorous application of the MCPS by preparers and the effective review of entities' management commentaries by auditors or other providers of assurance.

With the objective to provide early input into the upcoming AASB consultation with its stakeholders on the forthcoming MCPS ED, this paper examines several aspects of narrative reporting requirements for for-profit entities in Australia and in overseas jurisdictions by comparing these to the draft disclosure objectives expected to be included in the forthcoming ED.

The project to revise the MCPS presents an opportunity for regulators and standard setters in Australia to engage with stakeholders and consider whether the IASB's proposals would provide users with better information than the current narrative reporting requirements in Australia.

1.1 Background

When the MCPS was first published in 2010, the AASB made it available to all entities on its website. Nothing further was deemed necessary at that time, as the Australian Securities Exchange (ASX) had already re-issued the voluntary Guidance Note 10 *Review of Operation and Activities: Listing Rule 4.10.17* [2] (GN 10) in 2003 to assist listed entities in the preparation of the review of operations and activities that an entity must give to the ASX under listing rule 4.10.17 and must comply with sections 299 and 299A of *the Corporations Act 2001* (Corporations Act). GN 10 refers to and reproduces the *Guide to the Review of Operation and Financial Condition* published by the Group of 100 Incorporated (G100 guide). The ASX Governance Principles, RG 247 and GN 10 are applicable only to listed entities. GN 10 and the G100 guide have not been updated since 2003. The AASB acknowledged that existing guidance might take precedence over the IFRS Practice Statement.

In 2013, ASIC released Regulatory Guide 247 *Effective disclosure in an operating and financial review* (RG 247), which had a similar aim of improving the quality of management commentary in Australia and covered similar content to the MCPS. RG 247 makes reference to the G100 guide and existing MCPS for consideration to assist in fulfilling the OFR requirements. Further details on the narrative reporting requirements in Australia for for-profit entities is contained in Appendix 1.

Since then, several developments have been made in the corporate reporting landscape, both in Australia and globally. The most notable of these have been the release (in December 2013) and subsequent gradual

1 IFRS Introduction to the Management Commentary, March 2018. Available at: https://www.ifrs.org/-/media/project/management-commentary/supporting-material/introduction-to-the-management-commentary.pdf.

2 Australian Stock Exchange Limited, *Guidance Note 10 Review of Operation and Activities: Listing Rule 4.10.17.* Available at: https://www.asx.com.au/documents/rules/gn10_operations.pdf.

adoption (full or partial)[3] of the International Integrated Reporting Council's (IIRC) International Integrated Reporting Framework (<IR> Framework)[4] which has helped bring together into a single report material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. The European Union's Directive 2014/95/EU laid down rules on disclosure of non-financial information and diversity information for large companies. From 2018 onwards, large public-interest companies with more than 500 employees have been required to include non-financial statements in their annual reports.[5] A number of updates have also been made by key jurisdictions – for example, the requirement for UK companies to prepare a Strategic Report provides a company's shareholders with a holistic and meaningful picture of a company's business model, strategy, risks, development, performance, position and future prospects including relevant non-financial information.[6]

In Australia, in February 2019, the ASX Corporate Governance Council released the 4th Edition of the ASX *Corporate Governance Principles and Recommendations* (ASX Governance Principles),[7] which confirmed that the principles of integrated reporting can be used in preparing existing reports – for example, the directors' report or the operating and financial review (OFR). RG 247 has also been updated to draw more attention to non-financial risks that could have a material effect on the future financial position, performance or prospects of entities. Climate change is an example of a such a risk. Integrated reporting and other frameworks have been referred to by RG 247 when considering disclosure of additional information in this respect.

The IASB's project to revise the MCPS therefore provides regulators and standard setters in Australia with an opportunity to consult with stakeholders on aspects such as:

- how the Australian corporate reporting landscape has changed;
- the changing expectations from users of the report; and
- whether any further updates to the existing requirements and guidance are needed.

The IASB tentatively decided that the revised Practice Statement should retain the status of the current Practice Statement, i.e. a non-binding framework for the preparation of management commentary, however, it may help preparers apply broadly specified national laws and regulations on narrative reporting.

In regard to any potential interaction of the revised MCPS with sustainability reporting, in their Feedback Statement on the sustainability reporting consultation, the IFRS Foundation Trustees acknowledged the importance of the IASB's work on updating the MCPS, noting that it could be used to help develop links between sustainability reporting and financial reporting.[8]

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3 48% of ASX200 companies have at least partially adopted the <IR> principles in their reporting in 2018. Source: https://acsi.org.au/wp-content/uploads/2020/02/2019-ACSI-ESG-Report-FINAL.pdf.

4 International Integrated Reporting Council's International Integrated Reporting <IR> Framework, 2013. Available at: https://integratedreporting.org/resource/international-ir-framework/.

5 European Union's Directive on disclosure of non-financial information and diversity information (2014/95/EU). Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095.

6 Section 414C of the *Companies Act 2006* (amended) sets of the required contents of a strategic report. Further guidance on how to prepare a strategic report has been issued by the FRC and is available at: https://www.frc.org.uk/accountants/accounting-and-reporting-policy/clear-and-concise-and-wider-corporate-reporting/narrative-reporting/guidance-on-the-strategic-report.

7 The 4th Edition of the ASX *Corporate Governance Principles and Recommendations* was released in February 2019, however, did not take effect until the entity's first full financial year commencing on or after 1 January 2020. Accordingly, entities with a 31 December balance date were expected to measure their governance practices against the recommendations in the fourth edition commencing with the financial year ended 31 December 2020. Entities with a 30 June balance date are expected to measure their governance practices against the recommendations in the fourth edition commencing with the financial year ended 30 June 2021. Available at: https://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-fourth-edn.pdf.

8 IFRS Foundation Trustees' Feedback Statement available at: https://www.ifrs.org/content/dam/ifrs/project/sustainability-reporting/sustainability-consultation-paper-feedback-statement.pdf.

1.2 Objective and scope of this Paper

This Paper aims to provide an early input into the upcoming AASB consultation with its stakeholders on the forthcoming MCPS ED and accordingly, focuses on the narrative reporting requirements applicable to for-profit entities.

The draft disclosure objectives for each of the main content areas that are expected to be included in the ED of the revised MCPS are compared with existing narrative reporting requirements for for-profit entities in Australia and selected international jurisdictions. To provide early input into the upcoming consultation and recognising the limited time to perform such comparison after the IASB ED will be publicly available, the draft disclosure objectives available in the July 2020 IASB staff papers were used as the reference point.[9]

Accordingly, no detailed comparison is provided of the disclosures that may result from the application of the proposals in the forthcoming ED or existing requirements in the compared jurisdictions, nor has a comparison been made of any detailed application guidance as noted in the Methodology section 1.3 below. Similarly, given the focus on the content of the disclosure objectives of the management commentary, the Paper has not specifically compared the status of the management commentary requirements and guidance, including assurance requirements in the selected jurisdictions.

The Paper aims to identify possible sources of best practice in relation to the narrative reporting requirements and guidance for for-profit entities. This will provide a basis for further collaboration to support Australian regulators in maintaining the quality of narrative reporting in Australia in step with global leading practice.

1.3 Methodology

The Paper uses the draft disclosure objectives to be included in the revised MCPS as a reference point when undertaking the identified comparisons. Accordingly, and also from a practical perspective, the review process was designed to understand:

- how Australian narrative reporting requirements compare with requirements that were identified in other international jurisdictions, specifically: Canada, Hong Kong (HK), Germany, New Zealand (NZ), Singapore, South Africa, the United Kingdom (UK) and the United States (USA) through the comparison with the draft disclosure objectives expected in the forthcoming ED;
- key similarities and differences between RG 247 and the draft disclosure objectives expected in the forthcoming ED; and
- the potential benefits the revised MCPS guidance may provide for the application of local requirements.

Judgement was involved when comparing each jurisdiction's narrative reporting requirements with the draft disclosure objectives of the revised MCPS and the assessment did not involve consultations with stakeholders such as users of the narrative reporting. Further, no comparison has been made of any disclosures that may have resulted from the application of the compared disclosure objectives and requirements. Accordingly, the assessments are provided as an indication to assist in identifying the key areas of interest for consideration by the AASB, respective regulators, other standard setters, users, preparers and other stakeholders in a collaborative effort to maintain a quality narrative reporting framework in Australia.

The draft disclosure objectives are detailed in section 2.2 and are based on the information obtained from the July 2020 IASB staff papers. As previously noted, this basis for comparison was used to enable the analysis to inform the IASB's consultation process as early as possible. Section 2.2 notes that the IASB has

9 IFRS Management Commentary staff papers, available at: https://www.ifrs.org/projects/work-plan/management-commentary/#project-history.

tentatively decided on, in some aspects, different performance and position disclosure objectives compared to the draft disclosure objectives. There may be some further differences between the draft disclosure objectives and final proposals in the forthcoming ED.

The Australian and overseas jurisdictions' legislative and regulatory requirements and guidelines relating to narrative reporting disclosures were identified and are documented in Appendix 2. They are reviewed and summarised in the body of this Paper which includes a comparison with the draft disclosure objectives. The primary focus is on the comparison of the content of narrative reporting requirements and guidance. No detailed comparison is made of other elements of this type of the reporting, such as application scope of the requirements, or its status (i.e., mandatory v. voluntary) across individual jurisdictions or any assurance requirements. For completeness, these are summarised in section 3.4 with further details outlined in Appendix 2. Other guidance on narrative reporting that may exist (such as non-mandatory guidelines issued by professional bodies) was not considered unless identified in Appendix 2.

The overseas jurisdictions chosen for the comparison were selected for consistency with the approach taken in AASB Research Report No. 7 *Financial Reporting Requirements Applicable to For-Profit Private Sector Companies*. Most, if not all, of these jurisdictions are comparable in terms of regulatory rigour and therefore have been compared with Australia in terms of financial reporting issues in past AASB research reports. The focus is on national jurisdictions rather than subnational jurisdictions (e.g., states, territories, regions or provinces), albeit in some cases, if needed, subnational jurisdiction may be used as a reference source on practical grounds.

The current versions of legislation and related documents were accessed from the relevant jurisdictions' government legislation websites (hyperlinks are provided in Appendix 2). The staff of local standard setters and representatives of professional bodies were also consulted for the purpose of confirmation of the initial results and, where provided, the feedback has been incorporated into this Paper.

1.4 Structure of the Paper

The remainder of this Paper is structured as follows:

- Section 2: Expected forthcoming proposals on a revised IFRS Practice Statement 1 *Management Commentary*
- Section 3: Comparison of the narrative reporting requirements in the identified jurisdictions with the draft disclosure objectives of the revised MCPS
- Section 4: Comparison of Australian requirements with the draft disclosure objectives of the revised MCPS
- Appendix 1: Summary of narrative reporting requirements by jurisdiction
- Appendix 2: Draft disclosure objectives of the forthcoming ED (July 2020).

2. Expected forthcoming proposals on a revised IFRS Practice Statement 1 *Management Commentary*

Management commentary is a narrative report that complements the financial statements and provides a context within which to interpret the financial position, financial performance and cash flows of an entity.[10] Alternative terms for management commentary used around the world include management report, strategic report, integrated report, management's discussion and analysis, and operating and financial review (OFR).

The Practice Statement is expected to apply to management commentary relating to general purpose financial statements.[11] Therefore, management commentary aims to provide primary users of financial reports – existing and potential investors, lenders and other creditors – with information that is useful in assessing the prospects for future net cash inflows to the entity and management's stewardship of the entity's economic resources. To do this, management commentary includes quantitative and qualitative information to help management explain its objectives and its strategies for achieving those objectives. This helps users evaluate an entity's prospects and its general risks, as well as the success of management's strategies for achieving its stated objectives.

2.1 Main content areas

The IASB has identified six main content areas to be included in the revised MCPS and, at its March 2020 meeting, the IASB tentatively agreed on the overall objective of management commentary.[12] Disclosure objectives for each of the six content areas are identified to support the four aspects of the overall objective of management commentary,[13] and to provide a link between that objective and the supporting guidance on the areas of content (as shown in Figure 1 below).

The disclosure objectives are designed to help management identify what information and analysis to include for each main content area to help investors and creditors assess an entity's ability to create value and generate cash flows in the future. It is these disclosure objectives that have been considered as part of the comparison undertaken in this Paper.

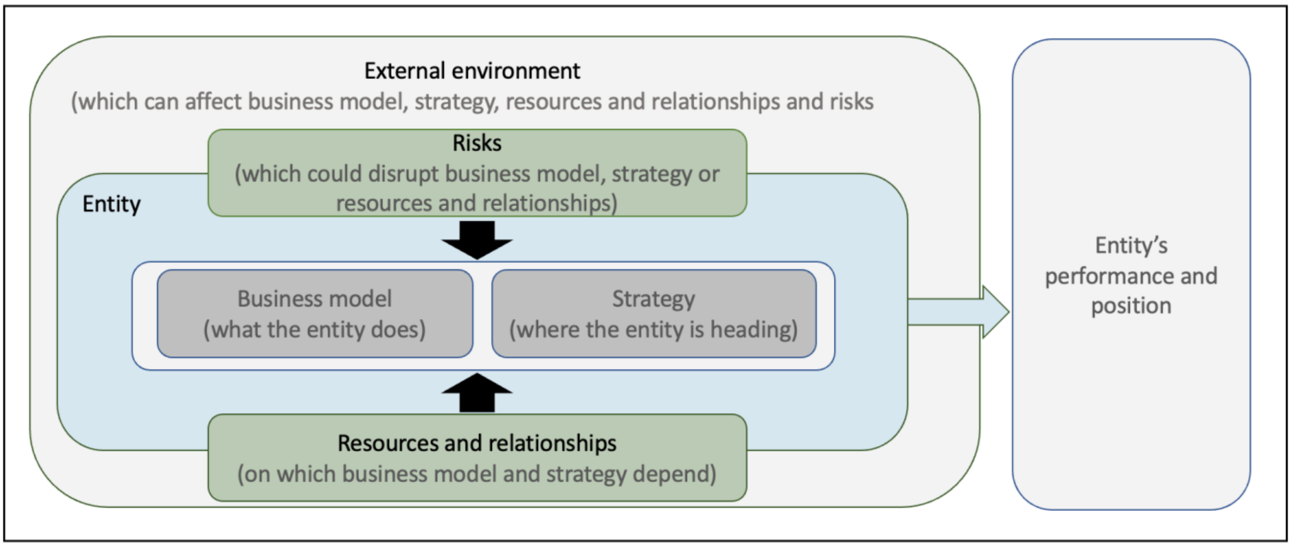
10 *IFRS Practice Statement: Management Commentary A framework for presentation*, 2010

11 February 2021 IASB staff paper 15A https://www.ifrs.org/content/dam/ifrs/meetings/2021/february/iasb/ap15a-management-commentary.pdf.

