

EFRAG FEEDBACK STATEMENT

IASB ED/2021/6 MANAGEMENT COMMENTARY

Feedback Statement

February 2022



European Financial Reporting Advisory Group



Introduction

Objective of this feedback statement

EFRAG published its final comment letter on IASB ED/2021/6 *Management Commentary* (‘the ED’) on 3 December 2021. This feedback statement summarises the feedback to the EFRAG Draft Comment Letter (‘DCL’) and explains how these were considered in the development of EFRAG’s final comment letter.

IASB Exposure Draft

On 27 May 2021, the IASB published the ED where it includes proposals to improve the scope and focus of management commentary that companies provide alongside their financial statements.

The IASB’s main aim in revising the Practice Statement is to develop comprehensive requirements that focus on information that investors and creditors need and guidance to help management identify that information and present it clearly. The IASB aims to provide:

- sufficient flexibility and
- sufficient discipline.

In developing its proposals, the Board has sought to consolidate recent innovations in the rapidly developing and complex landscape of narrative reporting.

The ED was open for comments until 23 November 2021.

EFRAG’s draft comment letter

EFRAG published its Draft Comment Letter (‘DCL’) on 28 July 2021 and was open for comments until 15 November 2021.

In its DCL, EFRAG welcomed the ED and the IASB’s efforts, although the *Management Commentary Practice Statement* is not mandated in the EU. EFRAG recognised benefits in developing guidance for jurisdictions where guidance either does not exist or could be enhanced. EFRAG especially supported the initiative’s contribution to the potential cross-fertilisation of ideas for the improvement of management commentary guidance across jurisdictions.

EFRAG supported an objectives-based approach combining overall and specific disclosure objectives complemented with non-binding examples of items of information. EFRAG also considered that developing specific, rule-based requirements for the management commentary is primarily the responsibility of legislators, securities regulators or national standard setters. EFRAG supported the proposed objective for the management commentary as it emphasises the need to provide a long-term view; and the link between value creation and information reported in the entity’s financial statements and distinguishes the role of the management commentary from the role of the financial statements.

EFRAG generally agreed with the proposed objectives assigned to different content elements but recommended that the IASB further explain how the proposed objectives also serve the objective of stewardship of management as this is not apparent from the way the objectives are defined. However, EFRAG had the following concerns:

- The ED introduces a concept of ‘key’ (matters) not used elsewhere in the IFRS literature, which may confuse stakeholders;
- The ‘assessment objective’ requires preparers to assess whether the provided information meets the information needs of users for their assessments. In the Disclosure Initiative project, the assessment that users make with the information are provided for information only and have been used in designing the overall and specific objectives. The proposals may introduce complexity as it would require preparers to assess at each closing date whether the

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information they provide would be enough to form the basis for the assessment that users make.

- Regarding the “six contents elements”, the following recommendations were made:
 - Governance should be addressed across the six proposed content elements in the ED, therefore high-level guidance on governance should be included;
 - opportunities should be addressed as a content element and given the same emphasis as risks and they not only be addressed as part of the discussion on strategy. Combining the discussion on risks and opportunities would bring greater clarity to the proposed guidance as these two aspects are interrelated;
 - The IASB should consider expanding discussion contained in paragraphs 4.16 and 4.17 of the ED on information about long-term prospects, intangible resources and relationships and ESG matters to explain the specific and unique role of intangibles in value creation;
 - The IASB should consider the feedback loop between resources, relationships, and their impacts; and
- The IASB should include off-balance-sheet commitments as an additional content element.

EFRAG observed that the ED is introducing alternative terminology to depict the qualitative attributes of information that already exist in the IFRS Conceptual Framework, which may create confusion for financial statements’ preparers involved in the preparation of the management commentary. Instead of using alternative terms, the ED should explain how the existing qualitative and enhancing characteristics apply in the context of the management commentary.

EFRAG considered that it is not the role of a practice statement to provide a definition of materiality, but EFRAG welcomed the provision of practical guidance and examples to help entities make materiality judgements in the context of the management commentary. EFRAG recommended that the IASB further consider how the proposed application guidance on materiality in the ED interacts with the guidance provided in the Materiality Practice Statement.

EFRAG supported the approach proposed in the ED that non-financial information is included in the entity’s management commentary to explain the entity’s financial performance and financial position. However, EFRAG recommended that the scope of non-financial information and non-financial metrics presented in management commentary should be on those that are needed to explain the entity’s financial performance and financial position.

