



<b>Project:</b>	<b>Service Performance Reporting</b>	<b>Meeting</b>	May 2023 (M195)
<b>Topic:</b>	<b>Supporting document: Supplementary information about potential baselines</b>	<b>Agenda Item:</b>	4.4
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		<b>Project Priority:</b>	Medium
		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	Project planning

## Objective of this paper

1. The objective of this Paper is to supplement Agenda Paper 4.3 by **providing** the Board with **additional information** about a range of frameworks and other potential project baselines that address aspects of service performance reporting. The material is for information purposes only.

## Structure

2. The remainder of this Paper is structured as follows:
  - (a) Background and introduction (paragraphs 3 to 6)
  - (b) Appendix: Supplementary information about frameworks that address aspects of service performance reporting:
    - (i) Section 1: Frameworks applicable to NFP public sector entities – in particular, narrative reporting requirements by jurisdiction (Australia, Canada, New Zealand, South Africa, United Kingdom, USA, and International [i.e. International Public Sector Accounting Standards Board (IPSASB)])
    - (ii) Section 2: Frameworks applicable to NFP private sector entities – in particular, narrative reporting requirements by jurisdiction (Australia, Canada, New Zealand, United Kingdom, and United States)
    - (iii) Section 3: Frameworks applicable to for-profit entities – in particular, narrative reporting requirements by jurisdiction (Australia, Canada, Germany, Hong Kong, New Zealand, Singapore, South Africa, United Kingdom, and United States)
    - (iv) Section 4: Other potential baselines not included in sections 1 to 3:
      - (1) Section 4.1: Implementation experience with IPSASB Recommended Practice Guide RPG 3 *Reporting Service Performance Information*
      - (2) Section 4.2: The Productivity Commission’s Report on Government Services (RoGS) framework
      - (3) Section 4.3: Australian State, Territory and Local Government frameworks
      - (4) Section 4.4: The Integrated Reporting <IR> framework
      - (5) Section 4.5: International Accounting Standards Board (IASB) Practice Statement 1: *Management Commentary* and proposed improvements
      - (6) Section 4.6: Chartered Institute of Public Finance and Accountancy’s (CIPFA)

International Financial Reporting for Non-Profit Organisations (INFR4NPO) initiative: International Non-Profit Accounting Guidance Part 1 Invitation to Comment (INPAG ED1)

- (7) Section 4.7: UK Financial Reporting Council (FRC) Charities Statement of Recommended Practice (SORP) *Accounting and Reporting by Charities* and the current review of impact reporting
- (8) Section 4.8: Recent Australian Charities and Not-for-profit Commission's (ACNC) requirements and guidance on reporting of charities' programs
- (9) Section 4.9: Current practice in Australia
- (10) Section 4.10: Australian Securities Exchange's (ASX) Guidance Note 10 *Review of Operations and Activities: Listing Rule 4.10.17*

## Background and introduction

3. In addition to noting 'green fields' and AASB ED 270 *Reporting Service Performance Information* as alternative baselines for the Service Performance Reporting project, Appendix A and its accompanying Table in Agenda Paper 4.3 identify a non-exhaustive number of other potential baselines could be adopted.
4. As indicated in paragraph A4 of Appendix A in Agenda Paper 4.3, many frameworks are (at least at this stage) rejected outright as reasonably feasible baselines because they fail to satisfy at least one of the substantial selection Criteria identified in paragraph 10 of that Paper. Accordingly, Agenda Paper 4.3 gives further consideration to only the NZ PBE FRS 48, RoGS and INPAG ED1 frameworks (in addition to 'green fields' and ED 270 as the other alternative baselines).
5. Despite this, in addition to those three frameworks, this Paper includes information about many of the frameworks that have been rejected as baselines in their own right. This is because, as noted in Agenda Paper 4.3, any of the rejected potential baselines could provide useful insights as the AASB progresses the Service Performance Reporting project. Therefore, this Appendix is provided as an overview and a database of useful and relevant links to be used as a resource that can be referenced (and updated)<sup>1</sup> as the project progresses.
6. The content of this Agenda Paper is compiled by reference to a number of different sources and includes some verbatim extracts. Accordingly, there is some repetition, and inconsistencies in style and presentation. Some of the information is incomplete/not yet verified or by now might be out of date as it was compiled some time ago (for example, in March 2023 the IPSASB approved amendments to RPG 3 in respect of sustainability that are not reflected in this Paper). They are areas that could usefully be finalised and updated as the AASB's project progresses.

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<sup>1</sup> Even though the number of frameworks referenced in this Appendix is greater than the number of frameworks and other potential project baselines listed in the Table in Appendix A of Agenda Paper 4.3, the Appendix to this Paper does not reference all the potential baselines that could possibly provide insights as the AASB's Service Performance Reporting project progresses. For example, existing and developing frameworks on sustainability reporting are not included in this Appendix – work that is underway on sustainability is already referenced in the context of Pervasive Issue C1 discussed in Agenda Paper 4.2. Yet other frameworks could be added to the repository as the project progresses.

## Appendix: Supplementary information about frameworks that address aspects of service performance reporting

### 1 Frameworks applicable to NFP public sector entities

This section summarises the narrative reporting (which might incorporate but be broader than service performance reporting) requirements in the national jurisdictions of Australia, Canada, NZ, South Africa, UK and USA; and international guidance issued by the IPSASB, as at May 2021.<sup>2</sup> Of the frameworks in this section, only NZ is considered in Agenda Paper 4.3 (paragraphs 19 to 21) as a contender for the baseline in its own right. However, each of the other frameworks might provide useful insights as the project progresses.

#### 1.1 Australia

Jurisdiction	Australia
<b>Legislation (or equivalent)</b>	The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) - Updated Feb 2020
<b>Are the disclosures subject to audit</b>	Following the pilot audits of annual performance statements in 2019 – 2021, Australian National Audit Office conducted six audits in 2021–22 as part of the first year of implementation of the performance statements audit program and plans to undertake ten audits in 2022–23 ( <a href="https://www.anao.gov.au/work-program/annual-performance-statements-audits">https://www.anao.gov.au/work-program/annual-performance-statements-audits</a> )
<b>Extract of key requirements</b>	
<p>The Public Governance, Performance and Accountability Rule 2014            16E Corporate plan for Commonwealth entities            Matters to be included in a Commonwealth entity’s corporate plan</p> <p>1) Introduction            2) Purposes - The purposes of the entity.            3) Key activities - For the entire period covered by the plan, the key activities that the entity will undertake in order to achieve its purposes.            4) Operating context - For the entire period covered by the plan, the following:            (a) the environment in which the entity will operate;            (b) the strategies and plans the entity will implement to have the capability it needs to undertake its key activities and achieve its purposes;            (c) a summary of the risk oversight and management systems of the entity, and the key risks that the entity will manage and how those risks will be managed;            (d) details of any organisation or body that will make a significant contribution towards achieving the entity’s purposes through cooperation with the entity, including how that cooperation will help achieve those purposes;            (e) how any subsidiary of the entity will contribute to achieving the entity’s purposes.            5) Performance - For each reporting period covered by the plan, details of how the entity’s performance in achieving the entity’s purposes will be measured and assessed through:            (a) specified performance measures for the entity that meet the requirements of section 16EA;<sup>3</sup> and            (b) specified targets for each of those performance measures for which it is reasonably practicable to set a target.</p> <p>17AD Specific requirements for annual reports (for a non-corporate Commonwealth entity)            The annual report for a non-corporate Commonwealth entity for a reporting period must include the following:            (a) a review by the accountable authority of the entity for the period;            (b) an overview of the entity for the period in accordance with section 17AE;            (c) a report on the performance of the entity for the period that includes:            (i) the annual performance statements for the entity for the period in accordance with paragraph 39(1)(b) of the Act and section 16F of this rule; and            (ii) a report on the financial performance of the entity (including a discussion and analysis of the entity’s financial performance during the period) for the period in accordance with section 17AF;</p> <p>17BE Contents of annual report (for a corporate Commonwealth entity)            The annual report for a corporate Commonwealth entity for a reporting period must include the following:            (b) both of the following:            (i) a summary of the objects and functions of the entity as set out in the legislation;            (ii) the purposes of the entity as included in the entity’s corporate plan for the period;</p>	

2 The information was collected by the AASB staff when completing [AASB Staff Paper: Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities](#) (May 2021). Although that paper focuses on the for-profit sector, in line with the [Management Commentary project plan](#) that the Board considered in August 2019, staff collected the information on the NFP public sector service performance reporting frameworks and requirements in the selected jurisdictions.

3 Section 16EA states: “The performance measures for an entity meet the requirements of this section if, in the context of the entity’s purposes or key activities, they:  
 (a) relate directly to one or more of those purposes or key activities; and  
 (b) use sources of information and methodologies that are reliable and verifiable; and  
 (c) provide an unbiased basis for the measurement and assessment of the entity’s performance; and  
 (d) where reasonably practicable, comprise a mix of qualitative and quantitative measures; and  
 (e) include measures of the entity’s outputs, efficiency and effectiveness if those things are appropriate measures of the entity’s performance; and  
 (f) provide a basis for an assessment of the entity’s performance over time.”

Jurisdiction		Australia
<p>(g) the annual performance statements for the entity for the period in accordance with paragraph 39(1)(b) of the Act and section 16F of this rule (i.e. statement, results &amp; analysis);</p> <p>27A Corporate plan for Commonwealth companies</p> <p>(1) Section 16E (other than item 5 of the table in subsection 16E(2)) applies to a Commonwealth company in the same way as it applies to a Commonwealth entity.</p> <p>(3) The corporate plan for a Commonwealth company must include, for each reporting period covered by the plan, a summary of the following:</p> <p>(a) how the company will achieve its purposes;</p> <p>(b) how the company's performance in achieving the company's purposes will be measured and assessed, including any performance measures and any targets that will be used in the measurement and assessment.</p> <p>28E Contents of annual report (for a Commonwealth company)</p> <p>The annual report for a Commonwealth company for a reporting period must include the following:</p> <p>(a) the purposes of the company as included in the company's corporate plan for the period;</p> <p>(aa) the results of a measurement and assessment of the company's performance during the period, including the results of a measurement and assessment of the company's performance against any performance measures and any targets included in the company's corporate plan for the period;</p> <p>(l) any significant activities and changes that affected the operations or structure of the company during the period.</p> <p>Note: Additionally, the annual report for a Commonwealth company must include a directors' report in accordance with the Corporations Act 2001, including a review of operations and the results of those operations. .</p>		
<b>Link to full text:</b>	<p>The Public Governance, Performance and Accountability Act 2013  <a href="https://www.legislation.gov.au/Details/C2017C00269">https://www.legislation.gov.au/Details/C2017C00269</a></p> <p>The Public Governance, Performance and Accountability Rule 2014  <a href="https://www.legislation.gov.au/Details/F2020C00166">https://www.legislation.gov.au/Details/F2020C00166</a></p>	

## 1.2 Canada

Jurisdiction		Canada
<b>Legislation (or equivalent)</b>	Treasury Board Directive on Results	
<b>Are the disclosures subject to audit</b>	To be confirmed	
<p>Extract of key requirement</p> <p>Directive on Results</p> <p>Appendix A: Mandatory Procedures for Departmental Results Frameworks, Program Inventories, Performance Information Profiles and Programs</p> <p>A.2 Requirements</p> <p>A.2.1 These procedures elaborate the requirements outlined in subsection 4.3.1 of the Policy on Results and subsections 4.2 and 4.3 of the Directive on Results.</p> <p>A.2.2 The Departmental Results Framework includes the following:</p> <p>A.2.2.1 Core Responsibilities;</p> <p>A.2.2.2 Departmental Result(s), and their relationship to government priorities and mandate letter commitments as prescribed by the Treasury Board of Canada Secretariat; and</p> <p>A.2.2.3 Performance Indicators for the Departmental Result(s) including:</p> <ul style="list-style-type: none"> <li>o A.2.2.3.1 Information on data type, data collection frequency, data source, data owner, targets (where appropriate), thresholds; and</li> <li>o A.2.2.3.2 Descriptions for qualitative Departmental Result indicators.</li> </ul> <p>A.2.3 The head of performance measurement, in establishing, implementing and maintaining the Program Inventory, must include the following:</p> <p>A.2.3.1 All departmental Programs, including those prescribed by the Treasury Board of Canada Secretariat;</p> <p>A.2.3.2 Designation of an official responsible for each program;</p> <p>A.2.3.3 A description of each program, how it relates to the Core Responsibilities and, where appropriate, how it influences the Departmental Results;</p> <p>A.2.3.4 Tagging with metadata as prescribed by the Treasury Board of Canada Secretariat in accordance with the requirements outlined in the Directive on Results' Standard on Tagging; and</p> <p>A.2.3.5 Identification of how the financial expenditures and human resources (in full time equivalents) of each Program in the Program Inventory are attributed to the department's Core Responsibilities and, where appropriate, to specific Departmental Results.</p> <p>A.2.4 Planned and actual financial expenditures and human resources (in full time equivalents) attached to each program in the Program Inventory are to be reported to the Treasury Board of Canada Secretariat in a manner and timing prescribed by the Secretariat.</p> <p>A.2.5 Program officials, in establishing, implementing and maintaining Performance Information Profiles for Programs, must include the following:</p> <p>A.2.5.1 The description of the Program provided for the Program Inventory (see section A.2.3.3 of these Mandatory Procedures), where appropriate, augmented with a logic model, program theory or similar program design tool;</p> <p>A.2.5.2 The outputs of the program;</p> <p>A.2.5.3 The outcomes of the program;</p> <p>A.2.5.4 The metadata provided for the Program Inventory (see section A.2.3.4 of these Mandatory Procedures);</p> <p>A.2.5.5 Valid and reliable indicators for outcomes and, where appropriate, for outputs of the program including relevant information on methodology, data type, data collection frequency, data source, data owner, targets and thresholds as appropriate for each indicator;</p> <p>A.2.5.6 Mandatory program outcomes and indicators prescribed by the Treasury Board of Canada Secretariat in accordance with the requirements outlined in the Directive on Results' Standard on Mandatory Outcomes and Performance Indicators;</p> <p>A.2.5.7 A summary of proposed evaluation needs, developed in collaboration with the head of evaluation;</p> <p>A.2.5.8 A list of relevant approved evaluations and external studies;</p>		