12 For further detail, see *IASB Update March 2020*, available at https://www.ifrs.org/news-and-events/updates/iasb-updates/march-2020/#3.

13 The four aspects of the overall objective of management commentary are to help users to assess prospects for future cash flows and value creation, assess management's stewardship, understand performance and position (i.e., what has affected the entity, and gain insights into what might affect the entity in the future).

Figure 1 Relationships between disclosure objectives for areas of content[14]



2.2 Draft disclosure objectives

The draft disclosure objectives for each content area are summarised based on information obtained from the July 2020 IASB staff papers.[15] However, this does not constitute the final text of the proposals which will reflect changes made by the IASB prior to the release of the forthcoming ED.[16]

Content area	Disclosure objective
External environment	Management commentary shall provide information to help investors and creditors understand how the environment in which an entity operates affects the entity's business model; management's strategy for sustaining and developing that model; the entity's resources and relationships; or its risks.
Business model	Management commentary shall provide information to help investors and creditors understand how the entity's business model creates value and generates cash flows.
Strategy	Management commentary shall provide information to help investors and creditors understand management's strategy for sustaining and developing the entity's business model in the future.
Resources and relationships	Management commentary should provide information to help investors and creditors understand the resources and relationships on which the business model depends and management's strategy for sustaining and developing that business model.
Risks	Management commentary shall provide information to help investors and creditors understand the risks that could disrupt: the entity's business model, management's strategy for developing and sustaining that model, or the entity's resources and relationships.
Performance and position	Management commentary shall provide information to help investors and creditors understand the entity's performance and position that result from:

14 Source: IFRS Management Commentary Staff Paper 15, July 2020, page 4. Available at: https://cdn.ifrs.org/-/media/feature/meetings/2020/july/iasb/ap15-management-commentary.pdf.

15 IFRS Management Commentary Staff Paper 15, July 2020, Appendix A - Illustrative drafting for disclosure objectives and aspects of the supporting guidance. Available at: https://cdn.ifrs.org/-/media/feature/meetings/2020/july/iasb/ap15-management-commentary.pdf

16 Specifically, the disclosure objectives for performance and position tentatively decided by the IASB at its July 2020 meeting are, in some aspects, different from the objectives in Agenda Paper 15C (July 2020) and do not make an explicit link to other content areas of the Management Commentary. Nevertheless, based on publicly available information at the time of writing, these draft disclosure objectives have been progressed enough to provide arguably sufficient basis for the purposes of the comparison. For details of the IASB tentative decisions in its July meeting, refer to: https://www.ifrs.org/news-and-events/updates/iasb/2020/iasb-update-july-2020/#2.

Content area	Disclosure objective
	(i) operation of the entity's business model; (ii) executing management's strategy; (iii) deploying the entity's resources and relationships; (iv) managing the entity's risks; and (v) responding to factors and trends in the entity's external environment.

Further details on the draft disclosure objectives for each content area, including a description of the main assessments that investors and creditors typically make and a high-level description of types of information that should be provided to help investors and creditors make those assessments, are included in Appendix 2.

2.3 Status of the Practice Statement and assurance requirements

When the original MCPS was released in 2010, the IASB decided to provide guidance on the content of management commentary in the form of a non-binding MCPS, rather than an IFRS Standard because the IASB believed it was up to individual jurisdictions to make their own judgements on:

- whether entities should be required to include management commentary in addition to their IFRS financial statements and whether inclusion is necessary to assert compliance with IFRSs;[17]
- the level of assurance to which management commentary should be subjected.

At its September 2020 meeting, the IASB tentatively decided that the revised MCPS should retain the status of the current MCPS and an entity could state that its financial statements comply with IFRS without preparing a management commentary that complies with the revised MCPS.

In October 2019, the IASB tentatively agreed that the draft disclosure objectives should address verifiability of information by:

- including a description of verifiability based on the *Conceptual Framework for Financial Reporting*; and
- requiring management to distinguish information based on judgement from factual information, and explain the process and sources used to produce the information, describe the assumptions and methods used to calculate the information, and state the limitations of the information.[18]

The IASB also agreed to retain the statement that it does not mandate the level of assurance to which management commentary should be subjected.

17 Refer to IASB Update September 2020 for detail.
18 IASB update October 2019, available at: https://www.ifrs.org/news-and-events/updates/iasb/2019/iasb-update-october-2019/#3.

3. Comparison of the narrative reporting requirements in the identified jurisdictions with the draft disclosure objectives of the revised MCPS

The draft objective of the draft revised MCPS[19] is to:

> "support primary users in assessing an entity's prospects for future cash flows and management's stewardship of the entity's economic resources by providing useful information and analysis which:
>
> (i) enhance the primary users' understanding of the entity's performance and position as depicted in the related financial statements; and
>
> (ii) gives insight into factors that could affect the entity's prospects."

This requires communication of a broad range of information, across multiple content areas including:

- how the external environment, business model, critical resources and relationships and key risks could affect the entity's ability to create value and generate cash flows;
- management's strategy, what they are setting out to achieve and how success will be measured; and
- how the entity has performed, both financially and in achieving its strategy.

3.1 Summary of comparison of revised MCPS with Australian requirements

For some areas, the current requirements in Australia appear to compare well against the forthcoming proposals in the MCPS – for example, risks and financial performance and position, which are the focuses of RG 247. Consideration should be given, however, to whether the revised MCPS may provide further incremental guidance in these areas. The revised MCPS has an additional focus on the effect that identified risks may have on longer-term aspects – for example, the business model and strategy beyond financial performance. The revised MCPS also has more explicit linkage of the financial position and performance to other areas of management commentary such as resources and relationships, and long-term impact aspects.

The revised MCPS includes a broader range of defined content areas and requires more comprehensive coverage of these areas when compared to the current narrative reporting requirements in Australia, including:

- the key resources and relationships – this is the area with the biggest potential gap identified depending how comprehensively entities are approaching their narrative reporting disclosures. RG 247 requires only the key dependencies of the business model to be disclosed while the draft MCPS disclosure objectives require specific information on nature, use, access, availability of the resources and relationships which the business relies upon, and how these are managed by the entity;
- the external environment – while RG 247 requires reflecting the business environment and discussing the factors underlying the performance and position, the draft disclosure objectives require an analysis of key factors and trends, including how they affect the entity and the relevant management response.

The application of other requirements in the MCPS may provide incrementally more information compared to current requirements in Australia:

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19 IASB meeting, March 2020, Agenda Paper 15A, Management Commentary – The objective of management commentary. Available at: https://www.ifrs.org/content/dam/ifrs/meetings/2020/march/iasb/ap15a-mc.pdf.

- the business model – the MCPS provides further guidance and requirements to disclose the key features of the business model, including range, nature, scale and cycle of the entity's operations;
- the strategy – the key differentiator to current Australian requirements is the requirement to disclose how management monitors and measures success in the delivery of the strategy.

Therefore, consideration should be given to whether the draft disclosure objectives would offer report users, including investors and creditors, more comprehensive information that is useful for assessing the prospects for future net cash inflows to the entity and management's stewardship of the entity's economic resources than currently required by the Corporations Act and RG 247 acknowledging existing reference to the MCPS in RG 247.

3.2 Summary of comparison between revised MCPS and overseas jurisdictions

Overall, the reporting requirements in Singapore, South Africa and the UK all rated highly when compared to the draft disclosure objectives. The UK is the only jurisdiction reviewed that comprehensively covered all the main content areas in the draft disclosure objectives. The requirements and guidance of these jurisdictions could be used to help improve the quality of narrative reporting in Australia.

- Singapore guidance rated high in all areas with the exception of resources and relationships, where the focus of the guidance is on resources but not on the external relationships that are critical for long-term value creation. Across all compared jurisdictions, resources and relationships was one of the areas (along with strategy) rated less favourably than other areas of the MCPS.
- In South Africa, the requirements are based on the <IR> Framework. The main limitation of the <IR> Framework, when compared to the draft disclosure objectives, is in relation to the financial performance and position. Financial capital is only one of the six capitals reported in an integrated report, and the <IR> Framework does not contain the same level of guidance as requirements for traditional operating and financial reviews, management discussion and analysis in other jurisdictions, or contained in the draft disclosure objectives.
- The UK requirements scored the highest amongst all compared jurisdictions when compared to the draft disclosure objectives. The content elements of the strategic report align with the main content areas to be included in the revised MCPS, as well as being closely aligned to the <IR> Framework. The accompanying guidance on the strategic report issued by the UK Financial Reporting Council (UK FRC) provides report preparers with detailed guidance on how to prepare the strategic report, including further detail on the purpose, materiality, communication principles and content elements of the strategic report. This document serves as best practice for all entities preparing strategic reports, however, it is not mandatory.

Overall, as noted above, 'strategy' and 'resources and relationships' were the two content areas where reviewed jurisdictions including Australia, on average, compared less favourably against draft MCPS disclosures objectives. This is perhaps not surprising, given the traditional focus of narrative reporting on the narrower scope of the areas related to financial reporting. This is supported by the fact that disclosures in respect of risks, financial performance and position rated higher than average.

The revised MCPS and comparison with overseas jurisdictions represents a useful reference point when considering how to continue to provide comprehensive narrative-reporting guidance to keep the reporting of for-profit entities in line with leading reporting practices, and to offer report users, investors and creditors a more comprehensive understanding of the business.

3.3 Assurance requirements

Germany is the only jurisdiction of those selected where narrative reporting is required to be audited. In Germany, management commentary disclosures made in the management report (or group management report) must be included in the scope of the audit. If it is not audited, the annual financial statements cannot be adopted.

In Australia, an OFR prepared under s299A of the Corporations Act is not required to be audited. However, as per paragraph 14 of the Australian Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information*, the auditor is required to read and consider other information (financial or non-financial information other than the financial report and the auditor's report included in an entity's annual report. The purpose is to determine if there is material inconsistency between the other information and the financial report or the auditor's knowledge obtained in the audit, in the context of audit evidence obtained and conclusions reached in the audit.[20]

ASA 720 also requires the auditor to respond appropriately when a material inconsistency appears to exist between the financial report and other Information, or the other information appears to be materially misstated, or the auditor's understanding of the entity and its environment needs to be updated.

20 ASA 720 conforms with International Standard on Auditing ISA 720 *The Auditor's Responsibilities Relating to Other Information* issued by the International Auditing and Assurance Standards Board (IAASB).

3.4 Summary of narrative reporting requirements by jurisdiction

Table 1 below summarises the key legislation, regulation, listing rules and accompanying guidance that have been identified for each jurisdiction. The table differentiates narrative reporting disclosure requirements between listed for-profit entities (i.e., those with publicly traded securities) and those that are not listed.

Further details of the narrative reporting disclosure requirements for each jurisdiction, including links to each document, are contained in Appendix 1.

Table 1 Overview of key narrative reporting requirements by jurisdiction

	Australia	Canada	Germany	Hong Kong	New Zealand	Singapore	South Africa	United Kingdom	United States
Main source of requirements	Legislation and accompanying regulation	Legislation	Legislation	Legislation	Legislation and listing rules	Listing rules	Listing rules	Legislation	Legislation
Listed entities (mandatory requirements)	Corporations Act – Section 299A ASIC Regulatory Guide 247: Effective disclosures in an Operating and Financial Review 2019 (RG 247)	Form 51-102F1 Management Discussion and Analysis Form 51-102F2 Annual Information Form	German Commercial Code (HGB) – Section 289 and 289c (corporation), or Section 315 and 315c (parent entity) German Accounting Standard No.20 Group Management Report (GAS 20)[21]	The Hong Kong Companies Ordinance (Cap. 622) – Section 388 and Schedule 5 - contents of Directors' Report: Business Review	Companies Act 1993 – Section 211 New Zealand Stock Exchange (NZX) Listing Rules 2020 – Rule 3.8.1 which requires application of the NZX Corporate Governance Code	Rule 1207(4) of the Mainboard Rules of the Singapore Exchange (SGX)	Johannesburg Stock Exchange (JSE) Listing Requirements – Section 7.F.8, which requires application of the King Code, which in turn requires preparation of an integrated report under the International Integrated Reporting Framework 2013	Companies Act 2006 – Part 15, Chapter 4A, Strategic Report	Regulation S-K under the US Securities Act of 1933 Annual report on Form 10-K

21 Only corporations meeting specific criteria are required to add a non-financial declaration to their management report. The criteria used to determine what types of corporations are required to prepare a non-financial declaration are available in sections 289b and 315b of the HGB. In summary, only large corporations are required to prepare a non-financial declaration. Large corporations are those that exceed at least two of the following three characteristics; 1) 20,000,000 euros balance sheet total, 2) 40,000,000 euros in sales in the 12 months before the reporting date, and 3) an annual average of 250 employees. A corporation that is capital market oriented (e.g., a listed corporation) with an annual average of more than 500 employees is also considered to be large.

	Australia	Canada	Germany	Hong Kong	New Zealand	Singapore	South Africa	United Kingdom	United States
Listed entities (voluntary guidance)	ASX Guidance Note 10*:* Review of Operations and Activities: Listing Rule 4.10.17	N/A	N/A	Accounting Bulletin 5 - Guidance for the Preparation and Presentation of a Business Review under the Hong Kong Companies Ordinance Cap.622	ESG Guidance Note issued by the NZX	Practice Note 7.4 Guide for Operating and Financial Review issued by the SGX	N/A	FRC Guidance on the Strategic Report 2018	N/A
Non-listed entities (mandatory requirements)	Corporations Act – Section 299 **Note:** Certain small proprietary companies[22] are exempt from the narrative reporting requirements.	No material narrative reporting requirements identified.	German Commercial Code – Section 289 (corporation), or Section 315 (parent entity) German Accounting Standard No.20 Group Management Report (GAS 20)	The Hong Kong Companies Ordinance (Cap. 622) – Section 388 and Schedule 5 - contents of Directors' Report: Business Review.[23]	Companies Act 1993 – Section 211	No material narrative reporting requirements identified.	No material narrative reporting requirements identified.	Companies Act 2006 – Part 15, Chapter 4A, Strategic Report **Note:** Companies entitled to the small companies' exemption do not have to prepare a strategic report[24].	No material narrative reporting requirements identified.
Non-listed entities (voluntary guidance)	N/A	N/A	N/A	Accounting Bulletin 5 - Guidance for the Preparation and Presentation of a Business Review under the Hong Kong Companies Ordinance Cap.622	NZX Corporate Governance Code ESG Guidance Note issued by the NZX	N/A	KING IV Report on Corporate Governance for South Africa 2016	FRC Guidance on the Strategic Report 2018	N/A
Subject to audit?	No	No	Yes	No	No	No	No	No	No
Forms part of the financial statements?	In all jurisdictions, narrative reporting does not form part of the general purpose financial statements.								