Outreach activities

After the publication of its DCL, EFRAG held stakeholder meetings in partnership with other organisations, including with the IASB. EFRAG consulted the following EFRAG working groups:

- Financial Instruments Working Group (FIWG)
- Insurance Accounting Working Group (IAWG)
- Advisory Panel on Intangibles (API)
- Academic Panel
- User Panel
- European Lab Project Task Force on Reporting on non-financial risks and opportunities and the linkage to the business model (PTF RNFRO)

EFRAG participated in the following outreach events:



- Accounting Standards Committee of Germany (ASCG)- IASB Joint public event on 26 October 2021
- Accountancy Europe on 20 September 2021
- IASB-ESMA event on 3 November 2021
- IASB-EFRAG-European Accounting Association event on 18 June 2021.

Comment letters received from constituents

In addition to the outreach activities, EFRAG received nine comment letters from constituents. These comment letters are available on the EFRAG website.

The comment letters were received from national standard setters, regulators, users’ representatives, accounting, and professional organisations.

A summary of the comment letters received can be found [here](#).

Feedback received from constituents

In general, participants in outreach events and respondents to EFRAG CL (‘respondents’) welcomed the IASB’s ED and the IASB’s efforts to improve the guidance for the management commentary.

Constituents expressed mixed views on allowing qualified statements of compliance. Some constituents expressed the view that if the IASB should retain the proposal to allow a statement of partial compliance and recommended to not use the terms ‘unqualified’ (or ‘qualified’ if the IASB was to retain its proposal to allow statements of partial compliance) but rather to refer to the language in IAS 1 paragraph 16 referring to ‘an explicit and unreserved statement of compliance’).

In general, constituents supported EFRAG’s view on the objective of the management commentary. Some constituents proposed that the IASB

should clarify the definition of value creation and enterprise value and its interaction with cash flow generation.

In general, constituents supported EFRAG’s view on the overall approach, design of disclosure objectives, and disclosure objectives for the areas of content. Regarding the overall approach, they agreed that a three-tier objective may increase complexity and may also be too burdensome for preparers. Constituents also mentioned potential inconsistencies with the Disclosure Initiative Project. Some constituents agreed that expanded definitions of key terms in the proposals (“risk” and “opportunity”) are needed. They also suggested definitions of the terms “value creation” and “enterprise value” to prevent inconsistencies in their use.

Like EFRAG, constituents generally considered that the proposed six areas of content were important. A variety of views were expressed on the prominence and completeness of these areas of content. Some constituents agreed to add governance as a separate area of content or across the area content elements. Constituents also expressed the view that risks and opportunities should be dealt with in an equal manner. However, there were mixed views on whether off-balance-sheet commitments should be a separate area of content and some constituents suggested to rephrase the recommendation.

In general, constituents supported EFRAG’s views on key matters and long-term prospects, intangible resources and relationships and ESG matters. Like EFRAG, constituents noted that these topics should be given more emphasis in the ED and that it should be better structured and addressed in a more focused and conceptually sound manner. Constituents also expressed the view that the future activity of the International Sustainability Standards Board (ISSB) should be considered.

Regarding the interaction of the work with the IFRS Foundation Trustees’ project on sustainability reporting, constituents recommend to the IASB to pause the project to revise the Practice Statement until there is sufficient clarity on the ISSB’s work on sustainability reporting. Some constituents

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also proposed that management commentary should be managed as a joint project by the IASB and ISSB going forward.

In general, constituents supported EFRAG’s views on making materiality judgements, “completeness, balance, accuracy and other attributes” and metrics. Some constituents suggested to change the wording with regard to the comparability requirements and to make clear that entities are not required to review the peers reporting.

Constituents supported EFRAG’s views on examples of information that might be material, the effective date, the effects analysis and other comments.

EFRAG’s final comment letter

As constituents’ feedback generally supported the ED’s proposals, EFRAG retained its initial support for the IASB’s efforts in developing guidance for jurisdictions where guidance either does not exist or could be enhanced and its view that the revised Practice Statement can also contribute to a cross-fertilisation of ideas to improve information in management commentary across jurisdictions.

EFRAG retained its support for the objectives-based approach and the six contents elements that identify the important matters that need to be addressed in a management commentary.