Jurisdiction		Canada
<p>A.2.5.9 A list of relevant major projects, transfer payment programs, services and horizontal initiatives related to the program, as appropriate; and</p> <p>A.2.5.10 Government-wide policy considerations such as gender-based analysis and official languages, where relevant.</p> <p>A.2.6 Information and associated data collected on items noted in A.2.2, A.2.3 and A.2.5.6 of these mandatory procedures must be reported in a manner and timing prescribed by the Treasury Board of Canada Secretariat.</p> <p>A.2.7 Program officials, in maintaining Performance Information Profiles for Programs, must:</p> <p>A.2.7.1 Consult with the head of evaluation and obtain approval of the head of performance measurement on any changes to their program's Performance Information Profile; and</p> <p>A.2.7.2 Respond to inquiries from the head of evaluation on progress implementing evaluation recommendations and the impacts of evaluations.</p>		
<b>Link to full text:</b>	Directive on Results <a href="https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31306&amp;section=procedure&amp;p=A">https://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=31306&amp;section=procedure&amp;p=A</a>	

### 1.3 New Zealand

Jurisdiction		New Zealand
<b>Legislation (or equivalent)</b>	Public Benefit Entity Financial Reporting Standard 48 - Service Performance Reporting (PBE FRS 48)	
<b>Are the disclosures subject to audit</b>	Yes In most cases service performance information prepared in accordance with PBE FRS 48 and reported in the annual report will need to be audited. A new audit standard, NZ AS 1 <i>The Audit of Service Performance Information</i> , sets out the requirements for auditors.	
Extract of key requirements Service Performance Reporting (PBE FRS 48) <ol style="list-style-type: none"> <li>The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report</li> <li>This Standard applies to:               <ol style="list-style-type: none"> <li>All Tier 1 and Tier 2 not-for-profit public benefit entities; and</li> <li>Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP). If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.</li> </ol> </li> </ol> Principles <ol style="list-style-type: none"> <li>An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.</li> <li>In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the Public Benefit Entities' Conceptual Framework (PBE Conceptual Framework). Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports.</li> </ol> Information to be Reported <ol style="list-style-type: none"> <li>An entity's service performance information shall:               <ol style="list-style-type: none"> <li>Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and</li> <li>Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.</li> </ol> </li> </ol> Performance Measures and/or Descriptions <ol style="list-style-type: none"> <li>In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:               <ol style="list-style-type: none"> <li>Quantitative measures: Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;</li> <li>Qualitative measures: Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or</li> <li>Qualitative descriptions: Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?</li> </ol> </li> </ol>		
<b>Link to full text:</b>	<a href="https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-frs-48/">https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-frs-48/</a>	

### 1.4 South Africa

Jurisdiction		South Africa
<b>Legislation (or equivalent)</b>	Public Finance Management Act (PFMA) - Section 55 Treasury Regulations for departments, trading entities, constitutional institutions and public entities Issued in terms of the Public Finance Management Act, 1999 (2005)	
<b>Are the disclosures subject to audit</b>	To be confirmed	
Extract of key requirements PFMA Section 55. Annual report and financial statements: (2) The annual report and financial statements referred to in subsection (1) (d) must—		

<p>(a) fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned.</p> <p>Treasury Regulations: PFMA</p> <p>28.2 Annual reports [Section 55(1)(d)(i) of the PFMA]</p> <p>28.2.1 Any material losses through criminal conduct and any irregular and fruitless and wasteful expenditure must be disclosed as a note to the annual financial statements of the public entity.</p> <p>28.2.2 Particulars of the public entity's strategic objectives and outcomes as identified and agreed on by the executive authority, the key performance measures and indicators for assessing the entity's performance in delivering the desired outcomes and objectives and the entity's actual performance against the strategic objectives and outcomes, must be disclosed in the annual report of the public entity.</p>	
<b>Link to full text:</b>	<p>Public Financial Management Act 1999</p> <p><a href="http://www.treasury.gov.za/legislation/pfma/act.pdf">http://www.treasury.gov.za/legislation/pfma/act.pdf</a></p> <p>Treasury Regulation: PFMA</p> <p><a href="http://www.treasury.gov.za/legislation/pfma/regulations/gazette_27388.pdf">http://www.treasury.gov.za/legislation/pfma/regulations/gazette_27388.pdf</a></p>

## 1.5 United Kingdom

<b>Jurisdiction</b>	United Kingdom
<b>Legislation (or equivalent)</b>	The Government Financial Reporting Manual 2019-20
<b>Are the disclosures subject to audit</b>	<p>No</p> <p>Auditors will review the performance report for consistency with other information in the financial statements</p>
<p>Extract of key requirements</p> <p>5 Form and content of the annual report and accounts – 5.2 The Performance Report</p> <p>Scope of the performance report</p> <p>5.2.1 The purpose of the performance section of the annual report is to provide information on the entity, its main objectives and strategies and the principal risks that it faces. The requirements of the performance report are based on the matters required to be dealt with in a Strategic Report as set out in Chapter 4A of Part 15 of the Companies Act 2006. The requirements of the Companies Act 2006 have been adapted for the public sector context and only need to be followed by entities which are not companies to the extent that they are incorporated into this Manual.</p> <p>Overview</p> <p>5.2.8 As a minimum, the Overview must include:</p> <ul style="list-style-type: none"> <li>• A short summary explaining the purpose of the overview section;</li> <li>• A statement from the entity's lead Minister or Chief Executive providing their perspective on the performance of the organisation over the period;</li> <li>• A statement of the purpose and activities of the organisation including in respect of a brief description of the business model and environment, organisational structure, objectives and strategies;</li> <li>• The key issues and risks that could affect the entity in delivering its objectives;</li> <li>• (Primarily for ALBs) an explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities what will be financed from resources voted by Parliament in the future; and</li> <li>• A performance summary</li> </ul> <p>Performance analysis</p> <p>5.2.10 As a minimum, the performance analysis must include:</p> <ul style="list-style-type: none"> <li>• Information on how the entity measures performance i.e. what the entity sees as its key performance measures, how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty;</li> <li>• A more detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts;</li> <li>• Non-financial information including social matters, respect for human rights anticorruption and anti-bribery matters;</li> <li>• Reporting entities are expected to provide information on environmental matters including the impact of the entity's business on the environment. Entities must also comply with mandatory sustainability reporting requirements. Further information on the reporting methodology will be issued through PES guidance. It is envisaged that such reporting will be integral throughout the annual report and account and not a separate standalone report; and</li> <li>• Performance on other matters as promulgated by HM Treasury in PES papers.</li> </ul>	
<b>Link to full text:</b>	<a href="https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853231/2019-20_Government_Financial_Reporting_Manual.pdf">https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853231/2019-20_Government_Financial_Reporting_Manual.pdf</a>

## 1.6 USA

<b>Jurisdiction</b>	USA
<b>Legislation</b>	Statement No. 34 of the Governmental Accounting Standards Board - Basic Financial Statements— and Management's Discussion and Analysis—for State and Local Governments
<b>Are the disclosures subject to audit</b>	<p>Management's Discussion and Analysis is classified as Required Supplementary Information (RSI) and auditors are required to perform certain limited procedures including:</p> <p>(a) Inquire of management about the methods of preparing the information (whether it meets the standards, whether there have been any changes in measurement methods from the prior period, and so forth)</p> <p>(b) Compare the information with the audited financial statements and other knowledge obtained during the examination</p>

Jurisdiction	USA
	(c) Consider whether RSI should be covered in management’s letter of representation (d) Apply additional procedures prescribed for specific types of RSI (e) Make additional inquiries if the foregoing procedures dictate
Extract of key requirements Management’s Discussion and Analysis (MD&A)	
<p>8. The basic financial statements should be preceded by MD&amp;A, which is required supplementary information (RSI). MD&amp;A should provide an objective and easily readable analysis of the government’s financial activities based on currently known facts, decisions, or conditions. The financial managers of governments are knowledgeable about the transactions, events, and conditions that are reflected in the government’s financial report and of the fiscal policies that govern its operations. MD&amp;A provides financial managers with the opportunity to present both a short- and a long-term analysis of the government’s activities.</p> <p>9. MD&amp;A should discuss the current-year results in comparison with the prior year, with emphasis on the current year. This fact-based analysis should discuss the positive and negative aspects of the comparison with the prior year. The use of charts, graphs, and tables is encouraged to enhance the understandability of the information.</p> <p>10. MD&amp;A should focus on the primary government. Comments in MD&amp;A should distinguish between information pertaining to the primary government and that of its component units. Determining whether to discuss matters related to a component unit is a matter of professional judgment and should be based on the individual component unit’s significance to the total of all discretely presented component units and that component unit’s relationship with the primary government. When appropriate, the reporting entity’s MD&amp;A should refer readers to the component unit’s separately issued financial statements.</p> <p>11. MD&amp;A requirements established by this Statement are general rather than specific to encourage financial managers to effectively report only the most relevant information and avoid “boilerplate” discussion. At a minimum, MD&amp;A should include:</p> <p>(a) A brief discussion of the basic financial statements, including the relationships of the statements to each other, and the significant differences in the information they provide. This discussion should include analyses that assist readers in understanding why measurements and results reported in fund financial statements either reinforce information in government-wide statements or provide additional information.</p> <p>(b) Condensed financial information derived from government-wide financial statements comparing the current year to the prior year. At a minimum, governments should present the information needed to support their analysis of financial position and results of operations required in c, below, including these elements: (1) Total assets, distinguishing between capital and other assets, (2) Total liabilities, distinguishing between long-term liabilities and other liabilities, (3) Total net assets, distinguishing among amounts invested in capital assets, net of related debt; restricted amounts; and unrestricted amounts, (4) Program revenues, by major source, (5) General revenues, by major source, (6) Total revenues, (7) Program expenses, at a minimum by function, (8) Total expenses, (9) Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, special and extraordinary items, and transfers, (10) Contributions, (11) Special and extraordinary items, (12) Transfers, (13) Change in net assets, (14) Ending net assets</p> <p>(c) An analysis of the government’s overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year’s operations. The analysis should address both governmental and business-type activities as reported in the government-wide financial statements and should include reasons for significant changes from the prior year, not simply the amounts or percentages of change. In addition, important economic factors, such as changes in the tax or employment bases that significantly affected operating results for the year should be discussed.</p> <p>(d) An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net assets and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.</p> <p>(e) An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund (or its equivalent). The analysis should include any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity.</p> <p>(f) A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.</p> <p>(g) A discussion by governments that use the modified approach (paragraphs 23–25) to report some or all of their infrastructure assets including: (1) Significant changes in the assessed condition of eligible infrastructure assets from previous condition assessments (2) How the current assessed condition compares with the condition level the government has established (3) Any significant differences from the estimated annual amount to maintain/preserve eligible infrastructure assets compared with the actual amounts spent during the current period.</p> <p>(h) A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets).</p>	
<b>Link to full text:</b>	<a href="https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160029121&amp;acceptedDisclaimer=true">https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176160029121&amp;acceptedDisclaimer=true</a>

### 1.7 International

Jurisdiction	International
<b>Legislation (or equivalent)</b>	International Public Sector Accounting Standards Board (IPSASB) Recommended Practice Guideline 2 (RPG 2), Financial Statement Discussion and Analysis International Public Sector Accounting Standards Board (IPSASB) Recommended Practice Guideline 3 (RPG 3), Reporting Service Performance Information
<b>Are the disclosures subject to audit</b>	No
Extract of key requirements Recommended Practice Guideline 2 (RPG 2), Financial Statement Discussion and Analysis Content of Financial Statement Discussion and Analysis	
<p>16. Financial statement discussion and analysis should include the following, without merely replicating information in the financial statements:</p> <p>(a) An overview of the entity’s operations and the environment in which it operates;</p> <p>(b) Information about the entity’s objectives and strategies;</p>	

- (c) An analysis of the entity's financial statements including significant changes and trends in an entity's financial position, financial performance and cash flows; and
- (d) A description of the entity's principal risks and uncertainties that affect its financial position, financial performance and cash flows, an explanation of changes in those risks and uncertainties since the last reporting date and its strategies for bearing or mitigating those risks and uncertainties.

#### Overview of the Entity's Operations and Environment

19. An overview of the entity helps users to understand the entity's operations and how the environment in which it operates affects its financial statements. This information assists users' understanding of an entity's financial statements. Information provided about an entity's operations in financial statement discussion and analysis may include current information, and changes from the prior period, relating to:
- (a) The entity's mission and vision;
  - (b) The entity's governance (e.g., legislative or regulatory structure, management structure);
  - (c) The entity's relationships with other entities, with a focus on relationships that could significantly affect the entity's financial position, financial performance and cash flows (e.g., funding arrangements);
  - (d) External trends, events and developments in the legal, regulatory, social, political and macro-economic environment specific to the entity, which have or may have a significant impact on the entity's financial position, financial performance and cash flows (e.g., the impact of events in international markets on employment, the tax base, or interest rates); and
  - (e) The entity's main operations, including service delivery methods (e.g., outsourcing, service concession arrangements) and significant changes in them.

#### Information about the Entity's Objectives and Strategies

20. Financial statement discussion and analysis should discuss the entity's objectives and strategies relating to its financial position, financial performance and cash flows in a way that enables users of the financial statements to understand the entity's priorities and to identify the resources that must be managed to achieve these objectives and strategies. For example, such objectives and strategies could include managing surplus/deficit, and managing the levels of debt and reserves. Financial statement discussion and analysis should explain how achievement of the entity's objectives would be measured and over what time period progress would be measured.
21. Financial statement discussion and analysis should discuss significant changes in an entity's objectives and strategies from the previous period or periods.