22 A small proprietary company that is controlled by a foreign company may have to comply with certain financial reporting and auditing requirements, as set out in https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/small-proprietary-companies/small-proprietary-companies-controlled-by-a-foreign-company-and-are-not-disclosing-entities/.

23 Companies falling within reporting exemptions are not required to prepare a Business Review. Full details of companies who qualify for the reporting exemption are available at section 359 of Cap 622, at https://www.elegislation.gov.hk/hk/cap622?xpid=ID_1438403544393_002.

24 A company is entitled to the small companies' exemption in relation to the strategic report for a financial year if (a) it is entitled to prepare accounts for the year in accordance with the small companies' regime, or (b) it would be so entitled but for being or having been a member of an ineligible group. See section 414B of the Companies Act 2006 for further details.

3.5 Comparison by jurisdiction

The key legislation, regulations, listing rules and accompanying guidance, as summarised in Table 1 in section 3.4, have been compared (in aggregate focusing on the disclosure objectives) with the draft disclosure objectives of the forthcoming ED on the revised MCPS, to determine the extent of overlap and gaps between the different narrative reporting regimes. Further details of the narrative reporting disclosure requirements for each jurisdiction, including links to each document are contained in Appendix 1.

Comparison has only been performed at the content level, based on the six content areas in the draft disclosure objectives (external environment, business model, strategy, resources and relationships, risks, and performance and position). The aim is to identify potential reference points for further consideration in regard to the narrative reporting in Australia for for-profit entities. The comparison has not considered the alignment and differences in overall reporting objectives, the guiding principles that underpin the preparation of the narrative reporting or how narrative information is presented. The comparison also does not consider if the aggregate requirements in a particular jurisdiction are mandatory or voluntary, nor includes the scope of their application (e.g., whether limited to stock-exchange trade entities or applicable to for-profit entities satisfying certain criteria such as size or certain type or industry of the entity).

An assessment has been made of the strength of alignment of each jurisdiction's narrative reporting requirements with the draft disclosure objectives using judgement. Each jurisdiction's narrative reporting requirements for the main content areas have been classified and colour coded as follows:

- N Navy: No specific requirement to report on the content area was identified.
- B Blue: Requirements to report on the content area were identified, however, may result in disclosures with more than insignificant gaps when compared to the draft disclosure objectives.
- A Aqua-blue: Requirements to report on the content area were identified without significant gaps to the draft disclosure objectives, however, in some cases, may result in minor disclosure gaps.

Table 2 Assessment of the strength of alignment for the main content areas.

Main content area / Jurisdiction	External environment	Business model	Strategy	Resources and relationships	Risks	Performance and position
Australia	B	A	A	B	A	A
Canada	A	A	N	N	B	A
Germany	A	A	N	B	A	A
Hong Kong	A	A	N	A	A	A
New Zealand	A	B	A	B	A	A
Singapore	A	A	A	B	A	A
South Africa	A	A	A	A	A	B
UK	A	A	A	A	A	A

Main content area / Jurisdiction	External environment	Business model	Strategy	Resources and relationships	Risks	Performance and position
USA	A	A	N	N	B	A

Australia

Refer to Section 4 of this Paper for an assessment of the Australian requirements against the draft disclosure objectives.

Canada

The requirements in Canada are driven by filing obligations of the respective provincial securities commissions in each province. Listed entities are required to submit Forms 51-102F1 and 51-102F2 to the respective provincial securities commissions. These forms require a narrative explanation of how the company performed during the period covered by the financial statements, the company's financial condition and future prospects, including known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on the company's business.

The following assessment of the Canadian requirements against the draft disclosure objectives has been based on the information required by Forms 51-102F1 and 51-102F2.

Disclosure objective	Summary of assessment	Rating
External environment	Requirements limited to the discussion to include industry and economic factors affecting performance without link to long-term effect on business model or strategy.	A
Business model	Requirements to describe the business of the company and its operating segments including principal markets, distribution methods, products and services, and availability of inputs.	A
Strategy	No specific focus on communicating strategy, strategic objectives or how the achievement of strategic objectives will be measured.	N
Resources and relationships	No specific requirements in respect of the concept of resources and relationships, outside of financial resources were identified.	N
Risks	Requirements for discussion of financial conditions including important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future. The discussion of the operations needs to focus on commitments, events, risks or uncertainties that will materially affect the company's future performance. However, there is no requirement to discuss how management is managing these identified risks with the exception of specified risks related to financial instruments.	B
Performance and position	Discussion of financial performance, position and cash flow are the primary focus of the requirements. Specific financial information is required to be presented (e.g., total revenue, total assets and total non-current financial liabilities) and there are separate sections providing detailed guidance on assessing the company's liquidity and capital resources.	A

Germany

Under section 289 of the German Commercial Code (HGB),[25] all corporations must prepare a management report, and, under section 315, all parent entities must prepare a group management report, which

25 The German Commercial Code is in German and was translated by AASB staff for the purpose of this Paper.

discusses the course of business, the economic position and expected development of the group, and the opportunities and risks associated with this development.

Additionally, under sections 289c and 315c of the HGB, if the corporation is a large corporation, the management report (or group management report) also needs to include a non-financial statement which discusses environmental matters, employee matters, social matters, respect for human rights and anti-corruption and bribery matters.

The Accounting Standards Committee of Germany has released a standard (GAS 20) which governs management reporting for all parent entities that are required by the HGB to prepare a group management report in accordance with section 315 of the HGB.

The following assessment of German requirements against the draft disclosure objectives has been based on information a company is required to disclose to comply with sections 315 and 315c of the HGB when preparing a group management report and non-financial statement, as well as on the information required by GAS 20.

Disclosure objective	Assessment	Rating
External environment	Discussion on economic position is required to cover the macroeconomic and sector-specific environment. Discussion of the business model needs to include external factors influencing the business (e.g., the legal, political, economic, ecological and social environment).	A
Business model	Discussion is required to include a brief description of the business model. This includes (if necessary) the business purpose, organisational structure, inputs, business processes, products and services, procurement and sales markets, and external factors influencing the business.	A
Strategy	Reporting on strategic objectives and the strategies employed to achieve them in the group management report is voluntary. There is no specific requirement to include this information.	N
Resources and relationships	The inputs needed to perform the business activities (e.g., human resources, materials, purchased services, intangible assets) shall be discussed. Additionally, specific non-financial disclosures are required which cover environmental concerns (e.g., greenhouse gas emissions, water consumption, air pollution, the use of renewable and non-renewable energies, or the protection of biological diversity), workers' concerns (e.g., information on measures taken to ensure gender equality and working conditions), social issues and human rights. These areas are likely to align with some of the key resources and relationships of many organisations, however this may be potentially limited as it does not require the company to make its own assessment of critical resources and relationships on which the business model depends.	B
Risks	Discussion shall include the main risks associated with the company's own business and business relationships, how the company is handling these risks, and any expected developments in the main opportunities and risks, including the underlying assumptions used.	A
Performance and position	Discussion shall include the most important financial and non-financial performance indicators that are important for the business activity, and analysis and explanation with reference to the amounts and information shown in the annual financial statements.	A

Hong Kong

The mandatory disclosure requirements in Hong Kong are contained in section 388 of the Hong Kong Companies Ordinance (Cap 622). Under Cap 622, all companies not falling within reporting exemptions[26] must prepare a directors' report which contains a business review and provides an understanding of the development, performance or position of the company's business.

Detailed guidance to help directors prepare the business review has been issued by the Hong Kong Institute of Certified Public Accountants in its *Accounting Bulletin 5: Guidance for the Preparation and Presentation of a Business Review under the Hong Kong Companies Ordinance Cap. 622* (Accounting Bulletin 5). This guidance is based on the *Reporting Statement: Operating and Financial Review* issued by the UK's Financial Reporting Council (FRC) in 2006. However, in the UK, this statement has been replaced by the FRC's *Guidance on the Strategic Report.*

The following assessment of the Hong Kong requirements against the draft disclosure objectives has been based on information a company is required to disclose in order to comply with Cap 622 and the voluntary guidance in Accounting Bulletin 5.

Disclosure objective	Assessment	Rating
External environment	The review must provide a fair review of the company's business, which includes a discussion on the environment in which it operates. The discussion covers matters such as the reporting entity's major markets and competitive position within those markets, and significant features of the legal, regulatory, macro-economic and social environment that influence the business.	A
Business model	The review of the company's business should include the industry or industries in which the reporting entity operates, its main products, services, customers, business processes and distribution methods, the structure of the business, and its economic model, including an overview of the main operating facilities and their location.	A
Strategy	Describing the financial and non-financial objectives of the business to generate or preserve value over the longer-term is voluntary. There is also no requirement to discuss how management monitors and manages execution of the strategy, and progress in executing strategy.	N
Resources and relationships	The review of the entity's business should include an account of the reporting entity's key relationships with its employees, customers, suppliers and others who have a significant effect on the entity and on which the entity's success depends. Additionally, the description of the business should include a description of resources that are significant to the reporting entity's operations irrespective of whether these resources are recognised in the reporting entity's statement of financial position. For example, the description of the business may refer to corporate reputation and brand strength, natural resources, assembled workforce, distribution or supply chain networks, research and development projects, intellectual capital, licences, patents, copyrights and trademarks where relevant.	A
Risks	The description of the principal risks and uncertainties facing the reporting entity should cover the exposure to negative consequences, as well the directors' policy for managing principal risks and any potential opportunities.	A

26 Companies falling within reporting exemptions are not required to prepare a business review. Full details of companies who qualify for the reporting exemption are available in section 359 of Cap 622, at https://www.elegislation.gov.hk/hk/cap622?xpid=ID_1438403544393_002.

Disclosure objective	Assessment	Rating
Performance and position	Discussion needs to provide an understanding of the development, performance or position of the company's business. This should include an analysis using financial key performance indicators.	A

New Zealand

Under section 211 of the *Companies Act 1993*, the board of a company must communicate the state of the company's affairs, including the nature of the business of the company.

Further reporting requirements for listed companies are contained in the New Zealand Stock Exchange (NZX) Listing Rules and the NZX Corporate Governance Code (NZX Code) which is set out in Appendix 1 of the NZX Listing Rules. Under listing rule 3.8.1(a)-(b), all listed companies must report against the NZX Code. The NZX Code operates on a 'comply or explain' basis (i.e., if a listed company (issuer) does not comply with a recommendation within the NZX Code, it needs to explain why).

Recommendation 4.3 of the NZX Code stipulates that "Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosure at least annually, including considering material exposure to environmental, economic and social sustainability risks and other key risks. It should explain how it plans to manage those risks and how operational or non-financial targets are measured".

The NZX has also issued an ESG Guidance Note identifying Global Reporting Initiative (GRI), Integrated Reporting and the UN Global Compact as the three global frameworks commonly used in Australia and New Zealand.[27]

The following assessment of New Zealand's requirements against the draft disclosure objectives has been based on information a company is required to disclose to comply with both the NZX Code and voluntary ESG Guidance Note.

Disclosure objective	Assessment	Rating
External environment	Discussion should explain the relevance of environmental, social and governance factors to business models and strategy, and explain how ESG issues may affect their business. Listed issuers are encouraged to take a holistic view of how their business fits, noting there are two parts to the equation, the effect a business has on the environment and the effect the environment has on a business.	A
Business model	Discussion should include a balanced and understandable assessment of the business model. However, the requirement does not provide further detail of the content of the disclosure (e.g., what would constitute balanced, understandable and informative assessment of the business model) compared to draft disclosure objectives and may not result in a sufficiently robust business model disclosure.	B
Strategy	Discussion should include a balanced and understandable assessment of the strategic objectives and the progress against meeting them. It should also explain how operational and non-financial targets are measured.	A
Resources and relationships	Discussion should explain how ESG issues may affect the business, e.g., through legislation, reputational damage, employee turnover, licence to operate, legal action or stakeholder relationships, and how these matters may	B

27 In April 2021, the New Zealand Government introduced legislation to make climate-related disclosure mandatory for some organisations, including listed issuers, large registered banks, licensed insurers and managers of registered investment schemes. The reporting would be against a standard that would be issued by the New Zealand External Reporting Board and the standard would be developed in line with the recommendations of Task Force on Climate-related Financial Disclosures (TCFD). For more details, refer to: https://environment.govt.nz/what-government-is-doing/areas-of-work/climate-change/mandatory-climate-related-financial-disclosures/.

Disclosure objective	Assessment	Rating
	affect business strategy and financial and operational performance (also known as 'value mapping'). However, consideration of ESG issues may not fully reflect the scope of the resources and relationships draft MCPS disclosure objective.	
Risks	Discussion should include a description of the material risks facing the business (specifically health and safety risks) and how these risks are being managed.	A
Performance and position	Financial reporting should be accompanied by sufficient explanation and is expressed in a clear and objective manner to help investors to make meaningful investment decisions. This includes a balanced and understandable assessment of the performance and position. Non-financial reporting needs to be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.	A

Singapore

Under listing rule 1207(4) of the Mainboard Rules of the Singapore Exchange (SGX), listed entities (issuers) are required, in as much detail as appropriate, to include a review of the operating and financial performance in the last financial year. This includes a review of business outlook, prospect and risk management policies and processes.

Listed entities are encouraged (but not required) to follow Singapore Exchange Rulebooks Practice Note 7.4 *Guide for Operating and Financial Review* (the OFR Guide) when preparing their operating and financial reviews (OFR).

The following assessment of the Singapore requirements against the draft disclosure objectives has been based on information a company should disclose to comply with the listing rule requirements and the voluntary OFR Guide.

Disclosure objective	Assessment	Rating
External environment	Entities should discuss and interpret the performance and financial condition of the company, in the context of opportunities and risks affecting the operations of the company and known or reasonably expected changes in the environment (such as any significant changes to the legal, social, political and regulatory environments that influence the company) in which it operates.	A
Business model	Entities should describe the main areas of operation of the company's business (including its main products and services, business processes and distribution methods, and intellectual property) as context for the discussion and analysis of performance and financial position.	A
Strategy	The OFR should discuss the objectives for the business and broadly, management's strategy for achieving them.	A
Resources and relationships	The OFR Guide recommends that a commentary on the strengths and resources of the business (to be included in the OFR) that assists the company in the pursuit of its objectives would be useful to the user of the OFR. This could include items that are not reflected in the balance sheet, e. g., corporate reputation and brand equity, licences, patents, copyrights and trademarks, and research and development. However, it does not explicitly cover external relationships.	B
Risks	The OFR should include a discussion identifying the significant opportunities, risks and threats facing the business, together with commentary on the strategies and processes applied to managing them and, in qualitative terms, the nature of their potential effect on performance. Known factors and	A

Disclosure objective	Assessment	Rating
	influences that may have a material effect on future performance and financial position, particularly within the 12 months from the date when the financial statements are authorised for issue, should be discussed.	
Performance and position	The OFR should discuss and interpret the performance and financial condition of the company in the context of opportunities and risks affecting the operations of the company, and known or reasonably expected changes in the environment in which it operates. The OFR should comment on investments and measures to maintain and enhance the position and profitability of the company and identify and explain significant matters which affect the company's financial condition. The OFR should also discuss the capital structure and capital management policies of the company, its treasury policy, the dynamics of the company's financial position and its funding and liquidity position.	A

South Africa

Under listing rule 7.F.8 of the Johannesburg Stock Exchange (JSE), listed entities are required to implement the King Code through the application of the King Code disclosure and application regime, which is currently *KING IV Report on Corporate Governance for South Africa 2016* (King Code). Under the King Code (Part 5.2), the governing body should oversee that the organisation issues an integrated report at least annually.