As a result of constituents’ feedback, EFRAG made the following suggestions:

- Reconsider the finalisation of the project in the context of the work that the ISSB is about to start and suggest to manage the project jointly with the ISSB.
- Encourage and not require a statement of full compliance. A qualified statement of compliance is not supported by EFRAG and align the wording with IAS 1 (“reserved” and “unreserved”);

- Address governance across the six proposed content elements and also as a separate content element (related to the general organization).
- Expand the discussion contained in paragraphs 4.16 and 4.17 to explain the specific and unique role of intangibles in value creation.
- Consider commitments given or received other than those mandated by IFRS Standards (including IAS 1) and clarify that these are included in the ‘financial position and financial performance’ area of content.
- Considers the matter reporting of intangibles from a more holistic and integrated perspective combining information in the management commentary, financial statements and other reports.
- Allow for enough flexibility as to the placement of information required by local jurisdictions.
- Focus the scope of non-financial information on measures used by management to monitor metrics that are needed to explain the value creation (additional to the entity’s financial performance and financial position).

Detailed analysis

Questions 1 to 2 - *Financial statements to which the management commentary related and statement of compliance*

ED’s Proposals

The ED proposes to require the disclosure in the management commentary of the basis on which its financial statements are prepared if they do not comply with IFRS Standards. The ED retains the existing requirement that an entity can make an unqualified statement of compliance only if its management commentary complies with all requirements. The proposals permit an entity to include a qualified statement of compliance, but only if its management commentary identifies the departures from the requirements of the revised Practice Statement and gives reasons for those departures.

EFRAG’s tentative view and feedback

In its DCL, EFRAG agrees with the ED’s guidance to not restrict the basis of preparation of the financial statements but suggested to limit the application to **general** purpose financial statements and to require an entity to disclose the basis for preparation (if not IFRS) of its financial statements in the management commentary.

In its DCL, EFRAG supported the unqualified statement of compliance if the management commentary complies with all requirements in the revised Practice Statement. However, EFRAG recommended the IASB to encourage and not require a statement of compliance. Moreover, EFRAG supported the proposal to allow a qualified statement of compliance.

Constituents expressed mixed views on allowing qualified statements of compliance. Some constituents expressed the view that if the IASB was to retain the proposal to allow the statement of partial compliance, EFRAG suggests not to use the terms ‘unqualified’ ‘qualified’ if the IASB was to retain its proposal to allow statements of partial compliance) but rather to refer to the language in IAS 1 paragraph 16 referring to ‘an explicit and unreserved statement of compliance’).

EFRAG Final Position

Considering the feedback received, EFRAG retained its views on financial statements to which the management commentary related.

EFRAG modified its DCL position on the statement of compliance. In the FCL, EFRAG considers that the Practice Statement should encourage, rather than require, a statement of compliance. EFRAG also does not support the proposal to allow a qualified statement of compliance if the management commentary identifies the departures from the requirements of the revised Practice Statement and gives reasons for those departures. In EFRAG’s view, this proposal would be difficult to operationalise, would possibly create confusion, and increase costs. EFRAG suggests the use of the language applied in IAS 1 paragraph 16 (i.e., use ‘an explicit and unreserved statement of compliance’ instead of an ‘unqualified statement of compliance’).



Questions 3 - Objective of management commentary

ED’s Proposals

The ED proposes that an entity’s management commentary provide material information that enhances investors and creditors’ understanding of the entity’s financial performance and financial position reported in its financial statements and provides insights into factors that could affect the entity’s ability to create value and generate cash flows across all time horizons, including in the long term. The ED explains further aspects of the objective, including the meaning of ‘ability to create value’.

EFRAG’s tentative view and feedback

In its DCL, EFRAG supported the proposed objective for the management commentary but request further clarification on the relationship between the notion of ‘ability to create value’ and ‘cash flow generation’ and a better definition of certain terms and their interaction.

In general, constituents supported EFRAG’s view. But some constituents suggested the guidance should refer to connectivity instead of interconnectivity. They also proposed the IASB clarify the definition of value creation and enterprise value and its interaction with the cash flow generation. Some noted that the IASB should address the information needs of a broader set of stakeholders.

EFRAG Final Position

Considering the feedback received, EFRAG reiterated the views expressed in the DCL but suggested that the ED’s guidance be expanded to better define the terms value creation, enterprise value and how these interact with cash flow generation, and how the definitions relate to the definitions in other frameworks.

Questions 4-6 - Overall approach, design of disclosure objectives, and disclosure objectives for the areas of content

ED’s Proposals

The ED proposes an objectives-based approach that specifies disclosure objectives as the prescriptive approach would not be feasible and not specific enough to help management identify required information to meet these implied objectives. The ED proposes explicit disclosure objectives for each area of content, which are intended to provide clarity about the content and to help management identify entity-specific information.