#### Analysis of the Entity's Financial Statements

22. Financial statement discussion and analysis should include an analysis of significant changes and trends in an entity's financial position, financial performance and cash flows. An analysis of trends includes those financial statement items that are important and significant to gaining a better understanding of an entity's financial position, financial performance and cash flows and changes in financial position, financial performance and cash flows over a period of time.
23. Financial statement discussion and analysis should describe the significant items, transactions and events that have affected the financial position, financial performance and cash flows, without simply reiterating the information presented in the financial statements. Judgment is required in identifying the significant items, transactions and events.

#### Risks and Uncertainties

27. Financial statement discussion and analysis should discuss the entity's principal risks and uncertainties that affect its financial position, financial performance and cash flows and include an explanation of how this relates to the objectives and strategies of the entity. This information would help users to evaluate the impact of those risks in the current period (e.g., contingent liabilities disclosed in the financial statements or the use of foreign currency hedges to mitigate risk) as well as expected outcomes.

#### Recommended Practice Guideline 3 (RPG 3), Reporting Service Performance Information

28. This Recommended Practice Guideline (RPG) provides guidance on reporting service performance information in General Purpose Financial Reports (GPFs). Service performance information is information on the services that the entity provides, an entity's service performance objectives and the extent of its achievement of those objectives. Service performance information assists users of GPFs (hereafter termed "users") to assess the entity's service efficiency and effectiveness.

#### Information for Display

38. The following information should be displayed:
- (a) Service performance objectives;
  - (b) Performance indicators; and,
  - (c) Total costs of the services.
39. With respect to performance indicators and the total costs of the services, the entity should display:
- (a) Planned and actual information for the reporting period; and
  - (b) Actual information for the previous reporting period.

#### Performance Indicators

43. Judgment is needed to determine the most suitable set of performance indicators to be reported. The overriding principle is that indicators should be selected on the basis of their importance to users and their usefulness in assessing the entity's achievements in terms of its service performance objectives. For performance indicators to be relevant they should link directly to one or more of the entity's service performance objectives. Alignment between the different indicators presented—for example between input, output and/or outcome performance indicators—and the service performance objectives helps users to assess the relationship between resources and results, and how resource availability may have influenced achievement of service performance objectives.
44. The performance indicators presented should allow users to assess how efficiently and effectively the entity has used its resources to deliver services and achieve its service performance objectives.
45. Where an entity has publicly reported planned performance indicators the actual performance indicators presented will usually be consistent with those previously made public. Those entities that publish their budget information and apply IPSAS 24, Presentation of Budget Information in Financial Statements, should consider the relationship between that information and the service performance information that they report.
46. An entity is encouraged to display information about its intended outcomes and its achievements with respect to those outcomes.
47. There may be a large number of performance indicators that can be presented for an entity's service performance objectives. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those few key performance indicators that will best meet the needs of users for information that meets the objectives of financial reporting.
48. Performance indicators that involve quantification should be able to be measured reliably. Where performance indicators can be generated by a transaction processing system the use of such a system will support the verifiability and timeliness of reported information.

<p>49. When selecting performance indicators entities should ensure that the indicators presented will provide a representationally faithful description of the achievement of service performance objectives. There may be trade-offs between different aspects of service performance, such that one aspect improves while another aspect deteriorates. Information presented should be neutral. Entities should avoid any tendency to present performance indicators that are biased towards reporting positive results. This helps to ensure that the qualitative characteristics are met and users can be confident that the performance indicators faithfully represent the entity's service performance.</p> <p>50. Ease of measurement is likely to be a consideration when selecting performance indicators, but it should be secondary to the needs of users. The performance indicators presented should not over-emphasize easily measured dimensions.</p> <p>51. In some situations a qualitative description (also called narrative information) should be presented as a performance indicator. This could be the case where service performance achievements cannot be reduced to a small set of quantitative or qualitative measures because the service:</p> <ul style="list-style-type: none"> <li>(a) Is complex;</li> <li>(b) Involves interrelated factors; and</li> <li>(c) Involves a large number of different possible indicators of success or progress, all of which involve judgment as to their relative importance.</li> </ul> <p>52. Information reported on any particular service may include one or more different types of performance indicators; quantitative measures, qualitative measures and/or qualitative descriptions.</p> <p>Narrative Discussion and Analysis</p> <p>69. The entity should disclose narrative discussion and analysis on its service performance information. Narrative discussion and analysis complements the displayed service performance information by enabling users to gain insight from the entity on:</p> <ul style="list-style-type: none"> <li>(a) Aspects of service performance that the entity considers should be highlighted; and</li> <li>(b) Factors that affected service performance achievements during the reporting period.</li> </ul> <p>70. Narrative discussion and analysis should provide a concise overview of the entity's service performance that:</p> <ul style="list-style-type: none"> <li>(a) Discusses the degree to which service performance objectives have been met;</li> <li>(b) Provides balanced explanations of the information displayed, which cover both positive and negative aspects of the entity's service performance; and</li> <li>(c) Facilitates users' assessments of the efficiency and effectiveness of the entity's service performance.</li> </ul>	
<p><b>Link to full text:</b></p>	<p>Recommended Practice Guideline 2 (RPG 2), Financial Statement Discussion and Analysis  <a href="http://www.ifac.org/system/files/publications/files/RPG%202%20Financial%20Statement%20Discussion%20and%20Analysis%20July%2026%202013.pdf">http://www.ifac.org/system/files/publications/files/RPG%202%20Financial%20Statement%20Discussion%20and%20Analysis%20July%2026%202013.pdf</a></p> <p>Recommended Practice Guideline 3 (RPG 3), Reporting Service Performance Information  <a href="https://www.ifac.org/system/files/publications/files/IPSASB-RPG-3-Reporting-Service-Performance-Information.pdf">https://www.ifac.org/system/files/publications/files/IPSASB-RPG-3-Reporting-Service-Performance-Information.pdf</a></p>

## 2 Frameworks applicable to NFP private sector entities

This section summarises the narrative reporting (which might incorporate but be broader than service performance reporting) requirements in the national jurisdictions of Australia, Canada, NZ, UK and USA, as at May 2021.<sup>4</sup> Of the frameworks in this section, only NZ is considered in Agenda Paper 4.3 (paragraphs 19 to 21) as a contender for the baseline in its own right. However, each of the other frameworks might provide useful insights as the project progresses.

### 2.1 Australia

<b>Jurisdiction</b>	Australia
<b>Legislation (or equivalent)</b>	Australian Charities and Not-for-profits Commission Act 2012 - Subdivision 60-B—Annual information statements. 2019 Annual information statement Guide Corporations Act 2001 – Section 300B
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	No
<p>Extract of key requirements</p> <p>60-5 Registered entities must give annual information statements</p> <p>(1) A registered entity must give a statement (an information statement) for a financial year to the Commissioner in the approved form. Note: The Commissioner may approve different approved forms for different entities (see subsection 190-10(4)). For example, different forms could be approved for small, medium and large registered entities.</p> <p>Annual Information Statement</p> <p>12. How did your charity's activities and outcomes help achieve its purpose?</p> <p>Charities are encouraged to keep their responses to this question short. We recommend writing a short paragraph or 2-3 dot points detailing how your charity's work helped achieve its mission and main aims. Your charity can include a link to a page on its website which details this information more thoroughly as part of its response.</p> <p>Corporations Act 2001 – Section 300B</p> <p>(1) The directors' report for a financial year for a company limited by guarantee must:</p> <p>(a) contain a description of the short and long term objectives of the entity reported on;</p> <p>(b) set out the entity's strategy for achieving those objectives;</p> <p>(c) state the entity's principal activities during the year;</p> <p>(d) state how those activities assisted in achieving the entity's objectives; and</p> <p>(e) state how the entity measures its performance, including any key performance indicators used by the entity.</p>	
<b>Link to full text:</b>	<p>Australian Charities and Not-for-profits Commission Act 2012  <a href="https://www.legislation.gov.au/Details/C2016C00306">https://www.legislation.gov.au/Details/C2016C00306</a>            2019 Annual information statement Guide  <a href="https://www.acnc.gov.au/tools/guides/2019-annual-information-statement-guide">https://www.acnc.gov.au/tools/guides/2019-annual-information-statement-guide</a>            Corporations Act 2001  <a href="http://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s300b.html">http://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s300b.html</a></p>

### 2.2 Canada

<b>Jurisdiction</b>	Canada
<b>Legislation (or equivalent)</b>	Canada Revenue Agency - Registered Charity Information Return
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	No
<p>Extract of key requirements</p> <p>Section C: Programs and general information</p> <p>Describe all ongoing and new charitable programs the charity carried on during this fiscal period to further its purpose(s) (as defined in its governing documents). "Programs" includes all of the charitable activities that the charity carries out on its own through employees or volunteers as well as through qualified donees and intermediaries. The charity may also use this space to describe the contributions of its volunteers in carrying out its activities, for example, number of volunteers and/or hours</p>	
<b>Link to full text:</b>	<a href="https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t3010/t3010-19e.pdf">https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/t3010/t3010-19e.pdf</a>

### 2.3 New Zealand

<b>Jurisdiction</b>	New Zealand
<b>Legislation (or equivalent)</b>	Public Benefit Entity Financial Reporting Standard 48 - Service Performance Reporting (PBE FRS 48) (Tier 1 and Tier 2 entities) Public Benefit Entity Financial Reporting – Accrual (Not-for-profit) (PBE SFR-A (NFP) (Tier 3 entities)

4 As for section 1 above, the information in this section was collected by the AASB staff when completing [AASB Staff Paper: Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities](#) (May 2021). Although that paper focuses on the for-profit sector, in line with the [Management Commentary project plan](#) that the Board considered in August 2019, staff collected the information on the NFP private sector service performance reporting frameworks and requirements in the selected jurisdictions.

Jurisdiction	New Zealand
<b>Are the disclosures subject to audit</b>	Yes In most cases service performance information prepared in accordance with PBE FRS 48 and reported in the annual report will need to be audited. A new audit standard, NZ AS 1 The Audit of Service Performance Information, sets out the requirements for auditors.
<p>Extract of key requirements</p> <p>Service Performance Reporting (PBE FRS 48)</p> <p>(c) The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report</p> <p>4. This Standard applies to:</p> <p>(a) All Tier 1 and Tier 2 not-for-profit public benefit entities; and</p> <p>(b) Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP). If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.</p> <p>Principles</p> <p>8. An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.</p> <p>9. In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the Public Benefit Entities' Conceptual Framework (PBE Conceptual Framework). Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports.</p> <p>Information to be Reported</p> <p>16. An entity's service performance information shall:</p> <p>(a) Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and</p> <p>(b) Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.</p> <p>Performance Measures and/or Descriptions</p> <p>21. In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:</p> <p>(a) Quantitative measures: Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;</p> <p>(b) Qualitative measures: Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or</p> <p>(c) Qualitative descriptions: Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?</p> <p>Public Benefit Entity Financial Reporting – Accrual (Not-for-profit) (PBE SFR-A (NFP))</p> <p>Section 4: Statement of Service Performance</p> <p>Purpose and Value to Users</p> <p>A39. The purpose of the statement of service performance is to provide mainly non-financial information to help users understand what the entity did during the financial year.</p> <p>Required Information</p> <p>A40. Service performance reporting is based around two elements:</p> <p>(a) Outcomes: what the entity is seeking to achieve in terms of its impact on society; and</p> <p>(b) Outputs: the goods or services that the entity delivered during the year.</p> <p>A41. The statement of service performance shall:</p> <p>(a) Describe the outcome(s) that the entity is seeking to achieve or influence through the delivery of its goods or services. The outcomes are likely to be closely related to the mission/purpose reported in the entity information section of the performance report. The main difference is that the mission/purpose is usually stated in broad or general terms and applies over the life of the entity. By contrast, the description of the outcomes in the statement of service performance should be more specific and focused on what the entity is seeking to achieve over the short to medium-term; and</p> <p>(b) Describe, and quantify to the extent practicable, the outputs (goods or services) the entity has delivered for the current year.</p> <p>A42. The statement of service performance need include only the outputs that are significant to the performance of the entity. It is not expected to include a detailed account of everything the entity does.</p>	
<b>Link to full text:</b>	Service Performance Reporting (PBE FRS 48) <a href="https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-frs-48/">https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-frs-48/</a> Public Benefit Entity Financial Reporting – Accrual (Not-for-profit) (PBE SFR-A (NFP)) <a href="https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-sfr-a-nfp/">https://www.xrb.govt.nz/accounting-standards/not-for-profit/pbe-sfr-a-nfp/</a>

## 2.4 United Kingdom

Jurisdiction	United Kingdom
<b>Legislation (or equivalent)</b>	Charities SORP (FRS 102) - Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	No