The King Code uses the International Integrated Reporting Council's definition of an integrated report, from the International Integrated Reporting Framework 2013 (<IR> Framework).

The following assessment of the South African requirements against the draft disclosure objectives has been based on information a company is required to disclose to comply with the content elements of the <IR> Framework being the framework referred to in the King Code.

Disclosure objective	Assessment	Rating
External environment	Discussion should communicate what the organisation does, the circumstances under which it operates, what challenges and uncertainties it is likely to encounter in pursuing its strategy, and identify the potential implications for its business model and future performance.	A
Business model	Discussion should include a description of the organisation's business model, including key inputs, business activities, outputs and outcomes.	A
Strategy	Discussion should communicate where the organisation wants to go and how it intends to get there.	A
Resources and relationships	The concept of the key resources and relationships the organisation depends upon (e.g., financial, manufactured, intellectual, human, social and relationship and natural capital) is woven throughout the report.	A
Risks	Discussion should identify the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how the organisation is dealing with them.	A
Performance and position	Discussion should communicate the extent that the organisation achieved its strategic objectives for the period and what the outcomes were in terms of effects on the capitals. In an integrated report, financial capital is only one of the capitals discussed. No specific disclosure requirements over financial performance, position and cash-flows were identified beyond financial statements. The <IR> Framework does not have that same level of detail requirements for these disclosures compared to the revised MCPS.	B

United Kingdom

Under Chapter 4A of the *Companies Act 2006*, the directors of a company that is not classified as a small company must prepare a strategic report for each financial year. The strategic report must contain a fair review of the company's business, and a description of the principal risks and uncertainties facing the company. Additionally, if the company is a traded (listed) company, a banking company, an authorised insurance company or a company carrying on insurance market activity, the strategic report also needs to include a non-financial information statement containing information on environmental matters; the company's employees; and social, community and human rights issues.

If the company is a large company (i.e., does not qualify as medium-sized or is excluded from being treated as medium-sized as it is ineligible), the strategic report needs to include a statement on how directors have had regard to a number of matters in fulfilling their duty to promote the success of the company (section 172(1)). These matters include consideration of the long-term consequences of decisions, matters affecting the company's employees and other stakeholder relationships, the desirability of the company in maintaining high standards of business conduct, and the need to act fairly between members of the company.

The UK Financial Reporting Council (UK FRC) has issued *Guidance on the Strategic Report* (UK FRC Guidance) to help directors prepare a strategic report. The UK FRC Guidance is intended to serve as best practice for all entities preparing strategic reports. It is not mandatory but is the authoritative guidance that supports the legislative requirements at the request of the UK government.

The following assessment of the UK requirements against the draft disclosure objectives has been based on information a company in scope needs to disclose to comply with the legislative requirements in Chapter 4A of the *Companies Act 2006* and the UK FRC Guidance.

Disclosure objective	Summary of assessment	Rating
External environment	Discussion should include the main trends and factors likely to affect the future development, performance and position of the company's business.	A
Business model	Discussion should include a description of the company's business model. This includes explaining how it generates and preserves value over the longer term and its sources of value, being the key resources and relationships that support the generation and preservation of value.	A
Strategy	Discussion should include a description of the company's strategy for achieving the entity's objectives. Where relevant, linkage to and discussion of key performance indicators (KPIs) should be included to allow an assessment of the entity's progress against its strategy and objectives.	A
Resources and relationships	The strategic report should also include information relating to sources of value, being the key resources and relationships that support the generation and preservation of value. This includes sources of value that have not been recognised in the financial statements and how those sources of value are managed, sustained and developed. Examples of such sources of value are a highly trained or experienced workforce, natural capital, intellectual property or intangible assets, as these are relevant to an understanding of the entity's development, performance, position or future prospects.	A
Risks	Discussion should include a description of the principal risks and uncertainties facing the company, including the risks relating to non-financial matters arising in connection with the company's operations and how it manages the principal risks.	A
Performance and position	The strategic report should provide a balanced and comprehensive analysis of the performance of the company's business during the financial year, and the position of the company's business at the end of that year. The discussion should include an analysis using key financial performance indicators and,	A

Disclosure objective	Summary of assessment	Rating
	where appropriate, other key performance indicators, including those relating to environmental and employee matters.	

United States

The requirements in the USA are similar to those in Canada. The requirements are driven by filing obligations to the US Securities and Exchange Commission (SEC) and are focused on providing a discussion and analysis of the financial condition, changes in financial condition and results of operations.

Under Regulation S-K under the US Securities Act, listed entities are required to submit Form 10-K to the SEC. This form requires a discussion of risk factors, management's discussion and analysis of financial condition, and results of operations.

The following assessment of the US requirements against the draft disclosure objectives has been based on the information required to be disclosed by the SEC Form 10-K.

Disclosure objective	Summary of assessment	Rating
External environment	Discussion should include any known trends or uncertainties that have had or might have a material favourable or unfavourable effect on net sales or revenues or income from continuing operations.	A
Business model	Discussion should include a description of the business done by the entity (and its subsidiaries) including items such as the sources and availability of raw materials (inputs), revenue-generating activities (business activities), products and/or services (outputs) and any key dependencies.	A
Strategy	No specific focus on communicating strategy, strategic objectives or how the achievement of strategy will be measured was identified.	N
Resources and relationships	No specific focus on the concept of resources and relationships was identified.	N
Risks	Discussion should include information about the most significant factors that make an investment in the entity speculative or risky. This includes explaining how the risk affects the entity and a description of the risk. However, no requirements to discuss how management is managing these identified risks were identified.	B
Performance and position	Discussion of financial performance and position is the primary focus of the requirements. There are detailed requirements to discuss liquidity, capital resources, significant transitions, the effect of inflation and material increases in items such as net sales or revenues.	A

4. Comparison of Australian requirements to draft disclosure objectives

In Australia, the management commentary equivalent for entities is contained in the directors’ report. Under section 299 of the Corporations Act all entities (excluding certain small proprietary companies which are exempt from the narrative reporting requirements) are required to prepare a directors’ report containing a review of operations during the year and the results of those operations. There are additional requirements in section 299A (1) of the Corporations Act for listed entities whose directors’ reports must contain information that shareholders would reasonably require to make an informed assessment of the entity’s operations, financial position and business strategies, and prospects for future financial years.

ASIC, Australia's corporate regulator, has issued regulatory guidance RG 247 for directors when preparing disclosures to comply with section 299A (1) of the Corporations Act. RG 247 collectively refers to these disclosure requirements as an 'Operating and financial review' (OFR). RG 247 was first introduced in 2003 and subsequently updated in 2019 to draw attention to non-financial risks noting integrated reporting and other frameworks for consideration for disclosing additional information in this respect. RG 247 also refers to the existing MCPS for consideration to assist in fulfilling the OFR requirements.

Additionally, ASX Listing Rule 4.10.17 requires listed entities to include a review of operations and activities for reporting that complies with Section 299 and 299A of the Corporations Act. The ASX also released a voluntary Guidance Note (GN 10) to assist listed entities in the preparing the review of operations and activities they must give the ASX under listing rule 4.10.17. GN 10 refers entities to the *Guide to the review of Operations of Financial Condition* published by the Group of 100 Incorporated for further assistance. In February 2019, the ASX Corporate Governance Council released the 4th Edition of the ASX *Corporate Governance Principles and Recommendations* (ASX Governance Principles), which confirmed that the principles of integrated reporting can be used in preparing existing reports, for example, the directors' report or the operating and financial review (OFR).

Accordingly, the assessment below for each disclosure objective has been based on information a company in the scope is required to disclose to comply with the legislative requirements in section 299A of the Corporations Act through the application of the guidance on these requirements set out in RG 247.

The relevant Australian reporting requirements are provided in Appendix 1 and details on the draft disclosure objectives are provided in Appendix 2.

The assessment below compares Australian requirements to the draft disclosure objectives consistently with the approach applied to the selected international jurisdictions. As noted in section 1.2, this Paper has focused on the content of disclosures objectives and has not compared disclosure requirements and guidance in their entirety or the actual disclosures resulting from the application of these requirements or how they satisfy user needs as such assessment is beyond the scope of the Paper.

4.1 External environment

Overall strength of RG 247 compared to draft disclosure objectives:

RG 247 recognises that the information presented in the OFR needs to be tailored to reflect the business environment in which the entity operates and discuss the factors underlying its results and financial position. However, there is lack of further guidance how such disclosure objective can be achieved, for example an indication of the level of analysis expected about the effect of the entity's external environment on the entity's business model and strategy. In contrast, the draft disclosure objectives require the report to include an analysis of key factors and trends in the external environment, including how they might affect the entity and how management is responding.

RG 247 requires discussion of external factors such as environmental, social and governance, however this requirement is limited to the discussion how these can impact entity's financial performance or outcomes disclosed from a risk perspective as further discussed in section 4.5. RG 247 requires disclosure of external underlying drivers affecting the entity's performance, while the draft disclosure objectives require also information on trends and factors affecting entity long-term, such as the entity's business model and strategy.

Summary of requirements:

Draft disclosure objectives	RG 247 (relevant extracts)
Management commentary shall provide information to help investors and creditors understand how the environment in which an entity operates affects:	RG 247.25 … An OFR should provide an overview that enables shareholders to understand an entity's business performance and factors underlying its results and financial position…

Draft disclosure objectives	RG 247 (relevant extracts)
• the entity's business model; • management's strategy for sustaining and developing that model or the entity's resources and relationships; or • its risks. That information shall focus on the key factors and trends in the entity's external environment and cover: • a description of those factors and trends; • how those factors and trends affect the entity; and • how management responds to those factors and trends and progress in responding to them.	RG 247.27 An OFR should: … (b) analyse and discuss the effect of transactions and events that have taken place during the reporting period that are relevant to the entity's operations and financial position. … RG 247.40 Information about an entity's operations and financial position should be tailored to reflect the individual circumstances of the entity and the business environment in which it operates.

4.2 Business model

Overall strength of RG 247 compared to draft disclosure objectives:

RG 247 states that the entity's business model should be clearly articulated, including the key features of the business model, such as how the entity generates income or capital growth for shareholders. The draft disclosure objectives provide further guidance on the key features of the business model, including the range, nature and scale of the entity's operations, and the entity's cycle for creating value and generating cash flows.

Summary of requirements:

Draft disclosure objectives	RG 247 (relevant extracts)
Management commentary shall provide information to help investors and creditors understand how the entity's business model creates value and generates cash flows. That information shall focus on the key features of the entity's business model and cover: • the range, nature and scale of the entity's operations; • the entity's cycle for creating value and generating cash flows; • indirect wider consequences or impacts of the entity's operations if they could affect the entity's ability to create value and generate cash flows; and • how management monitors and manages operation of the business model, and progress in managing it.	RG 247. 41 An OFR should describe and provide a review of the operations that the entity undertakes, including the results of these operations, and give details of any significant changes during the reporting period... RG 247.42 An informed understanding of an entity's operations should generally be presented in the context of the entity's business model, and this model should be clearly articulated. This includes explaining the key features of the business model—that is, how the entity makes money and generates income or capital growth for shareholders, or otherwise achieves its objectives. Any key dependencies should be disclosed. These are factors relied on to make money or achieve the entity's objectives…

4.3 Strategy

Overall strength of RG 247 compared to draft disclosure objectives:

Both frameworks are consistent in their requirements to outline the entity's key business strategies (what management sets out to achieve) and the significant plans that are a part of those strategies (how management plans to achieve them) how to sustain and develop the entity's business model in the future. The key enhancement made by the draft disclosure objectives is to require information about how management will monitor and measure success in delivering the strategy. This is an area that RG 247 does not specifically address.

Summary of requirements:

Draft disclosure objectives	RG 247 (relevant extracts)
Management commentary shall provide information to help investors and creditors understand management's strategy for sustaining and developing the entity's business model in the future. That information shall focus on the key aspects of management's strategy and cover: • what drives management's strategy; • what management aims to achieve in the long term; • how management plans to achieve those aims; and • how management monitors and manages execution of the strategy, and progress in executing it.	RG 247.59 Unless an entity is relying on the unreasonable prejudice exemption,[28] an OFR should outline the entity's key business strategies, including significant plans that are a part of those strategies. These may include, for example, the entity's intention to develop or discontinue products or services, its plans to enter new markets or to expand production capacity and market share in existing markets, or its plans to raise funds for the acquisition of a new asset. [footnote added] RG 247.60 Because only information that is reasonably required to make an 'informed assessment' about the matters in s299A needs to be disclosed, in most cases, it should be possible to provide this level of information about strategy without causing unreasonable prejudice to the entity.

4.4 Resources and relationships

Overall strength of RG 247 compared to draft disclosure objectives:

The theme of reporting on the entity's most significant resources, risks and relationships was included in the 2010 MCPS and, since then the concept of resources and relationships has been developed further in integrated reporting through the concept of the 'Six Capitals' (i.e., financial, manufactured, intellectual, social and relationship, human and natural capital).

The draft disclosure objectives have elevated reporting on resources and relationships in response to feedback from investors that key resources and relationships are not adequately addressed in management commentaries.[29] The concept of resources and relationships is not specifically included in RG 247.[30] Although RG 247 requires the key dependencies of the business model to be disclosed, the examples of types of dependencies provided in RG 247 are all related to 'financial' capital – for example, major contracts and the significance of a particular operating segment. RG 247 does not explicitly bring in the concept of 'resources and relationships' or take a broader 'six capitals' approach unless several aspects of RG 247 are combined. For example, there is no recognition in the requirements or guidance

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28 As per RG 247.67, the Corporations Act provides an exemption from disclosing information about business strategies, and prospects for future financial years, if disclosure of that information is likely to result in 'unreasonable prejudice to the entity' (Corporations Act, s299A (3)). RG 247 explains what is 'unreasonable prejudice' in paragraph 247.69:
"We think a useful approach to considering whether the publication of information would result in unreasonable prejudice is to identify the adverse consequences are unreasonable. We suggest that the consequences would be unreasonable if, 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."