The ED suggests a multiple-step process to identify information to provide in the management commentary to meet the specific, assessment, and headline objectives and finally the disclosure and overall management commentary objectives for the areas of content.

The ED identifies six main content elements, which are as follows:

- The entity’s business model;
- Management’s strategy for sustaining and developing that business model;
- The entity’s resources and relationships;
- Risks to which the entity is exposed;
- The entity’s external environment;
- The entity’s financial performance and financial position.

The above are generally consistent with the five content elements within the existing Practice Statement whereby 'resources and relationships' will now be a separate area of content from 'risks' and factors from the external environment' will now form part of a separate area of content.

EFRAG’s tentative view and feedback

EFRAG’s DCL supported an objectives-based approach combining headline and specific disclosure objectives. but EFRAG acknowledges that additional complexity is introduced by asking preparers to assess whether the provided information is sufficient for the user’s assessments (assessment objective).

EFRAG Final Position

Considering the feedback received, EFRAG retained its support for the IASB’s proposals but modified its DCL position, which recommended governance to be addressed within each content element, and off-balance-sheet commitments be a separate content element.

EFRAG reiterated the views on the objectives-based approach.

EFRAG retained its views on the design of the disclosure objectives.

EFRAG suggested governance should not be addressed only transversally across the other six content areas but also as a separate content element.

In a change from the DCL recommendation that off-balance-sheet commitments be considered as a separate content element, EFRAG:

- Rephrased what had been referred to as off-balance-sheet commitments in the DCL to information about commitments given or received and not mandated under IFRS; and
- Recommended that the IASB clarifies that any such items should be included within the ‘financial position and financial performance’ content area of the MCPS guidance.

EFRAG has concerns with the assessment objective as such an assessment at each reporting date would not be operational especially for smaller entities.

EFRAG considered that the six content elements do identify the important matters that need to be addressed in management commentary. However, EFRAG recommended that to include clarifying guidance on the terms ‘resilient’ and ‘durable’ in respect of the business model. EFRAG suggested the reference to outputs and impacts that are financially material to be more prominent. EFRAG also considered that the revised ED should address governance across the six content elements, give equal emphasis to the discussion of risks and opportunities, consider combining the discussion of risks and opportunities, and consider including disclosures about off-balance-sheet commitments as an additional content element. EFRAG further noted that some terms used are not sufficiently defined and to expand the discussion on intangible and to include cross-references between proposed guidance and the illustrative examples of intangibles. EFRAG considered that field-testing of the objectives-based approach is necessary to assess applicability, enforceability, and auditability.

In general, constituents supported EFRAG’s view and agreed that a three-tier objective may increase complexity and may also be too burdensome for preparers. They also noted potential inconsistencies with the Disclosure Initiative Project and that the IASB should further observe whether or not consistency between the Disclosure Initiative Project and the management commentary project would be required. Other constituents disagreed with that view. Some constituents agreed to suggest more expanded definitions on key terms in the proposals (“risk” and “opportunity”) and also to prevent inconsistencies in terminology like “value creation” and “enterprise value”.

Similar to EFRAG, constituents generally considered that the proposed areas of content were important. They had differing views on the prominence and completeness of these areas of content. Some constituents agreed to add governance as a separate area of content or across the area content elements. Constituents also expressed the view that risks and opportunities should be dealt with in an equal manner. There were mixed views on off-balance-sheet commitments as a separate area of content and some constituents suggested to rephrase the recommendation.

Questions 7-8 - Key matters, long term prospects, intangible resources and relationships and ESG matters

ED’s Proposals

The ED identifies matters as ‘key’ if they are ‘fundamental to the entity’s ability to create value and generate cash flows’. For ease of identification of key matters specific to that entity, the ED proposes to include guidance supporting the definition of key matters and possible examples. The ED’s BC highlights the need to provide information on interrelated matters of particular interest to investors and creditors, that could affect the long-term prospects, (unrecognised) intangible resources and relationships and ESG matters.

EFRAG’s tentative view and feedback

EFRAG’s DCL agreed that information provided in management commentary should focus on matters that are ‘important’ to an entity’s ability to create value and generate cash flows. EFRAG was concerned by the introduction of the new term ‘key’ and proposed a consolidated analysis of the notions of key matters and material information. EFRAG also considered that the notion ‘key matters’ may create confusion with the concept of ‘key audit matters’ (ISA 701). EFRAG suggested that the IASB should better explain the focus on key matters in the light of the statement that material information may also be provided if it does not relate to key matters.