Jurisdiction	United Kingdom
Extract of key requirements	
Charities SORP:	
The content of the trustees' annual report required of all charities	
1.14. The SORP's requirements that all charities must follow are set out in the following headings:	
<ul style="list-style-type: none"> <li>● objectives and activities;</li> <li>● achievements and performance;</li> <li>● financial review;</li> <li>● structure, governance and management;</li> <li>● reference and administrative details;</li> <li>● exemptions from disclosure; and</li> <li>● funds held as custodian trustee on behalf of others.</li> </ul>	
1.15. The headings used in the report may be amended to fit the preferences of the charity provided the information required by this module is clearly presented in the report.	
1.16. Larger charities must also refer to the section 'The additional content required of larger charities' for their report to be compliant with the SORP.	
Objectives and activities	
1.17. The report provides information intended to help the user understand how the charity's aims fulfil its legal purposes, the activities it undertakes and what it has achieved. All charities must provide a summary of:	
<ul style="list-style-type: none"> <li>● the purposes of the charity as set out in its governing document; and</li> <li>● the main activities undertaken in relation to those purposes.</li> </ul>	
1.18. Charities in England and Wales must also:	
<ul style="list-style-type: none"> <li>● explain the main activities undertaken to further the charity's purposes for the public benefit; and</li> <li>● include in their report a statement confirming whether the trustees have had regard to the Charity Commission's guidance on public benefit.</li> </ul>	
1.19. The report should explain the activities, projects or services identified in the accompanying accounts. As far as practicable, numerical information provided in the report about the resources spent on particular activities should be consistent with the analysis provided in the accounts.	
Achievements and performance	
1.20. The report must contain a summary of the main achievements of the charity. The report should identify the difference the charity's work has made to the circumstances of its beneficiaries and, if practicable, explain any wider benefits to society as a whole.	
Financial review	
1.21. The report must contain a review of the charity's financial position at the end of the reporting period.	
1.22. The charity must explain any policy it has for holding reserves and state the amounts of those reserves and why they are held. If the trustees have decided that holding reserves is unnecessary, the report must disclose this fact and provide the reasons behind this decision.	
1.23. If, at the date of approving the report and accounts, there are uncertainties about the charity's ability to continue as a going concern, the nature of these uncertainties should be explained.	
1.24. The report must also identify any fund or subsidiary undertaking that is materially in deficit, explaining the circumstances giving rise to the deficit and the steps being taken to eliminate the deficit.	
Note: Additional content is also required of larger charities for each of the main content areas identified above in paragraph 1.14.	
<b>Link to full text:</b>	<a href="https://www.charitycorp.org/media/647945/charities-sorp-frs102-2019a.pdf">https://www.charitycorp.org/media/647945/charities-sorp-frs102-2019a.pdf</a>

## 2.5 USA

Jurisdiction	USA
<b>Legislation (or equivalent)</b>	Department of the Treasury Internal Revenue Service - Form 990 - Return of Organization Exempt From Income Tax
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	No
Extract of key requirements	
Form 990 - Return of Organization Exempt From Income Tax	
Statement of Program Service Accomplishments	
4 Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses. Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported.	
<b>Link to full text:</b>	<a href="https://www.irs.gov/pub/irs-pdf/f990.pdf">https://www.irs.gov/pub/irs-pdf/f990.pdf</a>

### 3 Frameworks applicable to for-profit entities

This section summarises the narrative reporting (which might incorporate but be broader than service performance reporting) requirements in the national jurisdictions of Australia, Canada, Germany, Hong Kong, New Zealand, Singapore, South Africa, United Kingdom, and United States, as at May 2021.<sup>5</sup> None of the frameworks in this section are considered in Agenda Paper 4.3 as a contender for the baseline in their own right. However, each might provide useful insights as the project progresses.

#### 3.1 Australia

Jurisdiction	Australia
<b>Legislation (or equivalent)</b>	Corporations Act – Section 299A Australian Securities and Investments Commission (ASIC) Regulatory Guide 247: Effective disclosure in an operating and financial review (Aug 2019)
<b>Are the disclosures mandatory?</b>	Yes - The Corporations Act has the force of law, and ASIC’s Regulatory Guide is enforced by ASIC, who is Australia’s corporate regulator.
<b>Are the disclosures subject to audit</b>	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.
<p>Extract of key requirements Corporations Act 2001 - Section 299A: 299A Annual directors' report – general information about operations and activities</p> <p>1) The directors' report for a financial year must:</p> <ol style="list-style-type: none"> <li>contain a review of operations during the year of the entity reported on and the results of those operations; and</li> <li>give details of any significant changes in the entity's state of affairs during the year; and</li> <li>state the entity's principal activities during the year and any significant changes in the nature of those activities during the year; and</li> <li>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</li> <li>refer to likely developments in the entity's operations in future financial years and the expected results of those operations; and</li> <li>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.</li> </ol> <p>ASIC’s Regulatory Guide 247: Effective disclosure in an operating and financial review: 247.27 An OFR should:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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</li> <li>provide an overview of the entity’s business strategies, and prospects for future financial years.</li> </ol> <p>247.28. An OFR, prepared under s299A, should:</p> <ol style="list-style-type: none"> <li>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</li> <li>provide a narrative overview that enables shareholders to understand an entity’s business performance and the factors underlying its results and financial position.</li> </ol> <p>247.30 An OFR should present:</p> <ol style="list-style-type: none"> <li>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;</li> <li>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.</li> </ol> <p>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.</p> <p>Operations</p> <p>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.</p> <p>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</p>	

<sup>5</sup> The information was collected by the AASB staff when completing [AASB Staff Paper: Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities](#) (May 2021). In fact, this section is an extract of Appendix 1 of that staff paper. The paper was developed as part of the [Management Commentary project plan](#) that the Board considered in August 2019. The requirements are quoted verbatim (see “Extract of Key Requirements” for each jurisdiction) 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 the paper.

Jurisdiction	Australia
	<p>dependency on an important contract. The significance of particular operating segments to the business as a whole should also be made clear.</p> <p>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.</p> <p>Financial position</p> <p>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).</p> <p>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.</p> <p>Business strategies</p> <p>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.</p> <p>Prospects for future financial years</p> <p>247.63 An OFR should:</p> <ol style="list-style-type: none"> <li>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</li> <li>not contain an exhaustive list of generic risks that might potentially affect a large number of entities.</li> </ol> <p>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.</p> <p>247.65 Each risk that is disclosed should:</p> <ol style="list-style-type: none"> <li>be described in its context (e.g., why the risk is important or significant, and its potential impact on the entity's financial prospects);</li> <li>include any relevant associated analytical comments (e.g., whether the risk is expected to increase or decrease in the foreseeable future); and</li> <li>where the risk relates to factors within the control of management, specify how these factors will be controlled or managed by the entity.</li> </ol> <p>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.</p>
<b>Link to full text:</b>	<p>Corporations Act 2001:  <a href="http://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s299a.html">http://www5.austlii.edu.au/au/legis/cth/consol_act/ca2001172/s299a.html</a>            ASIC's Regulatory Guide 247:  <a href="https://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-247-effective-disclosure-in-an-operating-and-financial-review/">https://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-247-effective-disclosure-in-an-operating-and-financial-review/</a></p>

### 3.2 Canada

Jurisdiction	Canada
<b>Legislation (or equivalent)</b>	<p>Form 51-102F1 Management's Discussion and Analysis</p> <p>Form 51-102F2 Annual Information Form</p> <p>National Instrument 51-102 Continuous Disclosure Obligations</p>
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	No
	<p>Extract of key requirements</p> <p>Form 51-102F1 Management's Discussion and Analysis: Part 2: Contents of Management's Discussion &amp; Analysis</p> <p>1.2 Overall Performance</p> <p>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:</p> <ol style="list-style-type: none"> <li>operating segments that are reportable segments as those terms are described in the issuer's GAAP;</li> <li>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;</li> <li>industry and economic factors affecting your company's performance;</li> <li>why changes have occurred or expected changes have not occurred in your company's financial condition and financial performance; and</li> <li>the effect of discontinued operations on current operations.</li> </ol> <p>INSTRUCTIONS</p> <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Include information for a period longer than two financial years if it will help the reader to better understand a trend.</li> </ol> <p>1.3 Selected Annual Information</p>

- 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 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:
  - (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

Jurisdiction	Canada
<p>(a) Your MD&amp;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 <a href="http://www.sedar.com">www.sedar.com</a>.</p> <p>(b) Your MD&amp;A must also provide the information required in the following sections of National Instrument 51-102, if applicable:</p> <ul style="list-style-type: none"> <li>(i) Section 5.3 – Additional Disclosure for Venture Issuers without Significant Revenue</li> <li>(ii) Section 5.4 – Disclosure of Outstanding Share Data; and</li> <li>(iii) Section 5.7 – Additional Disclosure for Reporting Issuers and Significant Equity Investees.</li> </ul> <p>Form 51-102F2 Annual Information Form</p> <p>Item 5 Describe the Business</p> <p>5.1 General</p> <p>(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:</p> <ul style="list-style-type: none"> <li>(a) Summary – For products or services, <ul style="list-style-type: none"> <li>(i) their principal markets;</li> <li>(ii) distribution methods;</li> <li>(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 <ul style="list-style-type: none"> <li>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,</li> <li>B. sales to customers, other than those referred to in clause A, outside the consolidated entity, and</li> <li>C. sales or transfers to controlling shareholders;</li> </ul> </li> <li>(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 <ul style="list-style-type: none"> <li>A. the timing and stage of research and development programs,</li> <li>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</li> <li>C. the additional steps required to reach commercial production and an estimate of costs and timing.</li> </ul> </li> </ul> </li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(e) New Products – If you have publicly announced the introduction of a new product, the status of the product.</li> <li>(f) Components – The sources, pricing and availability of raw materials, component parts or finished products.</li> <li>(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.</li> <li>(h) Cycles – The extent to which the business of the reportable segment is cyclical or seasonal.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(m) Foreign Operations – Describe the dependence of your company and any reportable segment upon foreign operations.</li> <li>(n) Lending – With respect to your company's lending operations, disclose the investment policies and lending and investment restrictions</li> </ul> <p>...</p> <p>5.2 Risk Factors</p> <p>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.</p> <p>INSTRUCTIONS</p> <ul style="list-style-type: none"> <li>(i) Disclose the risks in order of seriousness from the most serious to the least serious.</li> <li>(ii) A risk factor must not be de-emphasized by including excessive caveats or conditions.</li> </ul>	
<b>Link to full text:</b>	<p>Form 51-102F1 Management's Discussion and Analysis:<sup>6</sup></p> <p><a href="https://www.bccsc.bc.ca/securities-law/law-and-policy/instruments-and-policies/5-ongoing-requirements-for-issuers-insiders/current/51-102/51102f1-managements-discussion--analysis-f1">https://www.bccsc.bc.ca/securities-law/law-and-policy/instruments-and-policies/5-ongoing-requirements-for-issuers-insiders/current/51-102/51102f1-managements-discussion--analysis-f1</a></p> <p>Form 51-102F2 Annual Information Form</p>

6 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	Canada
	<a href="https://www.bccsc.bc.ca/-/media/PWS/Resources/Securities_Law/Policies/Policy5/51102F2-F-June-30-2015pdf.pdf">https://www.bccsc.bc.ca/-/media/PWS/Resources/Securities_Law/Policies/Policy5/51102F2-F-June-30-2015pdf.pdf</a> National Instrument 51-102 Continuous Disclosure Obligations <a href="https://www.bccsc.bc.ca/-/media/PWS/New-Resources/Securities-Law/Instruments-and-Policies/Policy-5/51102-NI-February-9-2021.pdf">https://www.bccsc.bc.ca/-/media/PWS/New-Resources/Securities-Law/Instruments-and-Policies/Policy-5/51102-NI-February-9-2021.pdf</a>

### 3.3 Germany

Jurisdiction	Germany
<b>Legislation (or equivalent)</b>	German Commercial Code (HGB) German Accounting Standard No.20 Group Management Report (GAS 20)
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	Yes
<p>Extract of key requirements</p> <p>German Commercial Code (HGB):</p> <p>Management Report - Section 289 Content of the management report</p> <ol style="list-style-type: none"> <li>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.</li> <li>The management report also discusses: <ol style="list-style-type: none"> <li>the corporations risk management objectives and methods, including its methods of hedging all major types of transactions that are recognized in hedge accounting, and</li> <li>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;</li> <li>the area of research and development</li> <li>existing branches of the company.</li> </ol> </li> </ol> <p>Management Report - 289c Content of the non-financial statement</p> <ol style="list-style-type: none"> <li>The business model of the corporation must be briefly described in the non-financial declaration within the meaning of Section 289b.</li> <li>The non-financial statement also relates to at least the following aspects: <ol style="list-style-type: none"> <li>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,</li> <li>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,</li> <li>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.</li> <li>respect for human rights, which information may relate to, for example, preventing human rights violations, and</li> <li>the fight against corruption and bribery, whereby the information may refer, for example, to the existing instruments to fight corruption and bribery.</li> </ol> </li> <li>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: <ol style="list-style-type: none"> <li>a description of the concepts followed by the corporation, including the due diligence processes applied by the corporation,</li> <li>the results of the concepts identified according to figure 1),</li> <li>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,</li> <li>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,</li> <li>the most important non-financial performance indicators that are important for the business of the corporation,</li> <li>Insofar as it is necessary for understanding, information on amounts shown in the annual financial statements and additional explanations.</li> </ol> </li> </ol> <p>Group Management Report - Section 315 Content of the Group management report</p> <ol style="list-style-type: none"> <li>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 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.</li> </ol>	

Jurisdiction		Germany
<p>2. The group management report also discusses:</p> <ul style="list-style-type: none"> <li>(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</li> <li>(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;</li> <li>(c) the research and development area of the group and</li> <li>(d) essential branches of the companies included in the consolidated financial statements to understand the situation of the group.</li> </ul> <p>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.</p> <p>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.</p> <p>5. Section 298 (2) on the summary of the notes to the consolidated financial statements and the notes is to be applied accordingly.</p> <p>Group Management Report - Section 315c Content of the non-financial corporate declaration</p> <p>1. Section 289c shall apply accordingly to the content of the non-financial group declaration.</p> <p>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.</p> <p>German Accounting Standard No.20 Group Management Report (GAS 20):</p> <p>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.</p>		
<b>Link to full text:</b>	<p>German Commercial Code (HGB) (translated):  <a href="https://translate.googleusercontent.com/translate_c?depth=1andhl=enandprev=searchandurl=translate.google.com.auandsl=deandsp=nmt4andu=https://www.gesetze-im-internet.de/hgb/BJNR002190897.htmlandusg=ALkJrhgWbvg0q0o1gno1_bfqBdfUSaNBQ#BJNR002190897BJNGO01100306">https://translate.googleusercontent.com/translate_c?depth=1andhl=enandprev=searchandurl=translate.google.com.auandsl=deandsp=nmt4andu=https://www.gesetze-im-internet.de/hgb/BJNR002190897.htmlandusg=ALkJrhgWbvg0q0o1gno1_bfqBdfUSaNBQ#BJNR002190897BJNGO01100306</a></p> <p>German Accounting Standard No.20 Group Management Report (GAS 20):  <a href="https://www.drsc.de/en/">https://www.drsc.de/en/</a></p>	