29 April 2020, IASB staff paper 15D. Available at: https://cdn.ifrs.org/-/media/feature/meetings/2020/april/iasb/ap15d-managment-commentary.pdf

30 It is possible that some entities would disclose at least some resources and relationships when discussing their business strategies, prospects or risks noting the reference to integrated reporting in this respect in RG 247 (further discussed in section 4.5).

about considering dependencies on employees or the external environment, however, some entities may disclose these in the discussion of environment, social and governance risks (discussed in section 4.5 below).

Summary of requirements:

Draft disclosure objectives	RG 247 (relevant extracts)
Management commentary should provide information to help investors and creditors understand the resources and relationships on which the business model depends, and management's strategy for sustaining and developing that business model. That information and analysis shall focus on the entity's key resources and relationships and cover: • the nature of those resources and relationships; • how those resources and relationships are deployed; • how those resources and relationships are accessed; • what could affect the availability of those resources and the strength of relationships; • how management monitors and manages those resources and relationships, and progress in managing them.	RG 247.42 An informed understanding of an entity's operations should generally be presented in the context of the entity's business model, and this model should be clearly articulated. This includes explaining the key features of the business model – that is, how the entity makes money and generates income or capital growth for shareholders, or otherwise achieves its objectives. Any key dependencies should be disclosed. These are factors relied on to make money or achieve the entity's objectives. An example would be a dependency on an important contract. The significance of particular operating segments to the business as a whole should also be made clear.

4.5 Risks

Overall strength of RG 247 compared to draft disclosure objectives:

RG 247 comes from the perspective of risks that could affect the entity's achievement of financial prospects, whereas the draft disclosure objectives expand on this to include risks that could disrupt the entity's business model, management's strategy for developing and sustaining that model or the entity's resources and relationships – i.e., risks that could affect value creation.

Both require similar levels of disclosure regarding identified risk, including a description of the risks, how management monitors and manages the risks, and how management would mitigate any disruption that occurs. However, RG 247 requires slightly more context on the identified risks.

Once again, it is the broader perspective of value creation and the effect on the entity's resources and relationships taken by the draft disclosure objectives that make these requirements more robust than RG 247. While arguably still enabling a very strong risk disclosure, including through reference to the consideration of integrated reporting in this respect, RG 247 explicitly focuses on risks (including environmental, social and governance risks) that could affect the entity's achievement of its financial performance through reference to 'risks that could affect … the *financial* prospects disclosed' (RG 247, paragraph 63) and therefore potentially limits the disclosure compared to the inclusion of the long-term value creation perspective in the draft disclosure objectives.

Summary of requirements:

Draft disclosure objectives	RG 247 (relevant extracts)
Management commentary shall provide information to help investors and creditors understand the risks that could disrupt: • the entity's business model;	RG 247.63 An OFR should: (a) only include a discussion of the risks that could affect the entity's achievement of the *financial* prospects disclosed, taking into account the

Draft disclosure objectives	RG 247 (relevant extracts)
• management's strategy for developing and sustaining that model; or • the entity's resources and relationships. That information shall focus on the entity's key risks and cover: • a description of those risks and of the entity's exposure to them; and • how management monitors and manages those risks, and progress in managing them; and ○ how management would mitigate disruption if it occurred.	nature and business of the entity and its business strategy; and (b) not contain an exhaustive list of generic risks that might potentially affect a large number of entities. RG 247.64 An OFR should include a discussion of environmental, social and governance risks where those risks could affect the entity's achievement of its *financial* performance or outcomes disclosed, taking into account the nature and business of the entity and its business strategy. RG 247.65 Each risk that is disclosed should: (a) be described in its context (e.g., why the risk is important or significant, and its potential effect on the entity's financial prospects); (b) include any relevant associated analytical comments (e.g., whether the risk is expected to increase or decrease in the foreseeable future); and (c) where the risk relates to factors within the control of management, specify how these factors will be controlled or managed by the entity. RG 237.66 Climate change is a systemic risk that could have a material impact on the future financial position, performance or prospects of entities. Examples of other risks that could have a material impact for particular entities may include digital disruption, new technologies, geopolitical risks and cyber security. Directors may also consider whether it would be worthwhile to disclose additional information that would be relevant under integrated reporting, sustainability reporting or the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), where that information is not already required for the OFR.

4.6 Performance and position

Overall strength of RG 247 compared to draft disclosure objectives:

Reporting on the results of the entity's operations, performance and financial position, is a key focus of RG 247 and detailed guidance and examples are provided. The majority of key areas of the draft disclosure objectives are covered. The draft disclosure objectives link the financial performance and position to ability to create value in the long term which is not explicitly required in RG 247 beyond general requirements to disclose underlying drivers of the financial position and performance.

Summary of requirements:

Draft disclosure objectives	RG 247 (relevant extracts)
Management commentary shall provide information to help investors and creditors understand the entity's performance and position that result from: • operation of the entity's business model; • executing management's strategy; • deploying the entity's resources and relationships; • managing the entity's risks; and • responding to factors and trends in the entity's external environment. That information shall focus on the key facets of performance and position and cover: • what the key facets of performance and position are and how management monitors those key facets; • what affected the entity's performance for the reporting period or could affect it in the future, including over the long term; • what affected the entity's position at the end of the reporting period or could affect it in the future, including over the long term; • how the entity's performance and position reported in its financial statements compare to previous expectations.	**Operations** RG 247.41 An OFR should describe and provide a review of the operations that the entity undertakes, including the results of these operations, and give details of any significant changes during the reporting period. RG 247.43 An OFR should include matters that are relevant to understanding an entity's performance and the factors underlying its results—in other words, the underlying drivers and reasons for the entity's performance. This may include significant factors affecting: (a) the total income and income for major reporting segments, such as new businesses, new major products, new markets, new competitors, acquisitions, discontinued operations, changes in exchange rates, changes in hedging policy, changes in economic and market conditions, and changes in accounting policy; and (b) the significant components of overall expenses and expenses for major operating segments, such as the reasons for changes in impairment losses, restructuring costs, and significant changes in borrowings or borrowing rates. **Financial position** RG 247.45 An OFR should include matters that are relevant to understanding an entity's financial position, including the underlying drivers of, and reasons for, the financial position. This will satisfy the statutory requirement that an OFR must contain information that shareholders would reasonably require to make an informed assessment of the financial position of the entity. The OFR should explain the accounting information and other detail contained in the financial report (rather than simply repeating it). For example, this might include explaining: (a) significant changes in assets and liabilities as a result of major business acquisitions or disposals; (b) changes in the funding or dividend strategy of the entity; and

Draft disclosure objectives	RG 247 (relevant extracts)
	(c) any doubt about the solvency of the entity, or any issues or uncertainties about the entity as a 'going concern'. RG 247.47 Some examples of matters that would be relevant to understanding the entity's financial position that could be disclosed in an OFR include: (a) the effect of any unrecognised or undervalued assets or exposures not required or permitted to be reflected in the financial report under accounting standards, such as material off-balance-sheet items, intangible assets, or financial instruments; and (b) unusual contractual conditions, such as when revenues will only be earned if certain threshold conditions are met.

5. Concluding comments

Based on the compared disclosure objectives and requirements, the Australian risk, financial performance and position disclosure requirements compared well against the draft disclosure objectives in the revised MCPS.

However, it could be considered, subject to further analysis and consultation with stakeholders whether the management commentary that addresses the disclosures objectives in respect of areas such as:

- the external environment in which the entity operates;
- the key resources and relationships the entity relies upon;
- the business model and strategy for the future; and
- how the business has performed against its strategy;

would provide the users of the management commentary, including investors and creditors, with more comprehensive information than they currently receive in the disclosures prepared in accordance with section 299A of the Corporations Act as applied through the guidance in RG 247.

Additionally, the narrative reporting requirements (and accompanying guidance) in overseas jurisdictions such as Singapore, South Africa and the UK may provide useful reference points for consideration.

Appendix 1: Summary of narrative reporting requirements by jurisdiction

The following tables list the relevant narrative reporting requirements in each of the selected jurisdictions that the Paper identified. The requirements are quoted verbatim (see "Extract of Key Requirements") from the standards/legislation in each jurisdiction, except for Germany whose original document is in German and was translated into English by AASB staff for the purpose of this Paper.

Australia

Jurisdiction	Australia
Legislation (or equivalent)	Corporations Act – Section 299A Australian Securities and Investments Commission (ASIC) Regulatory Guide 247: Effective disclosure in an operating and financial review (Aug 2019)
Are the disclosures mandatory?	Yes - The Corporations Act has the force of law, and ASIC's Regulatory Guide is enforced by ASIC, who is Australia's corporate regulator.
Are the disclosures subject to audit	No However, under Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information*, the Auditor is required to read and consider other information which is contained in the same report as the financial statements (i.e. the Directors' Report) to ensure it is not materially inconsistent with the financial report or the auditor's knowledge obtained during the audit.

Extract of key requirements

Corporations Act 2001 - Section 299A:

299A Annual directors' report – general information about operations and activities

1) The directors' report for a financial year must:

   a) contain a review of operations during the year of the entity reported on and the results of those operations; and

   b) give details of any significant changes in the entity's state of affairs during the year; and

   c) state the entity's principal activities during the year and any significant changes in the nature of those activities during the year; and

   d) give details of any matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect: (i) the entity's operations in future financial years; or (ii) the results of those operations in future financial years; or (iii) the entity's state of affairs in future financial years; and

   e) refer to likely developments in the entity's operations in future financial years and the expected results of those operations; and

   f) if the entity's operations are subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory – give details of the entity's performance in relation to environmental regulation.

ASIC's Regulatory Guide 247: Effective disclosure in an operating and financial review:

247.27 An OFR should:

a) concisely present key information about an entity's operations and financial position for the relevant reporting period, including highlighting and summarising particular aspects of any key information disclosed through past continuous disclosure, as needed;

Jurisdiction	Australia

b) analyse and discuss the impact of transactions and events that have taken place during the reporting period that are relevant to the entity's operations and financial position; and

c) provide an overview of the entity's business strategies, and prospects for future financial years.

247.28. An OFR, prepared under s299A, should:

a) contain disclosures tailored to the information needs of shareholders, adapting over time to ensure that the OFR evolves along with the changing needs of shareholders; and

b) provide a narrative overview that enables shareholders to understand an entity's business performance and the factors underlying its results and financial position.

247.30 An OFR should present:

a) A narrative – providing tailored information about an entity's results and financial position. Information in the OFR should be consistent with and complement the financial report;

b) an analysis – providing a reasoned and meaningful description of the underlying drivers of, and the reasons for, an entity's performance, rather than simply restating information that may be readily determined from the financial statements.

247.33 An OFR should highlight, analyse and provide a meaningful discussion of relevant information about an entity's operations, financial position, and business strategies and prospects for future financial years. Much of the information on which the OFR will draw may have already been provided to the market.

Operations

247.41 An OFR should describe and provide a review of the operations that the entity undertakes, including the results of these operations, and give details of any significant changes during the reporting period.

247.42 An informed understanding of an entity's operations should generally be presented in the context of the entity's business model, and this model should be clearly articulated. This includes explaining the key features of the business model – that is, how the entity makes money and generates income or capital growth for shareholders, or otherwise achieves its objectives. Any key dependencies should be disclosed. These are factors relied on to make money or achieve the entity's objectives. An example would be a dependency on an important contract. The significance of particular operating segments to the business as a whole should also be made clear.

247.43 An OFR should include matters that are relevant to understanding an entity's performance and the factors underlying its results – in other words, the underlying drivers and reasons for the entity's performance.

Financial position

247.45 An OFR should include matters that are relevant to understanding an entity's financial position, including the underlying drivers of, and reasons for, the financial position. This will satisfy the statutory requirement that an OFR and must contain information that shareholders would reasonably require to make an informed assessment of the financial position of the entity. The OFR should explain the accounting information and other detail contained in the financial report (rather than simply repeating it).

247.46 An OFR should prominently highlight any qualification by the entity's auditor, or 'emphasis of matter' paragraph, provide the circumstances and explain in clear terms the concerns underlying the audit opinion.

Business strategies

247.59 Unless an entity is relying on the unreasonable prejudice exemption, an OFR should outline the entity's key business strategies, including significant plans that are a part of those strategies. These may include, for example, the entity's intention to develop or discontinue products or services, its plans to enter new markets or to expand production capacity and market share in existing markets, or its plans to raise funds for the acquisition of a new asset.

Prospects for future financial years

247.63 An OFR should:

Jurisdiction	Australia
a) only include a discussion of the risks that could affect the entity's achievement of the financial prospects disclosed, taking into account the nature and business of the entity and its business strategy; and b) not contain an exhaustive list of generic risks that might potentially affect a large number of entities. 247.64 An OFR should include a discussion of environmental and other sustainability risks where those risks could affect the entity's achievement of its financial performance or outcomes disclosed, taking into account the nature and business of the entity and its business strategy. 247.65 Each risk that is disclosed should: a) be described in its context (e.g., why the risk is important or significant, and its potential impact on the entity's financial prospects); b) include any relevant associated analytical comments (e.g., whether the risk is expected to increase or decrease in the foreseeable future); and c) where the risk relates to factors within the control of management, specify how these factors will be controlled or managed by the entity. 247.66 Climate change is a systemic risk that could have a material impact on the future financial position, performance or prospects of entities. Examples of other risks that could have a material impact for particular entities may include digital disruption, new technologies, geopolitical risks and cyber security. Directors may also consider whether it would be worthwhile to disclose additional information that would be relevant under integrated reporting, sustainability reporting or the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), where that information is not already required for the OFR.	
Link to full text:	**Corporations Act 2001:** http://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s299a.html **ASIC's Regulatory Guide 247:** https://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-247-effective-disclosure-in-an-operating-and-financial-review/

Canada

Jurisdiction	Canada
Legislation (or equivalent)	Form 51-102F1 Management's Discussion and Analysis Form 51-102F2 Annual Information Form National Instrument 51-102 Continuous Disclosure Obligations
Are the disclosures mandatory?	Yes
Are the disclosures subject to audit	No
Extract of key requirements ***Form 51-102F1 Management's Discussion and Analysis: Part 2: Contents of Management's Discussion & Analysis*** **1.2 Overall Performance** Provide an analysis of your company's financial condition, financial performance and cash flows. Discuss known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on your company's business. Compare your company's performance in the most recently completed financial year to the prior year's performance. Your analysis should address at least the following:	

Jurisdiction	Canada

(a) operating segments that are reportable segments as those terms are described in the issuer's GAAP;

(b) other parts of your business if; (i) they have a disproportionate effect on revenue, profit or loss or cash needs; or (ii) there are any legal or other restrictions on the flow of funds from one part of your company's business to another;

(c) industry and economic factors affecting your company's performance;

(d) why changes have occurred or expected changes have not occurred in your company's financial condition and financial performance; and

(e) the effect of discontinued operations on current operations.