EFRAG welcomed the provision of additional guidance to help entities provide information on matters that affects their long-term perspective and on intangibles and ESG matters. EFRAG considered that the proposed guidance and examples on intangibles are useful but had reservations about the presentation of the guidance scattered across the six content elements. EFRAG suggested that the guidance should expand the discussion on intangibles. EFRAG supported the proposed guidance on Environment and Social Matters but suggested it should consider governance as well.

In general, constituents supported EFRAG’s views. Similar to EFRAG, constituents noted that these topics should be given more emphasis in the ED and that it should be better structured and address them in a much more focused (holistic and integrated perspective) and conceptually sound manner.

EFRAG Final Position

Considering the feedback received, EFRAG retained its concerns on the term “key matters”.

EFRAG also retained its views on “Long term prospects, intangible resources and relationships and ESG matters” but further suggested that the IASB, in collaboration with the ISSB, consider the reporting of intangibles from a holistic and integrated perspective combining information in the management commentary, financial statements and other reports.

Constituents also expressed the view that the future activity of the ISSB should be considered.

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

ED’s Proposals

In its BC, the ED envisages that an entity could apply the revised Practice Statement in conjunction with narrative reporting requirements or guidelines issued by other bodies or organisations, addressing topics such as environmental, social, or other sustainability matters. Management commentary could be an appropriate location for material information about environmental and social matters that an entity’s management has identified by applying other requirements or guidelines

EFRAG’s tentative view and feedback

In its DCL, EFRAG acknowledged that significant ongoing initiatives in developing requirements for sustainability reporting exist, which can have implications for the management commentary project. EFRAG suggested consideration of how the work of both Boards (IASB and ISSB) would interact especially with regard to the objectives and contents of this guidance.

Some constituents suggested that EFRAG should recommend to the IASB to pause the project to revise the Practice Statement until there is sufficient clarity on the ISSB’s work on sustainability reporting. Some constituents also proposed that management commentary should be managed as a joint project by the IASB and ISSB going forward.

EFRAG Final Position

Considering the feedback received, EFRAG retained the DCL position on the interaction with sustainability reporting. In addition, EFRAG observed that there are significant ongoing initiatives in developing requirements for sustainability reporting that could have implications for the management commentary. EFRAG noted that the project to revise the Practice Statement was started before the consultation and decision of the IFRS Foundation to create a sustainability board. EFRAG, therefore, suggested that the ISSB considers how the sustainability reporting objectives interact with the objectives and contents of this guidance. EFRAG suggested to the IASB to reconsider the finalisation of the management commentary project in the context of the work that the ISSB is about to start. The role of the Practice Statement in fostering connectivity of financial reporting and sustainability information could be enhanced if the IASB and ISSB manage the project jointly.



Questions 10-12 - Making materiality judgements; Attributes of information and Metrics

ED’s Proposals

The ED proposes guidance to help management identify material information, e.g., guidance for identifying key matters and material information, examples

- of key matters for each area of content;
- of metrics that management might use to monitor key matters and to measure progress in managing those matters for each area of content;
- of material information linked to specific disclosure objectives.

The ED provides guidance on the three components of faithful representation completeness, balance and accuracy, whereby the guidance does not directly refer to faithful representation itself. Instead, the components of faithful representation are encompassed within the terms ‘complete’, ‘balance’ and ‘accurate’. Similarly, the four enhancing characteristics (understandability, comparability, verifiability, and timeliness) have become three only.

The ED does not propose to specify a list of metrics because information about metrics is specific to an entity and reflect the industry in which it operates. Instead, the proposals provide guidance for management to identify entity-specific material information, including metrics. Material information is likely to include metrics an entity’s management uses to monitor key matters and to measure progress in managing key matters. For each area of content, the IASB Board proposes to provide examples of metrics sometimes used to monitor key matters and progress in managing them. The proposals also permit the use of detailed topic-specific or industry-specific requirements or guidelines issued by other bodies to identify metrics that might be relevant.

EFRAG’s tentative view and feedback

In its DCL, EFRAG welcomed the provisions of application guidance to help an entity apply materiality judgement and identify information that is material in the context of the management commentary. EFRAG recommended to the IASB to further consider how its application guidance on materiality could be related to the IFRS Practice Statement 2 - Making Materiality Judgements.

EFRAG Final Position

Considering the feedback received, EFRAG retained its DCL position on materiality judgment, attributes of information with some modifications.