### 3.4 Hong Kong

Jurisdiction		Hong Kong
<b>Legislation (or equivalent)</b>	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)	
<b>Are the disclosures mandatory?</b>	Yes - The disclosures required by the Hong Kong Companies Ordinance are mandatory.	
<b>Are the disclosures subject to audit</b>	No	
<p>Extract of key requirements</p> <p>Schedule 5: Contents of Directors' Report: Business Review</p> <p>1. A directors' report for a financial year must contain a business review that consists of:</p> <ul style="list-style-type: none"> <li>a) a fair review of the company's business;</li> <li>b) a description of the principal risks and uncertainties facing the company;</li> <li>c) particulars of important events affecting the company that have occurred since the end of the financial year; and</li> <li>d) an indication of likely future development in the company's business.</li> </ul> <p>2. To the extent necessary for an understanding of the development, performance or position of the company's business, a business review must include:</p> <ul style="list-style-type: none"> <li>a) an analysis using financial key performance indicators;</li> <li>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</li> <li>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.</li> </ul>		
<b>Link to full text:</b>	<p>The Hong Kong Companies Ordinance (Cap. 622):  <a href="https://www.elegislation.gov.hk/hk/cap622?xid=ID_1438403550726_001">https://www.elegislation.gov.hk/hk/cap622?xid=ID_1438403550726_001</a>            Guidance for the Preparation and Presentation of a Business Review under the Hong Kong Companies Ordinance Cap 622:  <a href="http://app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumell/ab5.pdf">http://app1.hkicpa.org.hk/ebook/HKSA_Members_Handbook_Master/volumell/ab5.pdf</a></p>	

### 3.5 New Zealand

Jurisdiction		New Zealand
<b>Legislation (or equivalent)</b>	Companies Act 1993 – Section 211 NZX Corporate Governance Code (NZX Code) NZX Guidance Note - Environmental, Social and Governance (voluntary guidance)	
<b>Are the disclosures mandatory?</b>	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.	
<b>Are the disclosures subject to audit</b>	No However under International Standard on Auditing (New Zealand) ISA 720 (Revised) - The Auditor's Responsibilities Relating to Other Information, the Auditor is required to read and consider other	

Jurisdiction	New Zealand
	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.
<p>Extract of key requirements</p> <p>Companies Act 1993 – Section 211 Contents of annual report:</p> <p>3. Every annual report for a company must be in writing and be dated and, subject to subsection (3), must –</p> <p>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</p> <p>NZX listing rules 2020:</p> <p>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:</p> <p>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)</p> <p>NZX Corporate Governance Code:</p> <p>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.</p> <p>Commentary</p> <p>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.</p> <p>Financial reporting</p> <p>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.</p> <p>Issuer reporting should:</p> <ul style="list-style-type: none"> <li>• be linked to the issuer's business model, be genuinely informative and include forward-looking elements where this will enhance understanding;</li> <li>• 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);</li> <li>• be accessible and appropriately integrated with other information that enables shareholders to obtain a picture of the whole organisation;</li> <li>• use key performance indicators that are linked to strategy and facilitate comparisons; and</li> <li>• use objective metrics where they apply and evidence-based estimates where they do not.</li> </ul> <p>Non-financial reporting</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>NZX Guidance Note - Environmental, Social and Governance:</p> <p>Issuers may wish to consider reporting as follows:</p> <ol style="list-style-type: none"> <li>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.</li> <li>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').</li> <li>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&amp;D will drive future growth for the business.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	<p>Companies Act 1993:  <a href="http://www.legislation.govt.nz/act/public/1993/0105/latest/whole.html#DLM321118">http://www.legislation.govt.nz/act/public/1993/0105/latest/whole.html#DLM321118</a></p> <p>NZX Listing Rules 2020  <a href="https://www.nzx.com/regulation/nzx-rules-guidance/main-board-debt-market-rules">https://www.nzx.com/regulation/nzx-rules-guidance/main-board-debt-market-rules</a></p> <p>NZX Corporate Governance Code:  <a href="https://www.nzx.com/regulation/nzx-rules-guidance/corporate-governance-code">https://www.nzx.com/regulation/nzx-rules-guidance/corporate-governance-code</a></p> <p>NZX Guidance Note - Environmental, Social and Governance:  <a href="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">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</a></p>

### 3.6 Singapore

Jurisdiction	Singapore
<b>Legislation (or equivalent)</b>	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)
<b>Are the disclosures mandatory?</b>	Yes – The disclosure required by Rule 1207(4) are mandatory for organisations listed on the Singapore Exchange
<b>Are the disclosures subject to audit</b>	No
<p>Extract of key requirements</p> <p><i>Rule 1207(4) General Information:</i></p> <p>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.</p> <p>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.</p> <p>c) Issuers are encouraged (but not required) to follow the OFR Guide when preparing their reviews.</p> <p><i>Practice Note 7.4 Guide for Operating and Financial Review (OFR Guide)</i></p> <p>1. The OFR should focus on matters that are relevant to investors. It should be easy for users of financial reports to understand.</p> <p>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.</p> <p>3. The key financial and non-financial performance indicators used by management to assess the company and its performance should be discussed.</p> <p>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.</p> <p>5. The OFR should discuss the dynamics and risk factors of the business.</p> <p>6. The OFR should comment on investments and measures to maintain and enhance the position and profitability of the company.</p> <p>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.</p> <p>8. The OFR should discuss the overall return attributable to shareholders, including distributions and share repurchases.</p> <p>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.</p>	
<b>Link to full text:</b>	<p>Listing rule 1207:  <a href="http://rulebook.sgx.com/rulebook/1207">http://rulebook.sgx.com/rulebook/1207</a>            Practice Note 7.4 Guide for Operating and Financial Review:  <a href="http://rulebook.sgx.com/rulebook/practice-note-74-guide-operating-and-financial-review">http://rulebook.sgx.com/rulebook/practice-note-74-guide-operating-and-financial-review</a></p>

### 3.7 South Africa

Jurisdiction	South Africa
<b>Legislation (or equivalent)</b>	JSE Listing Requirements – Section 7.F.8 KING IV Report on Corporate Governance South Africa 2016 (King Code) International Integrated Reporting Framework (<IR> Framework)
<b>Are the disclosures mandatory?</b>	Yes - Application of the King Code is now on an 'apply and explain' basis, previously it was 'apply or explain.'
<b>Are the disclosures subject to audit</b>	No
<p>Extract of key requirements</p> <p>JSE Listing requirements</p> <p>King Code</p> <p>7.F.8 An applicant issuer must implement the King Code through the application of the King Code disclosure and application regime.</p> <p>KING IV Report on Corporate Governance South Africa 2016</p> <p>Part 5.2 - Strategy, Performance and Reporting</p> <p>12. The governing body should oversee that the organisation issues an integrated report at least annually, which is either:</p> <p>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</p> <p>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.</p> <p>Glossary of terms</p> <p>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)</p> <p>International Integrated Reporting Framework: Content elements:</p> <p>Organizational overview and external environment:</p> <p>4.4 An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?</p> <p>Governance:</p> <p>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?</p>	

Jurisdiction		South Africa
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?	
<b>Link to full text:</b>	JSE Listing requirements: <a href="https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf">https://www.jse.co.za/sites/default/files/media/documents/2019-04/JSE%20Listings%20Requirements.pdf</a> KING IV Report on Corporate Governance South Africa 2016: <a href="https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/loDSA_King_IV_Report_-_WebVersion.pdf">https://cdn.ymaws.com/www.iodsa.co.za/resource/collection/684B68A7-B768-465C-8214-E3A007F15A5A/loDSA_King_IV_Report_-_WebVersion.pdf</a> International Integrated Reporting Framework: <a href="https://integratedreporting.org/resource/international-ir-framework/">https://integratedreporting.org/resource/international-ir-framework/</a>	

### 3.8 United Kingdom

Jurisdiction		United Kingdom
<b>Legislation (or equivalent)</b>	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)	
<b>Are the disclosures mandatory?</b>	Yes - The disclosures required by the Companies Act 2006 are mandatory.	
<b>Are the disclosures subject to audit</b>	No	
Extract of key requirements Companies Act 2006 - Part 15 - Annual Accounts and Reports - Chapter 4A Strategic Report: 414C - Contents of strategic report		
<ol style="list-style-type: none"> <li>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).</li> <li>2) The strategic report must contain –               <ol style="list-style-type: none"> <li>a) a fair review of the company's business, and</li> <li>b) a description of the principal risks and uncertainties facing the company.</li> </ol> </li> <li>3) The review required is a balanced and comprehensive analysis of –               <ol style="list-style-type: none"> <li>a) the development and performance of the company's business during the financial year, and</li> <li>b) the position of the company's business at the end of that year, consistent with the size and complexity of the business.</li> </ol> </li> <li>4) The review must, to the extent necessary for an understanding of the development, performance or position of the company's business, include –               <ol style="list-style-type: none"> <li>a) analysis using financial key performance indicators, and</li> <li>b) where appropriate, analysis using other key performance indicators, including information relating to environmental matters and employee matters.</li> </ol> </li> <li>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.</li> <li>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.</li> <li>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 –               <ol style="list-style-type: none"> <li>a) the main trends and factors likely to affect the future development, performance and position of the company's business, and</li> <li>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.</li> </ol> </li> <li>8) In the case of a quoted company the strategic report must include –               <ol style="list-style-type: none"> <li>a) a description of the company's strategy,</li> <li>b) a description of the company's business model,</li> <li>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.</li> </ol> </li> <li>9) In subsection (8), "senior manager" means a person who –               <ol style="list-style-type: none"> <li>a) has responsibility for planning, directing or controlling the activities of the company, or a strategically significant part of the company, and</li> <li>b) is an employee of the company.</li> </ol> </li> </ol>		

Jurisdiction	United Kingdom
	<p>10) In relation to a group strategic report –</p> <ol style="list-style-type: none"> <li>the reference to the company in subsection (8)(c)(i) is to the parent company; and</li> <li>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.</li> </ol> <p>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.</p> <p>12) The report must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.</p> <p>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.</p> <p>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.</p> <p><b>414CB Contents of non-financial information statement</b></p> <ol style="list-style-type: none"> <li>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 – <ol style="list-style-type: none"> <li>environmental matters (including the impact of the company's business on the environment),</li> <li>the company's employees,</li> <li>social matters,</li> <li>respect for human rights, and</li> <li>anti-corruption and anti-bribery matters.</li> </ol> </li> <li>The information must include – <ol style="list-style-type: none"> <li>a brief description of the company's business model,</li> <li>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,</li> <li>a description of the outcome of those policies,</li> <li>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</li> <li>a description of the non-financial key performance indicators relevant to the company's business.</li> </ol> </li> <li>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.</li> <li>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.</li> <li>The statement must, where appropriate, include references to, and additional explanations of, amounts included in the company's annual accounts.</li> <li>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.</li> <li>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.</li> <li>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.</li> </ol>
<b>Link to full text:</b>	<p>Companies Act 2006:  <a href="https://www.legislation.gov.uk/ukpga/2006/46/section/414C">https://www.legislation.gov.uk/ukpga/2006/46/section/414C</a>  FRC Guidance on the Strategic Report 2018:  <a href="https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf">https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf</a></p>

### 3.9 United States

Jurisdiction	USA
<b>Legislation (or equivalent)</b>	Regulation S-K under the US Securities Act of 1933
<b>Are the disclosures mandatory?</b>	Yes
<b>Are the disclosures subject to audit</b>	No (MD&A is not required to be audited. However, disclosures to financial statements are required to be audited)
<p>Extract of key requirements</p> <p>229.101 (Item 101) Description of business.</p> <p>(C) Description of business</p> <p>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.</p> <p>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.</p> <ol style="list-style-type: none"> <li>Revenue-generating activities, products and/or services, and any dependence on revenue-generating activities, key products, services, product families or customers, including governmental customers;</li> <li>Status of development efforts for new or enhanced products, trends in market demand and competitive conditions;</li> <li>Resources material to a registrant's business, such as: <ol style="list-style-type: none"> <li>Sources and availability of raw materials; and</li> <li>The duration and effect of all patents, trademarks, licenses, franchises, and concessions held;</li> </ol> </li> </ol>	

Jurisdiction	USA
	<p>(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</p> <p>(v) The extent to which the business is or may be seasonal.</p> <p>Section 229.105 (Item 105) Risk factors:</p> <p>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.</p> <p>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.</p> <p>Section 229.303 (Item 303) Management's discussion and analysis of financial condition and results of operations:</p> <p>Full fiscal years.</p> <p>Discuss registrant's financial condition, changes in financial condition and results of operations.</p> <p>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.</p> <p>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.</p> <p>3) Capital resources.</p> <p>(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.</p> <p>(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.</p> <p>4) Results of operations.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>Note: Disclosure requirements for off-balance-sheet arrangements and tabular disclosure of contractual obligations.</p>
<p><b>Link to full text:</b></p>	<p>Regulation S-K:  <a href="https://www.ecfr.gov/cgi-bin/text-idx?SID=f2333cfe22beb6a9b19c9d4ff6ea89&amp;mc=true&amp;tpl=/ecfrbrowse/Title17/17tab_02.tpl">https://www.ecfr.gov/cgi-bin/text-idx?SID=f2333cfe22beb6a9b19c9d4ff6ea89&amp;mc=true&amp;tpl=/ecfrbrowse/Title17/17tab_02.tpl</a></p>

#### **4 Other potential baselines not included in sections 1 to 3 above**

##### **4.1 Implementation experience with IPSASB Recommended Practice Guide RPG 3 Reporting Service Performance Information**

AASB ED 270 effectively adopted IPSASB RPG 3 (see section 1.7 above) as its baseline. Accordingly, any implementation experience with RPG 3 could provide a suitable and up to date baseline for the project. In particular, there has been the potential for some seven years of implementation experience since RPG 3<sup>7</sup> was issued, or for it to have been used as a basis for service performance reporting guidance in national jurisdictions.