INSTRUCTIONS

(i) When explaining changes in your company's financial condition and results, include an analysis of the effect on your continuing operations of any acquisition, disposition, write-off, abandonment or other similar transaction.

(ii) A discussion of financial condition should include important trends and risks that have affected the financial statements, and trends and risks that are reasonably likely to affect them in the future.

(iii) Include information for a period longer than two financial years if it will help the reader to better understand a trend.

1.3 Selected Annual Information

1) Provide the following financial data derived from your company's annual financial statements for each of the three most recently completed financial years:

   total revenue;

   (a) profit or loss from continuing operations attributable to owners of the parent, in total and on a per-share and diluted per-share basis;

   (b) profit or loss attributable to owners of the parent, in total and on a per-share and diluted per-share basis;

   (c) total assets;

   (d) total non-current financial liabilities; and

   (e) distributions or cash dividends declared per-share for each class of share.

2) Discuss the factors that have caused period to period variations including discontinued operations, changes in accounting policies, significant acquisitions or dispositions and changes in the direction of your business, and any other information your company believes would enhance an understanding of, and would highlight trends in, financial position and financial performance.

1.4 Discussion of Operations

Discuss your analysis of your company's operations for the most recently completed financial year, including:

(a) total revenue by reportable segment, including any changes in such amounts caused by selling prices, volume or quantity of goods or services being sold, or the introduction of new products or services;

(b) any other significant factors that caused changes in total revenue;

(c) cost of sales or gross profit;

(d) for issuers that have significant projects that have not yet generated revenue, describe each project, including your company's plan for the project and the status of the project relative to that plan, and expenditures made and how these relate to anticipated timing and costs to take the project to the next stage of the project plan;

(e) for resource issuers with producing mines or mines under development, identify any milestone, including, without limitation, mine expansion plans, productivity improvements, plans to develop a new deposit, or

Jurisdiction	Canada

production decisions, and whether the milestone is based on a technical report filed under National Instrument 43-101 *Standards of Disclosure for Mineral Projects*;

(f) factors that caused a change in the relationship between costs and revenue, including changes in costs of labour or materials, price changes or inventory adjustments;

(g) commitments, events, risks or uncertainties that you reasonably believe will materially affect your company's future performance including total revenue and profit or loss from continuing operations attributable to owners of the parent;

(h) effect of inflation and specific price changes on your company's total revenue and on profit or loss from continuing operations attributable to owners of the parent;

(i) a comparison in tabular form of disclosure you previously made about how your company was going to use proceeds (other than working capital) from any financing, an explanation of variances and the impact of the variances, if any, on your company's ability to achieve its business objectives and milestones; and

(j) unusual or infrequent events or transactions.

1.5 Summary of Quarterly Results

Provide the following information in summary form, derived from your company's financial statements, for each of the eight most recently completed quarters:

(a) total revenue;

(b) profit or loss from continuing operations attributable to owners of the parent, in total and on a per-share and diluted per-share basis; and

(c) profit or loss attributable to owners of the parent, in total and on a per-share and diluted per-share basis.

Discuss the factors that have caused variations over the quarters necessary to understand general trends that have developed and the seasonality of the business.

1.6 Liquidity

Provide an analysis of your company's liquidity, including:

(i) its ability to generate sufficient amounts of cash and cash equivalents, in the short term and the long term, to maintain your company's capacity, to meet your company's planned growth or to fund development activities;

(ii) trends or expected fluctuations in your company's liquidity, taking into account demands, commitments, events or uncertainties;

(iii) its working capital requirements;

(iv) liquidity risks associated with financial instruments;

(v) if your company has or expects to have a working capital deficiency, discuss its ability to meet obligations as they become due and how you expect it to remedy the deficiency;

(vi) statement of financial position conditions or profit or loss attributable to owners of the parent or cash flow items that may affect your company's liquidity;

(vii) legal or practical restrictions on the ability of subsidiaries to transfer funds to your company and the effect these restrictions have had or may have on the ability of your company to meet its obligations; and

(viii) defaults or arrears or significant risk of defaults or arrears on (i) distributions or dividend payments, lease payments, interest or principal payment on debt; (ii) debt covenants; and (iii) redemption or retraction or sinking fund payments, and how your company intends to cure the default or arrears or address the risk.

1.7 Capital Resources

Provide an analysis of your company's capital resources, including:

(a) commitments for capital expenditures as of the date of your company's financial statements including:

Jurisdiction	Canada

(i) the amount, nature and purpose of these commitments;

(ii) the expected source of funds to meet these commitments; and

(iii) (expenditures not yet committed but required to maintain your company's capacity, to meet your company's planned growth or to fund development activities;

(b) known trends or expected fluctuations in your company's capital resources, including expected changes in the mix and relative cost of these resources; and

(c) sources of financing that your company has arranged but not yet used.

Note: Associated guidance and disclosure requirements for off-balance-sheet arrangements, transactions between related parties, critical accounting estimates and changes in accounting policies including initial adoption, financial instruments and other instruments have not been reproduced as the level of detail provided is in excess of what is required for the comparison.

1.15 Other MD&A Requirements

(a) Your MD&A must disclose that additional information relating to your company, including your company's AIF if your company files an AIF, is on SEDAR at www.sedar.com.

(b) Your MD&A must also provide the information required in the following sections of National Instrument 51-102, if applicable:

(i) Section 5.3 – Additional Disclosure for Venture Issuers without Significant Revenue

(ii) Section 5.4 – Disclosure of Outstanding Share Data; and

(iii) Section 5.7 – Additional Disclosure for Reporting Issuers and Significant Equity Investees.

Form 51-102F2 Annual Information Form

Item 5 Describe the Business

5.1 General

(1) Describe the business of your company and its operating segments that are reportable segments as those terms are described in the issuer's GAAP. For each reportable segment include:

(a) Summary – For products or services,

(i) their principal markets;

(ii) distribution methods;

(iii) for each of the two most recently completed financial years, as dollar amounts or as percentages, the revenue for each category of products or services that accounted for 15 per cent or more of total consolidated revenue for the applicable financial year derived from

A. sales or transfers to joint ventures in which your company is a participant or to entities in which your company has an investment accounted for by the equity method,

B. sales to customers, other than those referred to in clause A, outside the consolidated entity, and

C. sales or transfers to controlling shareholders;

(iv) if not fully developed, the stage of development of the products or services and, if the products are not at the commercial production stage

A. the timing and stage of research and development programs,

B. whether your company is conducting its own research and development, is subcontracting out the research and development or is using a combination of those methods, and

C. the additional steps required to reach commercial production and an estimate of costs and timing.

Jurisdiction	Canada

(b) Production and Services – The actual or proposed method of production and, if your company provides services, the actual or proposed method of providing services.

(c) Specialized Skill and Knowledge – A description of any specialized skill and knowledge requirements and the extent to which the skill and knowledge are available to your company.

(d) Competitive Conditions – The competitive conditions in your company's principal markets and geographic areas, including, if reasonably possible, an assessment of your company's competitive position.

(e) New Products – If you have publicly announced the introduction of a new product, the status of the product.

(f) Components – The sources, pricing and availability of raw materials, component parts or finished products.

(g) Intangible Properties – The importance, duration and effect of identifiable intangible properties, such as brand names, circulation lists, copyrights, franchises, licences, patents, software, subscription lists and trademarks, on the segment.

(h) Cycles – The extent to which the business of the reportable segment is cyclical or seasonal.

(i) Economic Dependence – A description of any contract upon which your company's business is substantially dependent, such as a contract to sell the major part of your company's products or services or to purchase the major part of your company's requirements for goods, services or raw materials, or any franchise or licence or other agreement to use a patent, formula, trade secret, process or trade name upon which your company's business depends.

(j) Changes to Contracts – A description of any aspect of your company's business that you reasonably expect to be affected in the current financial year by renegotiation or termination of contracts or sub-contracts, and the likely effect.

(k) Environmental Protection – The financial and operational effects of environmental protection requirements on the capital expenditures, profit or loss and competitive position of your company in the current financial year and the expected effect in future years.

(l) Employees – The number of employees as at the most recent financial year-end or the average number of employees over the year, whichever is more meaningful to understand the business.

(m) Foreign Operations – Describe the dependence of your company and any reportable segment upon foreign operations.

(n) Lending – With respect to your company's lending operations, disclose the investment policies and lending and investment restrictions

…

5.2 Risk Factors

Disclose risk factors relating to your company and its business, such as cash flow and liquidity problems, if any, experience of management, the general risks inherent in the business carried on by your company, environmental and health risks, reliance on key personnel, regulatory constraints, economic or political conditions and financial history and any other matter that would be most likely to influence an investor's decision to purchase securities of your company. If there is a risk that securityholders of your company may become liable to make an additional contribution beyond the price of the security, disclose that risk.

INSTRUCTIONS

(i) Disclose the risks in order of seriousness from the most serious to the least serious.

(ii) A risk factor must not be de-emphasized by including excessive caveats or conditions.

Jurisdiction	Canada
Link to full text:	**Form 51-102F1 Management's Discussion and Analysis:** [31] https://www.bcsc.bc.ca/securities-law/law-and-policy/instruments-and-policies/5-ongoing-requirements-for-issuers-insiders/current/51-102/51102f1-managements-discussion--analysis-f1 **Form 51-102F2 Annual Information Form** https://www.bcsc.bc.ca/-/media/PWS/Resources/Securities_Law/Policies/Policy5/51102F2-F-June-30-2015pdf.pdf **National Instrument 51-102 *Continuous Disclosure Obligations*** https://www.bcsc.bc.ca/-/media/PWS/New-Resources/Securities-Law/Instruments-and-Policies/Policy-5/51102-NI-February-9-2021.pdf

Germany

Jurisdiction	Germany
Legislation (or equivalent)	German Commercial Code (HGB) German Accounting Standard No.20 Group Management Report (GAS 20)
Are the disclosures mandatory?	Yes
Are the disclosures subject to audit	Yes

Extract of key requirements

German Commercial Code (HGB):

Management Report - Section 289 Content of the management report

1. In the management report, the course of business including the business result and the position of the corporation are to be presented in such a way that a picture corresponding to the actual circumstances is conveyed. It must contain a balanced and comprehensive analysis of the course of business and the situation of the company that corresponds to the scope and complexity of the business activity.

   The most important financial performance indicators that are important for the business activity must be included in the analysis and explained with reference to the amounts and information shown in the annual financial statements. In addition, the expected development with its main opportunities and risks must be assessed and explained in the management report; underlying assumptions must be stated. The members of the body authorized to represent a corporation within the meaning of section 264 (2) sentence 3 must assure that, to the best of their knowledge, the course of business, including the business results and the situation of the corporation, are presented in the management report in such a way that a picture corresponding to the actual circumstances is conveyed, and that the main opportunities and risks are described in the sense of sentence 4.

2. The management report also discusses:

   1) a) the corporations risk management objectives and methods, including its methods of hedging all major types of transactions that are recognized in hedge accounting, and

31 In Canada, the *National Instrument 51-102 – Continuous Disclosure Obligations* regulates the continuous disclosure and filing requirements for reporting issuers that are not investment funds. Reporting issuers in each province files required forms to the respective provincial securities commissions. Relevant resources and links from the British Columbia Securities Commission were used for the purpose of this Paper.

Jurisdiction	Germany

b) the price change, default and liquidity risks as well as the risks from cash flow fluctuations to which the company is exposed, in each case in relation to the use of financial instruments by the company and insofar as this is relevant for assessing the situation or the expected development;

2) the area of research and development

3) existing branches of the company.

Management Report - 289c Content of the non-financial statement

1. The business model of the corporation must be briefly described in the non-financial declaration within the meaning of Section 289b.
2. The non-financial statement also relates to at least the following aspects:
   1) Environmental concerns, where the information may relate, for example, to greenhouse gas emissions, water consumption, air pollution, the use of renewable and non-renewable energies or the protection of biological diversity,
   2) Workers' concerns, including information on measures taken to ensure gender equality, working conditions, implementation of the basic conventions of the International Labour Organization, respect for workers' rights, information and consultation, social dialogue, respect for trade union rights, health or safety at work,
   3) Social issues, which may relate, for example, to dialogue at local or regional level, or measures taken to ensure the protection and development of local communities.
   4) respect for human rights, which information may relate to, for example, preventing human rights violations, and
   5) the fight against corruption and bribery, whereby the information may refer, for example, to the existing instruments to fight corruption and bribery.
3. Regarding the aspects mentioned in paragraph 2, the non-financial statement must include the information required for an understanding of the course of business, the business result, the situation of the corporation and the effects of its activities on the aspects mentioned in paragraph 2, including:
   1) a description of the concepts followed by the corporation, including the due diligence processes applied by the corporation,
   2) the results of the concepts identified according to figure 1),
   3) the material risks associated with the company's own business and which are likely to have or will have a serious negative impact on the aspects referred to in paragraph 2, as well as the handling of these risks by the company,
   4) the material risks associated with the business relationships of the corporation, its products and services, which are likely to have or will have a serious negative impact on the issues referred to in paragraph 2 insofar as the information is significant and the reporting of these risks is proportionate, as well as the handling of these risks by the corporation,
   5) the most important non-financial performance indicators that are important for the business of the corporation,
   6) Insofar as it is necessary for understanding, information on amounts shown in the annual financial statements and additional explanations.