While supporting the goal of enhancing comparability of information, the FCL drafting clarified EFRAG’s position that preparers should not be expected to actively monitor their peer company disclosures as that imposes an unnecessary burden on them.

EFRAG retained its DCL position with overall support for the guidance on metrics. However, the FCL stated that the scope of non-financial information should be on metrics needed to explain the value creation (and not just the entity’s financial performance and financial position as stated in the DCL).



EFRAG generally agreed in the DCL that qualitative attributes of information are useful but EFRAG suggested that, rather than using alternative terms to explain how the existing fundamental and enhancing characteristics in the Conceptual Framework are to be applied. EFRAG supported the requirement for information in management commentary to be presented ‘as a well-integrated, coherent whole’ and that this coherence principle applies both within the sections of the management commentary and with the information presented in the financial statements. EFRAG was concerned by the requirements in the ED that management commentary shall be provided ‘in a way that enhances comparability’ and that management should consider ‘information they know entities with similar activities commonly provide to users. EFRAG considered that the requirement should be clarified that it is not expected that preparers actively monitor the disclosures made by their peer companies as that would place an unnecessary burden on them.

EFRAG welcomed the requirements and guidance on the use of metrics but had concerns about the broad scope of the notion ‘metrics’ and the lack of guidance on metrics related to non-financial information. EFRAG supported the approach proposed in this ED that non-financial information is included in the entity’s management commentary to explain the entity’s financial performance and financial position. However, EFRAG recommended that the scope of non-financial information and non-financial metrics presented in management commentary should be on those needed to explain the entity’s financial performance and financial position. EFRAG considered that in the absence of explicit standards or related regulation, there may be limitations in the effective practical application of the principles related to non-financial information metrics.

Some constituents suggested to change the wording with regard to the comparability requirements and to make clear that EFRAG’s disagreement is only with the need to review the peers reporting.

Questions 13-16- Examples of information that might be material, Effective date, Effects analysis, Other comments

ED’s Proposals

The ED proposes to include examples, linked to a specific disclosure objective, of information that might be material to help management identify entity-specific information that needs to be included in management commentary to meet the disclosure objectives for each area of content. The IASB proposes to permit early application of the revised Practice Statement. The proposed effective date would give entities at least one year before their management commentary would be required to comply with the revised Practice Statements. The IASB acknowledges in the ED that effects analysis is mainly qualitative and the costs/benefits are likely to vary among stakeholders. The ED states that the proposals could also make it easier for lawmakers and regulators to enforce the revised Practice Statement and for auditors to provide assurance and encourage lawmakers and regulators to reflect the proposals in local requirements. The IASB states that the likely benefits of the proposals would significantly outweigh the likely costs of its implementation and application.

EFRAG’s tentative view and feedback

EFRAG’s DCL considered that the IEs in Appendix B will help entities to exercise judgement to disclose management commentary information that meets the disclosure objectives. EFRAG suggested additional examples related to Governance, Intangibles, ESG matters, business model, and risks and opportunities for consideration by the IASB as further detailed below. Finally, EFRAG recommended to further consider and explain the relationship between individual disclosure objectives in the proposals and the concept of materiality as this is essential to an understanding of the proposals.

Furthermore, in its DCL EFRAG considered that the proposal to set the effective date of the revised Practice Statement for annual periods on or after its date of issue (with early application allowed) is appropriate. However, EFRAG considered that transitional provisions would be helpful to clarify the need to provide comparative information upon the period of transition.

EFRAG Final Position

Considering the feedback received, EFRAG retained its DCL position on examples of information that might be material, effective date, effects analysis and other comments.

EFRAG also considered in the DCL that the effects of the proposals in the ED are difficult to assess on an ‘ex-ante’ basis. In jurisdictions where the current Practice Statement is mandated or widely used on a voluntary basis, EFRAG encouraged field-testing to further understand the expected impact of the proposals in the ED, their applicability, enforceability, and auditability.

Constituents supported EFRAG’s views in the draft comment letter and did not specifically address changes with regard to those chapters.

Appendix 1: List of respondents

Table 1: List of respondents

| <i>Name of constituent</i> | <i>Country</i> | <i>Type / Category</i> |
|----------------------------|-----------------|--------------------------------------|
| ACCA | Global | Professional Organisation |
| Accountancy Europe | Europe | Professional Organisation |
| ASCG | Germany | National Standard Setter |
| CNC | Portugal | National Standard Setter |
| DASB | The Netherlands | National Standard Setter |
| EFFAS | Europe | Professional Organisation (User) |
| GDV | Germany | Professional Organisation (Preparer) |