However:

- (a) based on the limited enquiries made by staff to date, there is limited, if any, evidence of direct RPG 3 implementation experience or adoption of RPG 3 as the basis for foreign domestic pronouncements;
- (b) RPG 3 was developed with a primary focus on public sector entities (other than Government Business Enterprises) and therefore, unlike during the development of AASB ED 270, private sector NFPs were not directly considered during its development;<sup>8</sup> and
- (c) Adopting RPG 3 implementation experience as the baseline would not be consistent with some of the key staff recommended working assumptions in Agenda Paper 4.2, including that for:
  - (i) Pervasive Issue D, a single service performance reporting pronouncement would be developed that is applicable to both public and private sector NFPs; and
  - (ii) Pervasive Issue F, although no working assumption should be made at this stage, the Service Performance Reporting project should proceed as if it were developing a mandatory pronouncement.

Even if IPSASB RPG 3 implementation experience is not adopted as the baseline, the project could benefit from any insights that could be gleaned from that experience. A Monash University research team intends undertaking some research into RPG 3 implementation experience as the project progresses.

##### **4.2 The Productivity Commission's Report on Government Services (RoGS) framework**

The RoGS framework is considered in Agenda Paper 4.3 (paragraphs 22 to 25) as a contender for the baseline in its own right. Even if it is not adopted, it could provide useful insights as the project progresses.

Details about the RoGS framework is provided at <https://www.pc.gov.au/ongoing/report-on-government-services>. In the web-based description of the RoGS framework, under Part A, Section 1 (released 24 January 2023) 'Approach to performance measurements', 'The Report's scope' section states "The Report focuses on 'social services', which aim to enhance the wellbeing of people and communities by improving largely intangible outcomes (such as health, education and community safety). The Report contains performance information on child care, education and training, health, justice, emergency management, community services, social housing, and homelessness across 17 service areas."

Under that same section, the 'Conceptual approach' is described. Within that description, under the heading:

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7 A summary of RPG 3 is provided at the end of section 1.1 of this Appendix.

8 This issue arises in relation to a number of the contenders for the baseline because they variously focus on the public sector, the private sector or both sectors. The argument is particularly relevant depending on whether the Board decides to continue to include both public and private sector NFPs within the scope of the reactivated project.

- (a) ‘The performance indicator framework’, the section states: “Each service area in the Report has a performance indicator framework and a set of objectives against which performance indicators report... Performance indicators include output indicators, grouped under equity, effectiveness and efficiency, and outcome indicators.”; and
- (b) ‘Objectives’, the section states: “Each service area has a set of objectives against which performance is reported. The structure of objectives is consistent across service areas and includes three components:
- The high-level objectives or vision for the service, which describes the desired impact of the service area on individuals and the wider community.
  - The service delivery objectives, which highlight the characteristics of services that will enable them to be effective.
  - The objectives for services to be provided in an equitable and efficient manner.”

The website goes on to explain ‘Output indicators’ (including equity indicators, effectiveness indicators, and efficiency) and ‘Outcome indicators’.

Guiding principles for the Report are provided in a Box, the content of which is as follows:

#### Box 1.1 – Guiding principles for the Report

**Comprehensiveness** — performance should be assessed against all important objectives.

**Streamlined reporting** — a concise set of information about performance against the identified objectives of a sector or service should be included.

**A focus on outcomes** — high-level performance indicators should focus on outcomes, reflecting whether service objectives have been met.

**Hierarchical** — high-level outcome indicators should be underpinned by lower-level output indicators and additional disaggregated data where a greater level of detail is required.

**Meaningful** — reported data must measure what it claims to measure. Proxy indicators should be clearly identified and the development of more meaningful indicators to replace proxy indicators is encouraged where practicable.

**Comparability** — data should be comparable across jurisdictions and over time. However, comparability may be affected by progressive data availability. Where data are not yet comparable across jurisdictions, time series data within jurisdictions is particularly important.

**Completeness and progressive data availability** — aim to report data for all jurisdictions (where relevant), but where this is not possible report data for those jurisdictions that can report (not waiting until data are available for all).

**Timeliness** — data published are the most recent possible. Incremental reporting when data become available, and then updating all relevant data over recent years, is preferable to waiting until all data are available.

**Use acceptable (albeit imperfect) performance indicators** — relevant performance indicators that are already in use in other national reporting arrangements are used wherever appropriate.

**Understandable** — data must be reported in a way that is meaningful to a broad audience, many of whom will not have technical or statistical expertise.

**Accurate** — data published will be of sufficient accuracy to provide confidence in analysis based on information in the Report.

**Validation** — data can vary in the extent to which they have been reviewed or validated (at a minimum, all data are endorsed by the provider and subjected to peer review by the Working Group for the relevant service area).

**Full costing of services** — efficiency estimates should reflect the full costs to government (where possible).

*Source:* Adapted from Ministerial Council for Federal Financial Relations (MCFRR) (2009).

### 4.3 Australian State, Territory and Local Government frameworks

Given the volume of material, rather than extract the requirements/guidance of each Australian jurisdiction, the following provides the titles of relevant documents and their links (which include self-explanatory indications of the titles and therefore nature of the documents) where they could be readily accessed. The Commonwealth Government is not included in this section because it is included in section 1.1 above.

Although any one of the frameworks is a potential baseline, Agenda Paper 4.3 does not give them detailed consideration. However, each might provide useful insights as the project progresses. Therefore, as part of the project, a benchmarking study could be undertaken into the service performance reporting frameworks of the Australian States, Territories and Local Governments.

#### 4.3.1 ACT

ACT Government (2020). Strengthening Performance and Accountability: A Framework for the ACT Government:

[https://www.cmtedd.act.gov.au/\\_data/assets/pdf\\_file/0008/1690721/ACT-Performance-and-Accountability-Framework-FEB-2020.pdf](https://www.cmtedd.act.gov.au/_data/assets/pdf_file/0008/1690721/ACT-Performance-and-Accountability-Framework-FEB-2020.pdf)

#### 4.3.2 NSW

The Audit Office of NSW (2005). A Guide to Preparing Performance Information for Annual Reports. NSW Treasury:

[https://media.opengov.nsw.gov.au/pairtree\\_root/64/38/cd/59/f5/3d/41/55/8d/97/48/cc/92/1f/59/3b/obj/Report\\_No\\_77\\_a\\_guide\\_to\\_reporting\\_performance\\_November\\_2000.PDF](https://media.opengov.nsw.gov.au/pairtree_root/64/38/cd/59/f5/3d/41/55/8d/97/48/cc/92/1f/59/3b/obj/Report_No_77_a_guide_to_reporting_performance_November_2000.PDF)

<https://www.olg.nsw.gov.au/councils/governance/risk-management-audit-and-internal-controls/local-government-performance-audits/>

Local Government

<https://www.olg.nsw.gov.au/programs-and-initiatives/local-government-performance-measurement-framework/>

#### 4.3.3 Northern Territory

Program Evaluation Unit (2022). Northern Territory Government Program Evaluation Toolkit:

[https://treasury.nt.gov.au/\\_data/assets/pdf\\_file/0010/956935/Attachment-I-Program-Evaluation-Toolkit.pdf](https://treasury.nt.gov.au/_data/assets/pdf_file/0010/956935/Attachment-I-Program-Evaluation-Toolkit.pdf)

#### 4.3.4 Queensland

Queensland Audit Office (2014). Monitoring and reporting performance. Queensland Audit Office:

[https://www.qao.qld.gov.au/sites/default/files/reports/rtp\\_monitoring\\_and\\_reporting\\_performance.pdf](https://www.qao.qld.gov.au/sites/default/files/reports/rtp_monitoring_and_reporting_performance.pdf)

Local Government

<https://www.statedevelopment.qld.gov.au/local-government/for-councils/resources/local-government-comparative-reports>

#### 4.3.5 South Australia

Premier and Cabinet Circular (2022). Premier and Cabinet Circular PC 013 – Annual Reporting Requirements. Government of South Australia:

[https://www.dpc.sa.gov.au/\\_data/assets/pdf\\_file/0019/39160/PC013-Annual-Reporting-Requirements.pdf](https://www.dpc.sa.gov.au/_data/assets/pdf_file/0019/39160/PC013-Annual-Reporting-Requirements.pdf)

#### 4.3.6 Tasmania

Tasmanian Audit Office (1996). Performance Management Framework:

<https://www.audit.tas.gov.au/wp-content/uploads/Special-Report-No.-14-Review-of-Performance-Indicators-in-Government-Departments-June-1996.pdf>

#### 4.3.7 Victoria

Victorian Auditor-General's Office (2021). Measuring and Reporting on Service Delivery:

<https://www.audit.vic.gov.au/report/measuring-and-reporting-service-delivery?section=>

Local Government

<https://www.localgovernment.vic.gov.au/strengthening-councils/performance-reporting>

[https://www.localgovernment.vic.gov.au/\\_data/assets/pdf\\_file/0019/194050/LG-BPG-Performance-Reporting-Indicator-Guide-2023-24-.pdf](https://www.localgovernment.vic.gov.au/_data/assets/pdf_file/0019/194050/LG-BPG-Performance-Reporting-Indicator-Guide-2023-24-.pdf)

#### 4.3.8 Western Australia

Department of Treasury (2017). Outcome Based Management Guidelines for use in the Western Australian Public Sector:

<https://www.wa.gov.au/system/files/2020-02/outcome-based-management-guidelines.pdf>

#### 4.4 The Integrated Reporting <IR> Framework

Page 8 of the [International <IR> Framework](#) (January 2021) summarises the eight Content Elements that are fundamentally linked to each other and are not mutually exclusive as follows:<sup>9</sup>

- **Organizational overview and external environment.** What does the organization do and what are the circumstances under which it operates?
- **Governance.** How does the organization's governance structure support its ability to create value in the short, medium and long term?
- **Business model.** What is the organization's business model?
- **Risks and opportunities.** 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.** Where does the organization want to go and how does it intend to get there?
- **Performance.** 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.** 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.** How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

In relation to 'performance' in particular, pages 45 and 46 of the International <IR> Framework specify the following:

**"4.31 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?"**

4.32 An integrated report contains qualitative and quantitative information about performance that may include matters such as:

- Quantitative indicators with respect to targets, risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them
- The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain
- The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests
- The linkages between past and current performance, and between current performance and the organization's outlook.

4.33 Key performance indicators that combine financial measures with other components (e.g. the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g. expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g. carbon emissions and water use).

4.34 It may be relevant for the discussion of performance to include instances where regulations have a significant effect on performance (e.g. a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations."

Although the [Integrated Reporting <IR> Framework](#) is a potential baseline for the AASB's Service Performance Reporting project, Agenda Paper 4.3 does not give it further detailed consideration for the same reasons it was downplayed by INPAG ED1 (as noted in paragraph 27(b) of Agenda Paper 4.3) and in the context of the discussion about the meaning of 'service' performance under Pervasive Issue G in paragraphs 42 to 49 of Agenda Paper 4.2.

INPAG ED1 notes in paragraph BC35.12 of its Basis for Conclusions that the <IR> Framework would be expected to be too complicated for private sector NFPs and entail broad reporting principles beyond the scope of 'service performance' (see also the discussion in section 10 of the [IFR4NPO Consultation Paper](#) (January 2021)). Even though the extent of reporting under the <IR> Framework across all six capitals (ie financial, manufactured, intellectual, human, social and relationship, and natural) is arguably broader than what is reasonable to expect of service performance reporting, <IR>

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9 The most relevant to this Paper is the sixth element: 'Performance'. The others are listed here for context.

does not focus in detail on the service performance information of NFPs and would require greater judgement and therefore cost of application when applying broad integrated reporting principles to service performance reporting (e.g. forward-looking information).

Paragraph 3.8 of Part 2 'NPO-specific financial reporting issues' of the INFR4NPO Consultation Paper acknowledges that "While developed for the for-profit sector, IR could be relevant for NPOs to demonstrate how they seek to optimise their use of available resources and report on operations to their stakeholders." Despite this, whilst <IR> may overlap with some of the aims of service performance reporting, they are not the same and quite possibly that overlap is not significant. However, the <IR> framework could provide useful insights as the AASB's project progresses.

#### ***4.5 International Accounting Standards Board (IASB) Management Commentary Practice Statement 1: Management Commentary and proposed improvements***

AASB Exposure Draft *Management Commentary* (ED 311, issued June 2021 for comment by 1 October 2021) incorporates the IASB's Exposure Draft of the same name. The IASB ED summarises the proposals as follows:

IN13 The Board proposes an objectives-based approach that specifies an objective for management commentary, supported by:

- (a) a requirement for management commentary to provide information that is material to investors and creditors, and to focus on key matters—that is, matters that are fundamental to the entity's ability to create value and generate cash flows, including in the long term.
- (b) requirements to provide information that meets specified disclosure objectives. The disclosure objectives derive from the information needs of investors and creditors, and include descriptions of the assessments that rely on information provided in management commentary.
- (c) guidance that provides examples of possible key matters and of information, including metrics, that management commentary might need to provide to meet the disclosure objectives.
- (d) requirements for information to possess specified attributes—for example, completeness, balance and accuracy—and guidance to help management identify information that possesses those attributes.

IN14 The proposed disclosure objectives cover six areas of content:

- (a) the entity's business model—how the entity creates value and generates cash flows;
- (b) management's strategy for sustaining and developing that business model, including the opportunities management has chosen to pursue;
- (c) the resources and relationships on which the business model and strategy depend, including resources not recognised as assets in the entity's financial statements;
- (d) risks that could disrupt the business model, strategy, resources or relationships;
- (e) factors and trends in the external environment that have affected or could affect the business model, strategy, resources, relationships or risks; and
- (f) the entity's financial performance and financial position—including how they have been affected or could be affected in the future by the matters discussed for the other areas of content."