Group Management Report - Section 315 Content of the Group management report

1. In the group management report, the course of business including the business result and the position of the group are to be presented in such a way that a picture that reflects the actual situation is given. It must contain a balanced and comprehensive analysis of the course of business and the situation of the Group that corresponds to the scope and complexity of the business activity. The most important financial performance indicators for business operations are to be included in the analysis and to be explained with reference to the amounts and disclosures in the consolidated financial statements. In addition, the expected development with

Jurisdiction	Germany
its main opportunities and risks must be assessed and explained in the group management report; underlying assumptions must be stated. The members of the representative body of a parent company within the meaning of section 297 (2) sentence 4 must assure that, to the best of their knowledge, the business performance, including the business results and the situation of the group, are presented in the group management report in such a way that a picture that reflects the actual situation is conveyed, and that the main opportunities and risks are described in the sense of sentence 4. 2. The group management report also discusses: 1) a) the Group's risk management objectives and methods, including its methods of hedging all major types of transactions that are recognized in hedge accounting, and b) the price change, default and liquidity risks as well as the risks from cash flow fluctuations to which the group is exposed, in each case with regard to the use of financial instruments by the group and insofar as this is relevant for assessing the situation or the expected development; 2) the research and development area of the group and 3) essential branches of the companies included in the consolidated financial statements to understand the situation of the group. 3. Paragraph 1 sentence 3 applies accordingly to non-financial performance indicators, such as information about environmental and employee issues, insofar as they are important for understanding the course of business or the situation of the Group. 4. If the parent company or a subsidiary included in the consolidated financial statements is capital market-oriented within the meaning of Section 264d, the key features of the internal control and risk management system with regard to the group accounting process must also be discussed in the group management report. 5. Section 298 (2) on the summary of the notes to the consolidated financial statements and the notes is to be applied accordingly. Group Management Report - Section 315c Content of the non-financial corporate declaration 1. Section 289c shall apply accordingly to the content of the non-financial group declaration. 2. Section 289c (3) applies with the proviso that the information required to understand the course of business, the business result, the situation of the Group and the effects of its activities on the aspects mentioned in Section 289c (2) must be provided. ***German Accounting Standard No.20 Group Management Report (GAS 20):*** GAS 20 governs management reporting for all parent entities that are required by German law to prepare a group management report in accordance with section 315 of the HGB or that do so voluntarily. The Standard sets out in detail the requirements for group management reporting in accordance with section 315 of the HGB.	
Link to full text:	**German Commercial Code (HGB) (translated):** https://translate.googleusercontent.com/translate_c?depth=1andhl=enandprev=searchandrurl=translate.google.com.auandsl=deandsp=nmt4andu=https://www.gesetze-im-internet.de/hgb/BJNR002190897.htmlandusg=ALkJrhgWbvg0q0o1gno1I_bfqBdfUSaNbQ#BJNR002190897BJNG001100306 **German Accounting Standard No.20 Group Management Report (GAS 20):** https://www.drsc.de/en/

Hong Kong

Jurisdiction	**Hong Kong**
Legislation (or equivalent)	The Hong Kong Companies Ordinance (Cap. 622) Schedule 5 Contents of Directors' Report: Business Review Accounting Bulletin 5 - Guidance for the Preparation and Presentation of a Business Review (voluntary guidance)
Are the disclosures mandatory?	Yes - The disclosures required by the Hong Kong Companies Ordinance are mandatory.
Are the disclosures subject to audit	No

Extract of key requirements

Schedule 5: Contents of Directors' Report: Business Review

1. A directors' report for a financial year must contain a business review that consists of:
    a) a fair review of the company's business;
    b) a description of the principal risks and uncertainties facing the company;
    c) particulars of important events affecting the company that have occurred since the end of the financial year; and
    d) an indication of likely future development in the company's business.
2. To the extent necessary for an understanding of the development, performance or position of the company's business, a business review must include:
    a) an analysis using financial key performance indicators;
    b) a discussion on – (i) the company's environmental policies and performance; and (ii) the company's compliance with the relevant laws and regulations that have a significant impact on the company; and
    c) an account of the company's key relationships with its employees, customers and suppliers and others that have a significant impact on the company and on which the company's success depends.

Link to full text:	**The Hong Kong Companies Ordinance (Cap. 622):** https://www.elegislation.gov.hk/hk/cap622?xpid=ID_1438403550726_001 **Guidance for the Preparation and Presentation of a Business Review under the Hong Kong Companies Ordinance Cap 622:** http://app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumeII/ab5.pdf

New Zealand

Jurisdiction	**New Zealand**
Legislation (or equivalent)	Companies Act 1993 – Section 211 NZX Corporate Governance Code (NZX Code) NZX Guidance Note - Environmental, Social and Governance (voluntary guidance)
Are the disclosures mandatory?	Effectively the *Companies Act 1993* has the force of law, and the NZX Code is a 'comply or explain' regime, meaning if an issuer does not adopt the recommendation of the code, it must explain why not. As compliance is commonplace and generally expected, the requirements of the NZX Code have been considered as part of the comparison.

Jurisdiction	New Zealand
Are the disclosures subject to audit	No However under International Standard on Auditing (New Zealand) ASA 720 (Revised) - *The Auditor's Responsibilities Relating to Other Information*, the Auditor is required to read and consider other information which is contained in the same report as the financial statements to ensure it is not materially inconsistent with the financial report or the auditor's knowledge obtained during the audit.

Extract of key requirements

Companies Act 1993 – Section 211 Contents of annual report:

3. Every annual report for a company must be in writing and be dated and, subject to subsection (3), must –

   a) describe, so far as the board believes is material for the shareholders to have an appreciation of the state of the company's affairs and will not be harmful to the business of the company or of any of its subsidiaries, any change during the accounting period in – (i) the nature of the business of the company or any of its subsidiaries; or (ii) the classes of business in which the company has an interest, whether as a shareholder of another company or otherwise

NZX listing rules 2020:

3.8.1 Further to the requirements of Rule 3.7.1, the annual report of an Issuer of Quoted Equity Securities must also contain:

   a) a statement on, or URL link to a statement on, the extent to which the Issuer has followed the recommendations in the NZX Corporate Governance Code during the relevant financial year, and the date at which the corporate governance statement is current (which must be the Issuer's balance date or a later date specified by the entity)

NZX Corporate Governance Code:

Recommendation 4.3 – Financial reporting should be balanced, clear and objective. An issuer should provide non-financial disclosures at least annually, including considering environmental, economic and social sustainability factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board.

Commentary

It is important that every issuer provides disclosure of both financial and non-financial matters affecting it in its annual report, such as its sustainability strategy. Issuers may choose to report more regularly to investors on financial and non-financial matters.

Financial reporting

Financial reporting requirements are prescribed by the Companies Act 1993, Financial Markets Conduct Act 2013 and the Listing Rules. An issuer should ensure that financial reporting is accompanied by sufficient explanation and is expressed in a clear and objective manner to help investors to make meaningful investment decisions. An issuer should communicate a balanced and understandable assessment of its performance, business model, strategic objectives and progress against meeting them. Changes in financial disclosure should be explained and allowed with historical comparison.

Issuer reporting should:

- be linked to the issuer's business model, be genuinely informative and include forward-looking elements where this will enhance understanding;
- describe the issuer's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities (refer to recommendation 6.1 below);

Jurisdiction	New Zealand
• be accessible and appropriately integrated with other information that enables shareholders to obtain a picture of the whole organisation; • use key performance indicators that are linked to strategy and facilitate comparisons; and • use objective metrics where they apply and evidence-based estimates where they do not. Non-financial reporting As a step towards long-term value creation, an issuer should determine the appropriate level of non-financial reporting to form part of its disclosure regime. While this non-financial reporting should include consideration of material environmental, social and governance (ESG) factors and practices, it could also include other non-financial disclosure, such as a description of the performance of the issuer's business against its strategic objectives. Companies should communicate a balanced and understandable assessment of the company's performance, business model, strategic objectives and progress against meeting them. ***Recommendation 6.1 –*** An issuer should have a risk management framework for its business and the issuer's board should receive and review regular reports. An issuer should report the material risks facing the business and how these are being managed. ***Recommendation 6.2 –*** An issuer should disclose how it manages its health and safety risks and should report on its health and safety risks, performance and management. **NZX Guidance Note - Environmental, Social and Governance:** Issuers may wish to consider reporting as follows: 1. Explain the relevance of environmental, social and governance factors to their business models and strategy. These factors should not be 'bolt-on' but an integrated component of business drivers and considerations. 2. Explain how ESG issues may affect their business, e.g. through legislation, reputational damage, employee turnover, licence to operate, legal action or stakeholder relationships, and how these impacts may affect business strategy and financial and operational performance (also known as 'value mapping'). 3. Explain how they intend to access the new opportunities and revenue streams generated by green and socially beneficial products and services. In this context they should explain how their investments in innovation and R&D will drive future growth for the business. 4. Identify the parts of the business that manufacture or provide goods, products and services delivering environmental solutions and supporting the transition to a low carbon economy; and break down and quantify the associated revenues. 5. Provide data that is accurate, timely, aligned with their fiscal year and business ownership model, and based on consistent global standards to facilitate comparability. 6. Recognise that reporting is just one part of the wider dialogue they have with their investors. ESG reporting, irrespective of the specific format, provides a basis for dialogue with investors and other key stakeholders but is not a replacement for it.	
Link to full text:	**Companies Act 1993:** http://www.legislation.govt.nz/act/public/1993/0105/latest/whole.html#DLM321118 **NZX Listing Rules 2020** https://www.nzx.com/regulation/nzx-rules-guidance/main-board-debt-market-rules **NZX Corporate Governance Code:** https://www.nzx.com/regulation/nzx-rules-guidance/corporate-governance-code **NZX Guidance Note - Environmental, Social and Governance:**

Jurisdiction	New Zealand
	https://s3-ap-southeast-2.amazonaws.com/nzx-prod-c84t3un4/comfy/cms/files/files/000/002/940/original/Amended_NZX_ESG_Guidance_Note_-_11_December_2017_%28final_for_publication%29.pdf

Singapore

Jurisdiction	Singapore
Legislation (or equivalent)	Rule 1207(4) of the Listing Manual of the Singapore Exchange. Practice Note 7.4 Guide for Operating and Financial Review (OFR Guide) (voluntary guidance)
Are the disclosures mandatory?	Yes – The disclosure required by Rule 1207(4) are mandatory for organisations listed on the Singapore Exchange
Are the disclosures subject to audit	No

Extract of key requirements

Rule 1207(4) General Information:

a) A review, in as much detail as appropriate, of the operating and financial performance of the issuer and its principal subsidiaries in the last financial year.

b) The review must include each of the following: (i) Any development subsequent to the release of the issuer's preliminary financial statement, which would materially affect the issuer's operating and financial performance; (ii) An analysis of the business outlook; (iii) Prospectus-type information relating to the background of directors and key management staff; and (iv) Prospectus-type information relating to risk management policies and processes.

c) Issuers are encouraged (but not required) to follow the OFR Guide when preparing their reviews.

Practice Note 7.4 Guide for Operating and Financial Review (OFR Guide)

1. The OFR should focus on matters that are relevant to investors. It should be easy for users of financial reports to understand.
2. The OFR should describe the nature of the company, its objectives and broad strategies, and explain the main areas of operation of the company's business, as context for the discussion and analysis of performance and financial position. The discussion in the OFR should cover the group business of the listed company, including its principal subsidiaries.
3. The key financial and non-financial performance indicators used by management to assess the company and its performance should be discussed.
4. The OFR should discuss the significant features of performance for the period covered by the financial report, focusing on the overall company as well as those business or geographic segments that are relevant to an understanding of the performance as a whole.
5. The OFR should discuss the dynamics and risk factors of the business.
6. The OFR should comment on investments and measures to maintain and enhance the position and profitability of the company.
7. The OFR should identify and explain significant matters which affect the company's financial condition. It should discuss the capital structure and capital management policies of the company, its treasury policy, the dynamics of the company's financial position and its funding and liquidity position.
8. The OFR should discuss the overall return attributable to shareholders, including distributions and share repurchases.

Jurisdiction	Singapore
Note: Only the principles have been reproduced, each principle is underpinned by specific guidelines which provide more insight into specific information recommended to be disclosed.	
Link to full text:	**Listing rule 1207:** http://rulebook.sgx.com/rulebook/1207 **Practice Note 7.4 Guide for Operating and Financial Review:** http://rulebook.sgx.com/rulebook/practice-note-74-guide-operating-and-financial-review

South Africa

Jurisdiction	South Africa
Legislation (or equivalent)	JSE Listing Requirements – Section 7.F.8 KING IV Report on Corporate Governance South Africa 2016 (King Code) International Integrated Reporting Framework (<IR> Framework)
Are the disclosures mandatory?	Yes - Application of the King Code is now on an 'apply and explain' basis, previously it was 'apply or explain.'
Are the disclosures subject to audit	No

Extract of key requirements

JSE Listing requirements

King Code

7.F.8 An applicant issuer must implement the King Code through the application of the King Code disclosure and application regime.

KING IV Report on Corporate Governance South Africa 2016

Part 5.2 - Strategy, Performance and Reporting

12. The governing body should oversee that the organisation issues an integrated report at least annually, which is either:

a) a standalone report which connects the more detailed information in other reports and addresses, at a high level and in a complete, concise way, the matters that could significantly affect the organisation's ability to create value; or

b) a distinguishable, prominent and accessible part of another report which also includes the annual financial statements and other reports that must be issued in compliance with legal provisions.

Glossary of terms

Integrated report: A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term, (International Integrated Reporting Framework, 2013)

International Integrated Reporting Framework: Content elements:

Organizational overview and external environment:

4.4 An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?

Governance:

<table>
<tr><th>Jurisdiction</th><th>South Africa</th></tr>
<tr><td colspan="2">
4.8 An integrated report should answer the question: How does the organization’s governance structure support its ability to create value in the short, medium and long term?

Business model:

4.10 An integrated report should answer the question: What is the organization’s business model?

Risks and opportunities:

4.23 An integrated report should answer the question: What are the specific risks and opportunities that affect the organization’s ability to create value over the short, medium and long term, and how is the organization dealing with them?

Strategy and resource allocation:

4.27 An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?

Performance:

4.30 An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

Outlook:

4.34 An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

Basis of presentation:

4.40 An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?
</td></tr>
<tr><td>Link to full text:</td><td>JSE Listing requirements:

https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf

KING IV Report on Corporate Governance South Africa 2016:

https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/IoDSA_King_IV_Report_-_WebVersion.pdf

International Integrated Reporting Framework:

https://integratedreporting.org/resource/international-ir-framework/</td></tr>
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United Kingdom

Jurisdiction	United Kingdom
Legislation (or equivalent)	Companies Act 2006 (incorporating the changes from Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013, The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016, The Companies (Miscellaneous Reporting) Regulations 2018) FRC Guidance on the Strategic Report 2018 (voluntary guidance)
Are the disclosures mandatory?	Yes - The disclosures required by the Companies Act 2006 are mandatory.
Are the disclosures subject to audit	No

Extract of key requirements

Companies Act 2006 - Part 15 - Annual Accounts and Reports - Chapter 4A Strategic Report:

414C - Contents of strategic report

1) The purpose of the strategic report is to inform members of the company and help them assess how the directors have performed their duty under section 172 (duty to promote the success of the company).
2) The strategic report must contain –
   a) a fair review of the company's business, and
   b) a description of the principal risks and uncertainties facing the company.
3) The review required is a balanced and comprehensive analysis of –
   a) the development and performance of the company's business during the financial year, and
   b) the position of the company's business at the end of that year, consistent with the size and complexity of the business.
4) The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include –
   a) analysis using financial key performance indicators, and
   b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.
5) In subsection (4), "key performance indicators" means factors by reference to which the development, performance or position of the company's business can be measured effectively.
6) Where a company qualifies as medium-sized in relation to a financial year (see sections 465 to 467), the review for the year need not comply with the requirements of subsection (4) so far as they relate to non-financial information.
7) In the case of a quoted company the strategic report must, to the extent necessary for an understanding of the development, performance or position of the company's business, include –
   a) the main trends and factors likely to affect the future development, performance and position of the company's business, and
   b) information about – (i) environmental matters (including the impact of the company's business on the environment), (ii) the company's employees, and (iii) social, community and human rights issues, including information about any policies of the company in relation to those matters and the effectiveness of those policies.
8) In the case of a quoted company the strategic report must include –
   a) a description of the company's strategy,

Jurisdiction	United Kingdom

b) a description of the company's business model,

c) a breakdown showing at the end of the financial year – (i) the number of persons of each sex who were directors of the company; (ii) the number of persons of each sex who were senior managers of the company (other than persons falling within sub-paragraph (i)); and (iii) the number of persons of each sex who were employees of the company.