The extent of reporting under the IASB's Management Commentary proposed disclosure objective areas is arguably beyond what is reasonable to expect of service performance reporting and yet it does not address some specific facets of service performance information of NFP entities that would be expected. Accordingly, whilst the IASB Management Commentary Practice Statement proposals may overlap with some of the aims of service performance reporting, they are not the same and quite possibly that overlap is not significant (see also paragraph 15 of Agenda Paper 4.2). However, the principles being developed by the IASB for management commentary could provide useful insights as they and the Service Performance Reporting project progresses.

#### ***4.6 Chartered Institute of Public Financial and Accountancy's (CIPFA) International Financial Reporting Organisations (INFR4NPO) Initiative: International Non-Profit Accounting Guidance Part 1 Invitation to Comment (INPAG ED1)***

[INPAG ED1](#) is considered in Agenda Paper 4.3 (paragraphs 26 to 30) as a contender for the baseline in its own right. Even if it is not adopted, it could provide useful insights as it and the Service Performance Reporting project progresses.

The following is a relevant extract from [INPAG ED1](#). Although it addresses both performance information and financial statement commentary, sometimes using the generic phrase 'narrative

reporting', it is only the references relating to performance information that are relevant to this agenda item. Material relating to financial statement commentary is retained in this extract to provide continuity and context.

**"Section 35 – Narrative reporting (New)**

**Scope of this Section**

- G35.1 This Section sets out narrative reporting requirements for NPOs. It provides guidance on the performance information and financial statement commentary that is to be presented by an NPO in the same general purpose financial report as its financial statements.
- G35.2 This Section sets out the minimum narrative reporting requirement for NPOs applying INPAG. Where an NPO is able to go beyond this minimum requirement and present additional information to meet the needs of users of its general purpose financial report, it may do so provided that this minimum requirement has been met.

**Principles**

- G35.3 An NPO shall present performance information and financial statement commentary that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Performance information and financial statement commentary will enable users to assess the performance of the NPO and provide context to the information included in the financial statements.
- G35.4 The performance information and financial statement commentary presented shall be for the same reporting NPO and reporting period as the financial statements.
- G35.5 When selecting and presenting performance information and financial statement commentary in a general purpose financial report, an NPO shall apply the qualitative characteristics and the pervasive constraints on information identified in Section 2 Concepts and pervasive principles. The narrative report shall:
- provide faithful representation of the NPO's operations and activities;
  - provide relevant information that is capable of making a difference in the decisions made by users, ie it is material;
  - provide information that is comparable between reporting periods;
  - provide information that can be verified;
  - be provided on a timely basis; and
  - be understandable by the users of the general purpose financial reports.
- This will result in performance information and financial statement commentary that is useful to users of the NPO's general purpose financial report.
- G35.6 An NPO shall also ensure that the performance information and financial statement commentary presented is fair and balanced. The information presented should provide an objective view and assessment of the NPO's performance and financial statements for the reporting period.
- G35.7 Exceptionally an NPO shall not disclose aspects of performance information and financial statement commentary that would compromise the safety or wellbeing of individuals working/volunteering for the NPO, or those to whom it provides goods and services, because the information is sensitive and/ or could prejudice the ability of the NPO to deliver its mission. An NPO will remain in compliance with the requirements of INPAG where this exception is utilised. When a sensitive information exception has been used, the NPO should disclose that the narrative report has been prepared in accordance with the requirements of this paragraph but is not required to provide any information that would have the effect of highlighting the nature or substance of the sensitive information. An NPO shall present performance information and financial statement commentary related to those operations and activities that does not result in sensitive information.
- G35.8 An NPO shall:
- present information to enable users to understand what the performance objectives of the NPO are and what it has done during the reporting period in working towards those performance objectives; and
  - present commentary to discuss and analyse the NPO's financial statements.
- G35.9 In providing performance information and financial statement commentary, an NPO shall provide users with information related to the following topics.

**An overview of the NPO**

- G35.10 An NPO shall provide contextual information that enables users to understand the NPO. The information provided as part of the overview should include:
- Who are we? – a description of the legal form of the NPO, how it is structured and what governance arrangements apply to it.
  - What do we exist for? – a description of the purpose for which the NPO exists, including any formal mission and vision statements.
  - What do we do? – a description of the NPO's main activities, including significant relationships the NPO has with other entities.

**Performance information**

- G35.11 An NPO shall present information to enable users to understand:
- what the performance objectives of the NPO are and what it intended to achieve during the reporting period; and
  - what it has done in working towards those performance objectives and what it has achieved during the reporting period.
- G35.12 The NPO shall provide performance measures and descriptions that enable the NPO to demonstrate to its users its performance for the reporting period. The performance measures and descriptions will depend on the NPO and its performance objectives, but must have regard to:
- Quantitative measures that provide a numerical measurement by which to assess performance – for example the quantity of a particular good or service provided by an NPO, or ratings by service users on a scale of 1–10.
  - Qualitative measures that provide a non-numerical measurement by which to assess performance – for example whether the goods and services provided by an NPO were in accordance with a particular quality standard, or ratings by service users of high/medium/low.

- c) Qualitative descriptions that provide a non-numerical description by which to assess performance – for example descriptions by individuals supported by the NPO of improvements made to their wellbeing from open-ended questions in interviews.
- G35.13 An NPO will need to exercise judgement to ensure that it provides information that is useful for accountability and decision-making purposes to users of the general purpose financial report.

*Financial objectives and strategies*

- G35.14 An NPO shall discuss its objectives and strategies relating to its financial position, income and expenses, net assets and cash flows. This should be done in a way that enables users of the financial statements:
- a) to understand the NPO's financial objectives and strategies;
  - b) to identify the resources that must be managed by the NPO to achieve them; and
  - c) how these financial objectives and strategies support the achievement of the NPOs performance objectives.
- G35.15 Where relevant, an NPO should also discuss significant changes in its financial objectives and strategies from the previous period or periods, and the impact this may have on the achievement of its performance objectives.

*Analysis of the NPO's financial statements*

- G35.16 An NPO shall include an analysis of significant changes and trends in its financial position, income and expenses, net assets and cash flows. Judgement should be applied to ensure a focus on significant and important financial statement items, and the NPO should not simply reiterate the information presented in the financial statements. Specifically, the analysis should not repeat the disclosures made in accordance with Section 8, but these disclosures may inform the analysis.
- G35.17 As part of this analysis, the NPO should provide information on the impact that these significant changes and trends in its financial position, income and expenses, net assets and cash flows have on the achievement of its performance objectives.

*Risks and uncertainties*

- G35.18 An NPO shall discuss the principal risks and uncertainties that affect the achievement of its performance objectives and its financial position, income and expenses, net assets and cash flows. This should include:
- a) an explanation of how these risks and uncertainties relate to the performance objectives and financial objectives and strategies of the NPO;
  - b) an explanation of changes in those risks and uncertainties since the last reporting date; and
  - c) how the NPO manages risks and uncertainties.
- G35.19 This information will help users to evaluate the impact of those risks and uncertainties on the achievement of the NPO's performance objectives and its financial position, income and expenses, net assets and cash flows in the current period, as well as expected longer term outcomes.

*Presentation*

- G35.20 Performance information and financial statement commentary shall be clearly identified and distinguished from the financial statements.
- G35.21 NPOs should develop a format that meets the information needs of their users while complying with the requirements of this Section.
- G35.22 Cross-referencing of performance information and financial statement commentary to the financial statements will enable users to understand and assess the performance information and financial statement commentary within the context of the financial statements.
- G35.23 In addition to cross-referencing of information to the financial statements within the general purpose financial report, an NPO may also consider it beneficial to cross-reference to information that is held outside of the general purpose financial report. For example, it may be appropriate to provide users with additional detail on performance objectives and to reduce the volume of information provided in the general purpose financial reports.
- G35.24 Where an NPO does cross-reference to information held outside of the general purpose financial report, it must ensure that:
- a) a complete set of performance information and financial statement commentary is provided to users in the general purpose financial report in accordance with this Section – an NPO shall not simply provide references to information held elsewhere; and
  - b) the cross-referenced information held outside of the general purpose financial report is, and will remain, unchanged and available to users of the general purpose financial report.

*Comparative information and consistency of reporting*

- G35.25 The usefulness of performance information and financial statement commentary to users is improved through the provision of comparative information and consistent reporting by an NPO.
- G35.26 Comparative information shall be provided by an NPO for the preceding period for amounts and descriptive information reported in the current period.
- G35.27 Performance information and financial statement commentary shall also be reported consistently by an NPO. Where changes are made to what or how an NPO reports its performance information and financial statement commentary, the reasons for and the nature and effect of these changes shall be explained.
- G35.28 If an NPO becomes aware of material prior period errors, be this related to numerical or descriptive information, it shall correct these by restating the comparative information for any prior period(s) presented in the general purpose financial reports and disclose an explanation of the error.

*Disclosure of judgements*

- G35.29 An NPO will use judgement in the selection and presentation of performance information and financial statement commentary that is reported in accordance with this Section. An NPO shall disclose those judgements that are most relevant to users' understanding of the NPO's performance information and financial statement commentary.

*Reporting of other information*

- G35.30 An NPO may choose or be required to present additional information in its general purpose financial report beyond the performance information and financial statement commentary included in this Section. Where it does so, the additional information shall, as far as possible, be presented in compliance with the requirements of this Section (principles, presentation, comparative information, consistency of reporting, and disclosure of judgements).

**Application Guidance: Section 35 – Narrative reporting (New)**

- AG35.1 Section 35 Narrative Reporting sets out the principles and high-level requirements for reporting performance information and financial statement commentary by NPOs. As INPAG will be applied internationally by a diverse range of NPOs, it is impractical to determine a detailed set of requirements and a specific reporting format for a narrative

report that would be appropriate for all NPOs. The principles and high-level requirements of the Section instead permit a flexible approach. NPOs are able to report in a manner that best meets the needs of their users. At the same time all NPOs are required to report a base level of information that is useful to users.

#### **Performance information and objectives**

- AG35.2 Performance information required by paragraphs G35.11–G35.13 gives an NPO the opportunity to provide users with an understanding of why the NPO exists, what it intends to achieve now and in the longer term, and how it goes about doing this, including what it has done in the reporting period to achieve its objectives. Performance information is best supported by performance measures and descriptions (see paragraph IG35.17). These can be presented in a variety of ways including charts, maps, tables and infographics, and need not just rely on narrative descriptions.
- AG35.3 Performance objectives should be linked to the discussion of what the NPO exists for that is included within the overview. They will be derived from the purpose of the NPO, and should indicate what the NPO intends to achieve now and in the longer term and how it goes about doing this. Reporting should be on the objectives that the NPO executive/management has set to monitor the activities or performance of the NPO. Performance objectives should not be created purely for the purpose of the narrative report.
- AG35.4 A key decision will be deciding on which aspects of performance the NPO wishes to report. NPOs should focus on the needs of users of the general purpose financial report to make this judgement. The principles in paragraph G35.5 will guide these judgements, particularly the relevance of the information. Many NPOs will already provide performance information outside of their general purpose financial report to groups such as donors. While NPOs may be able to use the information that is contained in such reports, they should ensure that the information presented is not too detailed and that it complies with the high-level reporting principles.

#### **Financial objectives and strategies**

- AG35.5 As per paragraphs G35.14 and G35.15, NPOs should provide sufficient information on financial objectives and strategies so that users can understand the NPO's financial priorities, the resources it needs to achieve them, and how these relate to its performance objectives. Given that NPOs exist primarily to deliver a benefit to the public rather than to generate financial returns for investors, financial objectives and strategies are likely to be derived from the NPOs performance objectives.
- AG35.6 For example, an NPO may have a performance objective of delivering a certain volume of services over a financial period and has volatile incoming resources. To ensure that the NPO has sufficient resources to deliver this volume of services, it may have a reserves policy that requires it to hold six months equivalent of expenditure in unrestricted reserves or funds. To achieve this the NPO may have a strategy of increasing both the amount and percentage of unrestricted donations it receives compared to those that can only be spent on a specific project.

#### **Discussion and analysis of the financial statements**

- AG35.7 Financial statement commentary required by paragraphs G35.16 and G35.17 gives an NPO the opportunity to discuss and analyse the financial statements. The commentary can focus on the significant items, transactions and events that are presented in the NPO's financial statements and the factors that have influenced them. This provides context to the financial statements for users, thus ensuring that they are useful for accountability and decision-making purposes.
- AG35.8 The focus of the analysis of financial statements should be on significant changes and trends, and the achievement of its performance objectives, both in this period and the future. An explanation should be provided of the impact that these changes and trends have on the NPO's:
- financial position;
  - income and expenses;
  - net assets; and
  - cash flows.
- For example, how a significant amount of income from holding financial assets has enabled the NPO to increase its unrestricted cash reserves and how this will permit it to increase the number of members of the public it can support in the next financial year.
- AG35.9 The NPO should not simply reiterate or replicate the information in the financial statements. The focus should be on enabling the primary users of the general purpose financial reports to gain a better understanding of the financial position, income and expenses and cash flows of the NPO. Judgement will be required to identify and present the significant items, transactions and events that will provide this understanding, with users provided with a clear link between the financial statement analysis and items within the financial statements. Any adjustments to information from the financial statements in producing the financial statement analysis must be disclosed along with the nature and reasons for the adjustment.

#### **Comparative information and consistency of reporting**

- AG35.10 Comparative information is required by paragraphs G35.25–G35.28. Users understanding of performance and financial information is usually improved when comparative information for the preceding reporting period is included. Where the information provided is numerical, it should be relatively easy for an NPO to provide the comparative information. Where it cannot provide comparative information an NPO must follow the requirements of Section 3 regarding consistency. Where the information is narrative or descriptive, judgement may be required in determining what and how to disclose comparative information.
- AG35.11 Users' understanding of performance and financial information is also improved when an NPO reports in a consistent manner over time what it reports and how it reports it. Consistency of reporting can be supported by thinking carefully about what users require when first considering the performance and financial information that will be reported and how it will be presented. Where changes are required, for example if an NPO changes its primary objective or measures performance in a different way, consistency of reporting is supported if the reason for the change and its impact on reporting is explained.
- AG35.12 An item is material if its exclusion or misstatement would affect the decision and assessments made by users of the general purpose financial report. As such materiality depends not just on size but also on nature. A material prior period error occurs either where performance information or financial statement commentary has either been materially misstated or omitted altogether in a previous general purpose financial report. Where an NPO becomes aware that a material prior period error has occurred it needs to correct this in the next general purpose financial report it produces by restating comparative information for any prior periods presented and by disclosing an explanation of the error.

#### **Reporting of other information**

AG35.13 Paragraph G35.30 permits the inclusion of additional information beyond the mandatory core in paragraphs G35.8–G35.19. Where possible, an NPO should disclose other relevant information to enhance understanding for the users of the financial report, that goes beyond the minimum core requirement of this Guidance. This could include environmental, social and governance (ESG) information, climate related disclosures, and/or broader sustainability reporting.

#### **Judgements**

AG35.14 As required by paragraph G35.29, NPOs should disclose the judgements that have had the most significant effect on the selection, measurement and presentation of performance information and financial statement commentary. Only those that are most significant to the information reported and are relevant to the users understanding of the information provided. This might include for example a decision by an NPO to disclose performance information by region or activity, or why an NPO utilises a certain financial ratio to determine if it has sufficient funds to continue to provide services.”

### **4.7 UK Financial Reporting Council (FRC) Charities Statement of Recommended Practice (SORP) Accounting and Reporting by Charities and the current review of impact reporting**

The UK [Charities SORP](#) *Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)* is effective 1 January 2019. A summary of its key requirements is contained in section 2.4 above.

Paragraphs 1 and 2 of the Introduction to the SORP state:

“... the SORP ... is issued by the Charity Commission for England and Wales, the Charity Commission for Northern Ireland and the Office of the Scottish Charity Regulator in their role as the joint SORP-making body, recognised by the Financial Reporting Council.

This SORP provides guidance for charities on how to apply the Financial Reporting Standard applicable in the UK and Republic of Ireland (referred to as FRS 102 in this SORP). It is important for preparers of accounts to make reference to this standard when preparing accounts and in making the required disclosures.”

Of particular relevance to the AASB’s Service Performance Reporting project is that, as noted in section 2.4 of this Appendix, under the heading ‘Achievements and performance’ within the section headed ‘The content of the trustees’ annual report required of all charities’, paragraph 1.20 of the SORP states that:

“The report must contain a summary of the main achievements of the charity. The report should identify the difference the charity’s work has made to the circumstances of its beneficiaries and, if practicable, explain any wider benefits to society as a whole.”

However, there is limited guidance on how that impact reporting requirement is to be implemented.

The Charities SORP is currently being reviewed by the SORP-making body. As a stakeholder, the Institute of Chartered Accountants of Scotland (ICAS) has commissioned research from a Cardiff University team into the subject of impact reporting. By way of background, ICAS has published the following articles about the work undertaken to date:

- (a) an [article](#) entitled: ICAS launches call for research on charity impact reporting (29 January 2021);
- (b) an [article](#) entitled: Work commences on a major ICAS project on impact reporting by charities (14 September 2021);
- (c) an [article](#) entitles: Towards a new Charities SORP (1 February 2022), which notes the implementation date for the revised SORP is expected to be 1 January 2025; and
- (d) an [article](#) entitled: Why charities measure impact (12 May 2022)
- (e) a [report](#) entitled: Charity Impact Reporting: Informing the Forthcoming SORP (December 2022). The Executive Summary notes: “This report presents the results of Phase One of the project which sought to gain an in-depth understanding of charities’ current (internal) impact measurement practices, and how this practice is being translated into (external) impact reporting.”

Further work is currently underway into some user needs aspects as part of Phase 2 with the report to be published in due course. The report will include the results of an examination of sets of accounts with good practice and interviews with founders about their use of impact reports.

As noted in paragraph A4(b)(iii) of Appendix A in Agenda Paper 4.3, the UK's review of impact reporting was not a contender for the AASB's Service Performance Reporting project's baseline considered in Agenda Paper 4.3. Despite that, as the UK's review progresses, it might provide useful insights as the AASB's Service Performance Reporting project progresses.

#### *4.8 Recent Australian Charities and Not-for-profit Commission's (ACNC) requirements and guidance on reporting charities' programs*

Section 2.1 above provides information about ACNC requirements for relevant disclosures in the Annual Information Statements of charities within the remit of the ACNC. That section predates later disclosures required by ACNC for information about charities' programs.

Relevant 2022 ACNC guidance is available at <https://www.acnc.gov.au/tools/guides/2022-annual-information-statement-guide> (an extract from which is provided below):

##### **EXTRACT FROM ACNC GUIDANCE**

###### **7. Charitable purpose**

If you answered 'Yes' to whether your charity operated during the 2022 reporting period, you will then be asked to describe how your charity's work helped achieve its overall mission and main aims.

Charities are encouraged to keep their responses to this question brief - one or two paragraphs, or a few short sentences. It is also an opportunity for your charity to outline and explain any significant increase or decrease in staff numbers due to changes in program work or other circumstances.

Charities can also include a link to a page on their website which details this information more thoroughly. Your charity's response to this question will appear on its ACNC Charity Register page.

###### **8. Programs**

A program is an activity or service that a charity runs to achieve its charitable purposes for its beneficiaries. It may be small or large, ongoing or temporary, but it is something the charity does to achieve its goal.

Details your charity provides about its programs through the Annual Information Statement will be displayed on its Charity Register page.

This will allow members of the public - including potential volunteers, donors and partners - to learn more about your charity's work and how they can support it.

To help answer questions in this section, you will need to have some information about your charity's programs. This includes:

- The program's name
- The type of work the program does
- The program's beneficiaries - who it aims to help
- The location of the program - where it operates
- If possible, a website link with information about the program

You can use the Program Previewer to explore this section of the 2021 Annual Information Statement in more detail, as well as to practice your responses to program-related questions.

Once you have finished using the Previewer, you can save or print your responses so that you can easily copy them across when completing your charity's 2022 Annual Information Statement.

Add to or update your charity's programs

If your charity submitted a 2021 Annual Information Statement, we have used the information about your charity programs to pre-fill this section. However it is your charity's responsibility to ensure any pre-filled information about its programs is accurate when submitting its 2022 Annual Information Statement.

If this section is pre-filled with information about one or more of your charity programs, review it for accuracy.

- To add a new program: Click on the 'Add a program' option in the table and provide details about the program.
- To update details of an existing program: Click on the program's name in the table and then make changes to the details that appear.
- To remove details of programs your charity no longer runs: Click on the red bin icon next to those details.

You must add at least one program for your charity, and you can add up to 10 programs.

When completing this section of the Annual Information Statement, consider if your charity's overall work comprises several separate smaller programs. If so, your charity should list those multiple programs in this section and provide details for each.

The more programs your charity includes in its Annual Information Statement, the better the detail that will feature on your page on the ACNC Charity Register.

###### **Program name**

You must add a name for your charity's program. If it has a specific name, enter it here. If it does not, give the program a short descriptive name to help people understand what it is.

###### **Program classification**

The taxonomy used in this section of the Annual Information Statement has been developed for the broader not-for-profit sector, and the classification descriptions it uses are reflective of this. The descriptions are a guide to select the appropriate classification. You must enter a classification for your charity's program. To do so, click on the 'Search classification' button.

A pop-up window will appear for you to choose the classification. You can either:

- Search for a classification with a keyword or two that describes your charity's program. Then, from the search results, click on the classification that best fits the program.

• Browse the classifications on the right-hand side of the screen. Click on one of the classification headings to open more specific classifications from which to choose.

If your charity's program fits into more than one classification, choose the classification that best fits. When you have found the best classification for your charity's program, click the blue 'Add' button. This will take you back to the page so you can add the rest of the program's details.

Program beneficiaries

You will be asked to choose the main beneficiaries for each charity program. Beneficiaries are who your charity's program aims to help. Choose the program beneficiaries from the list of options provided.

If the program has more than one group of beneficiaries, choose all that apply and try to be as specific as possible. If you select 'Other' you will need to provide a description of who this other group of beneficiaries is.

Program operating locations

You must add the locations for each of your charity's programs.

To add a program location, click on the blue 'Add Location' button and start typing the location in the text field. This will give you a list of suggestions from which to choose. If you want to add another location, click the blue 'Add Location' button again.

When adding program locations, enter the specific location or catchment area in which each individual program operates. If the program helps or benefits beneficiaries in multiple areas, enter either all the locations or provide the suburbs or towns.

The location you enter will provide important information on your charity's entry on the ACNC Charity Register. The more specific you are, the more likely people are to find your charity's work.

You can provide a maximum of 10 locations per program. If the program operates in more than 10 locations, you can provide locations based on region or state. Do not use your office location if it is different from the location or locations where your program operates.

If your charity's program runs online, you can select the 'This program is run online' box.

If your charity's program operates outside Australia - or if your charity has provided a grant or donation for use outside Australia - check the 'This program is run outside Australia' box and select all the countries relevant to your charity's activities or grantmaking.

You will also be asked to provide more details about your charity's international activities, including:

- The type of international work your charity undertakes
- Further details about the international activities undertaken

If your charity conducts activities overseas, you must comply with the External Conduct Standards. For more information, read our factsheet on the External Conduct Standards.

Program weblink

Type in a website address for your charity's here. If the program does not have a dedicated webpage, use your charity's general website address or that of your main online presence (for example, social media).

Once you have entered this information, click on the 'Save' button on the bottom right-hand side of the page.

You will see the program details added to the table in the Programs section of the Annual Information Statement. If you want to make further changes to program details at this point, click 'Edit' on the left-hand side of the program's listing in the table."

As noted in paragraph A4(b)(v) of Agenda Paper 4.3, the ACNC guidance on disclosures about programs was not a contender in Agenda Paper 4.3 as a baseline in its own right. However, the ACNC guidance was developed through a robust consultative due process by an Australian regulator that has a close working relationship with the AASB and is applicable to a broad range of private sector NFPs. Furthermore, information about implementation experience with the guidance is readily available through ACNC's data capturing processes. Accordingly, the guidance and implementation experience might provide useful insights as the AASB's project progresses.

#### *4.9 Current practice in Australia*

Shortly after the AASB originally commenced its Service Performance Reporting project in July 2009, staff began collecting and collating examples of private sector NFP practices. This resulted in the development of:

- (a) "WORK IN PROGRESS – Report on staff research into domestic and international requirements and practices relating to service performance reporting" ([Agenda Paper 7.4](#) of the September 2009 AASB meeting); and
- (b) "WORK IN PROGRESS – Examples of statements of service performance" (September 2009 Agenda Paper 7.4A).

If this work were to be updated, it could provide a baseline for codifying current acceptable, or even best, practice.

The recognition by:

- (a) CAANZ of best practice charity reporting for NZ entities ([www.charteredaccountantsanz.com//2022-new-zealand-charity-reporting-awards](http://www.charteredaccountantsanz.com//2022-new-zealand-charity-reporting-awards));
- (b) CPA of best practice integrated reporting for NZ entities ([www.cpaaustralia.com.au/new-zealand-integrated-reporting-awards](http://www.cpaaustralia.com.au/new-zealand-integrated-reporting-awards)); and

- (c) Australasian Reporting Awards Limited (ARA) of best practice reporting, including for sustainability reporting and for integrated reporting (<https://www.arawards.com.au/about>)

could also provide insights.

However, as noted in paragraph A4(b)(vi) in Agenda Paper 4.3, current practice was not considered to be a contender for the baseline in its own right in Agenda Paper 4.3. This is because current practice would not be expected to provide a sufficiently cohesive framework because of the risk that:

- (a) practice would be so diverse that, without an independent yardstick, it would be difficult to justify one approach over another;
- (b) it would be difficult to take a sufficient sample of practice to be confident that the best or even acceptable practice had been identified;
- (c) finding an overarching principle that captures best or acceptable practice and that is cost-effective for the range of NFP entities that would be subject to any pronouncement developed by the AASB would be difficult without a benchmark based on an existing framework with some implementation experience; and
- (d) codifying best or acceptable practice would not sufficiently take into account whether the diverse range of NFPs have the capacity to meet such requirements.

Despite these concerns, current practice could provide useful insights as the project progresses. Because, due to other priorities, the work on documenting current practice has not been kept up to date, consideration could be given to updating the review of current practice as the AASB's Service Performance Reporting project progresses.

#### **4.10 Australian Securities Exchange's (ASX) Guidance Note 10 Review of Operations and Activities: Listing Rule 4.10.17**

The Australian Securities Exchange's [ASX Guidance Note 10 Review of Operations and Activities: Listing Rule 4.10.17](#) states in paragraph 1 of its Introduction that it "is published by the ASX to assist listed entities in the preparation of the review of operations and activities an entity must give the ... ASX ..." under the listing rule. Such a review is required to be include in an entity's annual report for the reporting period.

Of relevance to the AASB's Service Performance Reporting project, the Detailed Guidance section contains the following:

"Performance indicators

8. **The Review should include a discussion and analysis of key financial and non-financial performance indicators (KPIs) used by management in their assessment of the company and its performance.** This should include relevant company-specific indicators and other indicators widely used in the industry by analysts and others. Where practical, KPIs should be linked to and be identified with the key business objectives, be compared with other periods to outline trends and should include multiple perspectives such as sustainability measures including social and environmental performance measures, where relevant. Critical success factors essential for the company to achieve its objectives and strategy in respect of its core activities and segments, their significance to corporate strategies and related performance measures and their linkages to corporate strategy and results should be explained."