9) In subsection (8), "senior manager" means a person who –

a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and

b) is an employee of the company.

10) In relation to a group strategic report –

a) the reference to the company in subsection (8)(c)(i) is to the parent company; and

b) the breakdown required by subsection (8)(c)(ii) must include the number of persons of each sex who were the directors of the undertakings included in the consolidation.

11) The strategic report may also contain such of the matters otherwise required by regulations made under section 416(4) to be disclosed in the directors' report as the directors consider are of strategic importance to the company.

12) The report must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.

13) Subject to paragraph (10), in relation to a group strategic report this section has effect as if the references to the company were references to the undertakings included in the consolidation.

14) Nothing in this section requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the interests of the company.

414CB Contents of non-financial information statement

1) The non-financial information statement must contain information, to the extent necessary for an understanding of the company's development, performance and position and the impact of its activity, relating to, as a minimum –

a) environmental matters (including the impact of the company's business on the environment),

b) the company's employees,

c) social matters,

d) respect for human rights, and

e) anti-corruption and anti-bribery matters.

2) The information must include –

a) a brief description of the company's business model,

b) a description of the policies pursued by the company in relation to the matters mentioned in subsection (1)(a) to (e) and any due diligence processes implemented by the company in pursuance of those policies,

c) a description of the outcome of those policies,

d) a description of the principal risks relating to the matters mentioned in subsection (1)(a) to (e) arising in connection with the company's operations and, where relevant and proportionate – (i) a description of its business relationships, products and services which are likely to cause adverse impacts in those areas of risk, and (ii)a description of how it manages the principal risks, and

e) a description of the non-financial key performance indicators relevant to the company's business.

Jurisdiction	United Kingdom
3) In subsection (2)(e), "key performance indicators" means factors by reference to which the development, performance or position of the company's business, or the impact of the company's activity, can be measured effectively. 4) If the company does not pursue policies in relation to one or more of the matters mentioned in subsection (1)(a) to (e), the statement must provide a clear and reasoned explanation for the company's not doing so. 5) The statement must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts. 6) If information required by subsections (1) to (5) to be included in the statement is published by the company by means of a national, EU-based or international reporting framework, the statement must specify the framework or frameworks used, instead of including that information. 8) In relation to a group non-financial information statement, this section has effect as if the references to the company were references to the undertakings included in the consolidation. 9) Nothing in this section requires the disclosure of information about impending developments or matters in the course of negotiation if the disclosure would, in the opinion of the directors, be seriously prejudicial to the commercial interests of the company, provided that the non-disclosure does not prevent a fair and balanced understanding of the company's development, performance or position or the impact of the company's activity.	
Link to full text:	**Companies Act 2006:** https://www.legislation.gov.uk/ukpga/2006/46/section/414C **FRC Guidance on the Strategic Report 2018:** https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf

United States

Jurisdiction	USA
Legislation (or equivalent)	Regulation S-K under the US Securities Act of 1933
Are the disclosures mandatory?	Yes
Are the disclosures subject to audit	No (MD&A is not required to be audited. However, disclosures to financial statements are required to be audited)
Extract of key requirements **229.101 (Item 101) Description of business.** (C) Description of business Describe the business done and intended to be done by the registrant and its subsidiaries, focusing upon the registrant's dominant segment or each reportable segment about which financial information is presented in the financial statements. When describing each segment, only information material to an understanding of the business taken as a whole is required. Disclosure may include, but should not be limited to, the information specified in paragraphs (c)(1)(i) through (v) of this section. (i) Revenue-generating activities, products and/or services, and any dependence on revenue-generating activities, key products, services, product families or customers, including governmental customers;	

Jurisdiction	USA

(ii) Status of development efforts for new or enhanced products, trends in market demand and competitive conditions;

(iii) Resources material to a registrant's business, such as:

(A) Sources and availability of raw materials; and

(B) The duration and effect of all patents, trademarks, licenses, franchises, and concessions held;

(iv) A description of any material portion of the business that may be subject to renegotiation of profits or termination of contracts or subcontracts at the election of the Government; and

(v) The extent to which the business is or may be seasonal.

Section 229.105 (Item 105) Risk factors:

Where appropriate, provide under the caption "Risk Factors" a discussion of the most significant factors that make an investment in the registrant or offering speculative or risky. This discussion must be concise and organized logically. Do not present risks that could apply generically to any registrant or any offering.

Explain how the risk affects the registrant or the securities being offered. Set forth each risk factor under a sub caption that adequately describes the risk. If the risk factor discussion is included in a registration statement, it must immediately follow the summary section.

Section 229.303 (Item 303) Management's discussion and analysis of financial condition and results of operations:

Full fiscal years.

Discuss registrant's financial condition, changes in financial condition and results of operations.

The discussion shall provide information as specified in paragraphs (a)(1) through (5) of this Item and also shall provide such other information that the registrant believes to be necessary to an understanding of its financial condition, changes in financial condition and results of operations. Discussions of liquidity and capital resources may be combined whenever the two topics are interrelated. Where in the registrant's judgment a discussion of segment information and/or of other subdivisions (e.g., geographic areas) of the registrant's business would be appropriate to an understanding of such business, the discussion shall focus on each relevant, reportable segment and/or other subdivision of the business and on the registrant as a whole.

2) Liquidity. Identify any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. If a material deficiency is identified, indicate the course of action that the registrant has taken or proposes to take to remedy the deficiency. Also identify and separately describe internal and external sources of liquidity, and briefly discuss any material unused sources of liquid assets.

3) Capital resources.

(i) Describe the registrant's material commitments for capital expenditures as of the end of the latest fiscal period, and indicate the general purpose of such commitments and the anticipated source of funds needed to fulfil such commitments.

(ii) Describe any known material trends, favourable or unfavourable, in the registrant's capital resources. Indicate any expected material changes in the mix and relative cost of such resources. The discussion shall consider changes between equity, debt and any off-balance-sheet financing arrangements.

4) Results of operations.

(i) Describe any unusual or infrequent events or transactions or any significant economic changes that materially affected the amount of reported income from continuing operations and, in each case, indicate the extent to which income was so affected. In addition, describe any other significant components of revenues or expenses that, in the registrant's judgment, should be described in order to understand the registrant's results of operations.

Jurisdiction	USA
(ii)	Describe any known trends or uncertainties that have had or that the registrant reasonably expects will have a material favourable or unfavourable impact on net sales or revenues or income from continuing operations. If the registrant knows of events that will cause a material change in the relationship between costs and revenues (such as known future increases in costs of labour or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.
(iii)	To the extent that the financial statements disclose material increases in net sales or revenues, provide a narrative discussion of the extent to which such increases are attributable to increases in prices or to increases in the volume or amount of goods or services being sold or to the introduction of new products or services.
(iv)	For the three most recent fiscal years of the registrant or for those fiscal years in which the registrant has been engaged in business, whichever period is shortest, discuss the impact of inflation and changing prices on the registrant's net sales and revenues and on income from continuing operations.
Note: Disclosure requirements for off-balance-sheet arrangements and tabular disclosure of contractual obligations.	
Link to full text:	**Regulation S-K:** https://www.ecfr.gov/cgi-bin/text-idx?SID=f2333ccefa22beb6a9b19c9d4ff6ea89andmc=trueandtpl=/ecfrbrowse/Title17/17tab_02.tpl

Appendix 2: Draft disclosure objectives of the forthcoming ED (July 2020)

Main content areas

The summaries below are based on information obtained from the publicly available IASB staff papers as at July 2020[32], however this does not constitute final proposals including changes made by the IASB Board prior to the release of forthcoming ED.

As of July 2020, six disclosure objectives have been drafted. These draft disclosure objectives are intended to support the overall objective of management commentary and are designed to help management identify information and analysis that needs to be included in the management commentary for each main content area. The disclosure objectives for each content area are summarised below.

External environment

Disclosure objective	External Environment (previously operating environment)
Headline objective	Management commentary shall provide information to help investors and creditors understand how the environment in which an entity operates affects: the entity's business model; management's strategy for sustaining and developing that model or the entity's resources and relationships; or its risks.
A description of the main assessments that investors and creditors typically make	That information helps investors and creditors assess: (i) how factors and trends in the external environment affect the entity; and (ii) how effectively management monitors and responds to factors and trends in the external environment.
A high-level description of types of information that should be provided to help investors and creditors make those assessments	That information shall focus on the key factors and trends in the entity's external environment and cover: (i) a description of those factors and trends; (ii) how those factors and trends affect the entity; and (iii) how management responds to those factors and trends and progress in responding to them.

32 July 2020, International Accounting Standards Board meeting, AP 15: Cover paper. Available at: https://cdn.ifrs.org/-/media/feature/meetings/2020/july/iasb/ap15-management-commentary.pdf.

Business model

Disclosure objective	Business model
Headline objective	Management commentary shall provide information to help investors and creditors understand how the entity's business model creates value and generates cash flows.
A description of the main assessments that investors and creditors typically make	That information helps investors and creditors assess: (i) how effective the entity's business model is in creating value and generating cash flows; (ii) how scalable it is; and (iii) how resilient, adaptable and durable it is.
A high-level description of types of information that should be provided to help investors and creditors make those assessments	That information shall focus on the key features of the entity's business model and cover: (i) the range, nature and scale of the entity's operations; (ii) the entity's cycle for creating value and generating cash flows; (iii) indirect wider consequences or impacts of the entity's operations if they could affect the entity's ability to create value and generate cash flows; and (iv) how management monitors and manages operation of the business model, and progress in managing it.

Strategy

Disclosure objective	Strategy
Headline objective	Management commentary shall provide information to help investors and creditors understand management's strategy for sustaining and developing the entity's business model in the future.
A description of the main assessments that investors and creditors typically make	That information helps investors and creditors assess: (i) the potential impact of the strategy on the entity's ability to generate cash flows; and (ii) the entity's ability to execute the strategy.
A high-level description of types of information that should be provided to help investors and creditors make those assessments	That information shall focus on the key aspects of management's strategy and cover: (i) what drives management's strategy; (ii) what management aims to achieve in the long term; (iii) how management plans to achieve those aims; and (iv) how management monitors and manages execution of the strategy, and progress in executing it.

Resources and relationships

Disclosure objective	Resources and relationships
Headline objective	Management commentary should provide information to help investors and creditors understand the resources and relationships on which the business model and management's strategy for sustaining and developing that business model depend.
A description of the main assessments that investors and creditors typically make	That information helps investors and creditors assess: (i) how much the entity depends on particular resources or relationships; and (ii) whether those resources are likely to continue to be available and whether the relationships are likely to strengthen and continue.
A high-level description of types of information that should be provided to help investors and creditors make those assessments	That information and analysis shall focus on the entity's key resources and relationships and cover: (i) the nature of those resources and relationships; (ii) how those resources and relationships are deployed; (iii) how those resources and relationships are accessed; (iv) what could affect the availability of those resources and the strength of relationships; (v) how management monitors and manages those resources and relationships, and progress in managing them.

Risks

Disclosure objective	Risks
Headline objective	Management commentary shall provide information to help investors and creditors understand the risks that could disrupt: the entity's business model; management's strategy for developing and sustaining that model; or the entity's resources and relationships.
A description of the main assessments that investors and creditors typically make	That information helps investors and creditors assess: (i) the magnitude and likelihood of potential future disruption to the entity's ability to create value and generate cash flows; and (ii) how effectively management identifies and manages risks.
A high-level description of types of information that should be provided to help investors and creditors make those assessments	That information shall focus on the entity's key risks and cover: (i) a description of those risks and of the entity's exposure to them; and (ii) how management monitors and manages those risks, and progress in managing them; and (iii) how management would mitigate disruption if it occurred.

Performance and position[33]

Disclosure objective	Performance and position
Headline objective	Management commentary shall provide information to help investors and creditors understand the entity's performance and position that result from: (i) operation of the entity's business model; (ii) executing management's strategy; (iii) deploying the entity's resources and relationships; (iv) managing the entity's risks; and (v) responding to factors and trends in the entity's external environment.
A description of the main assessments that investors and creditors typically make	That information helps investors and creditors assess: (i) the key drivers of an entity's performance and position; (ii) the extent to which the entity's performance and position reported in its financial statements are indicative of the entity's ability to create value and generate cash flows in the future; and (iii) how the entity's performance and position reported in its financial statements compare to previous expectations.
A high-level description of types of information that should be provided to help investors and creditors make those assessments	That information shall focus on the key facets of performance and position and cover: (i) what the key facets of performance and position are and how management monitors those key facets; (ii) what affected the entity's performance for the reporting period or could affect it in the future, including over the long term; (iii) what affected the entity's position at the end of the reporting period or could affect it in the future, including over the long term; (iv) how the entity's performance and position reported in its financial statements compare to previous expectations.

33 The Table reflects the proposed wording in July 2020 IASB agenda paper 15. The IASB Board tentatively decided in its July 2020 meeting on amended disclosure objective for performance and position as follows:

a. management commentary should provide information to help investors and creditors understand the entity's performance and position;
b. investors and creditors use information about the entity's performance and position to assess:
    i. the key drivers of the entity's performance and position;
    ii. the extent to which the entity's performance and position reported in its financial statements are indicative of the entity's ability to create value and generate cash flows in the future; and
    iii. how the entity's performance and position reported in its financial statements compare with previous expectations; and
c. information about the entity's performance and position should focus on the key facets of performance and position and cover:
    i. what the key facets of performance and position are and how management monitors those key facets;
    ii. what affected the entity's performance for the reporting period or could affect performance in the future, including over the long term;
    iii. what affected the entity's position at the end of the reporting period or could affect the position in the future, including over the long term; and
    iv. how the entity's performance and position reported in its financial statements compare with previous expectations.

For details of the IASB tentative decisions in its July meeting, refer to: https://www.ifrs.org/news-and-events/updates/iasb/2020/iasb-update-july-2020/#2.