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13 March

Mr Alan Teixeira
Senior Project Manager
International Accounting Standards Board
30 Cannon Street, London EC4M 6XH, United Kingdom
CommentLetters@iasb.org

RE: DISCUSSION PAPER: MANAGEMENT COMMENTARY

Dear Sir,

UNICE welcomes the opportunity to comment on the discussion paper introducing guidelines for management commentary.

Management commentary is, in our view, an integral part of financial reporting and forms a – separate - necessary supplement to financial statements. Although the scope of IFRS as defined by the conceptual framework clearly excludes management commentary from the scope of IFRS, the objective to provide users of financial reporting with information they need to make their economic decisions implies to consider, at some point in time, most appropriately under the form of financial reporting guidance distinct from IFRS, management commentary content and presentation. In our view, the discussion paper issued is a constructive first phase in this process.

However, harmonisation of financial reporting internationally has just begun. Many jurisdictions, including Europe, have adopted IFRS only recently. IASB needs to allocate appropriate resources to ensure that implementation of newly adopted IFRS succeed. Moreover, efforts towards convergence with US Gaap have already started to absorb lots of resources and energy, and are likely to continue in the future, Overall, a lot is to be done if we wish harmonisation of *accounting* standards to be a success. We therefore believe that, at this stage, IASB and other standard setters should concentrate on accounting issues only. We however support, in the long term, the scope of IASB to encompass all issues of financial reporting.

We therefore recommend the IASB not to add management commentary to its active agenda at this moment. Analysis of comments received should be carried out by staff and published for due process and later reference purposes. Should the Board decide to issue a final document at a later stage, this should be in the form of guidance based on a "comply or explain" principle but not in the form of an IFRS.

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In further support to our recommendation, we observe that mandatory requirements for management commentary exist where financial markets are the most active. These requirements are generally issued by the regulator and stem from different regulations and rules from those requiring the adoption of IFRS. Harmonisation or convergence efforts in the area of management commentary involve bodies different from standard setters and are most probably not ready to start before adoption of IFRS has first proven a success. Would a standard or guidance on MC be developed by IASB now, it is likely to be completely out of date by the time entities listed in different jurisdictions benefit from the harmonisation. We therefore deny that there is, at this stage, any benefit in the area.

Another benefit identified by the authors would be comparability between entities. We do not believe that relevant information based on management approach (one of the principles set for MC in the paper that we fully support) can form a sound basis for cross –entities comparability. As the Board acknowledges in IFRS 7 Basis for conclusions: "The Board noted that because entities view and manage... in different ways, disclosures based on how an entity manages...are unlikely to be comparable between entities".

The paper rightly argues that IASB efforts devoted to MC requirements would well serve jurisdictions that do not have a MC. We however believe that the existing discussion paper can serve that purpose, without the IASB adding any effort to it. Particularly the draft standard in the discussion paper's appendix is reaching too far at this stage and is too detailed and prescriptive. We do not support any standard being issued and therefore refrain from commenting in detail on the appendix.

Finally, the discussion paper argues that a MC guidance issued by IASB is a necessary step in the consistent application of placement criteria of supplementary information, either in the notes or in MC.

We do not believe that guidance on MC is a necessary step into that direction. Indeed we note that in issuing IFRS 7, the Board has already been in a position to allow disclosures about risks to be provided in management commentary, by cross reference incorporated in financial statements (IFRS 7.BC 46). Therefore benefit from identifying placement criteria can be obtained without any guidance on MC being issued. We support that the IASB analyse the proposal for placement criteria and finally adopt some. In developing disclosure requirements, some of which being more of an MC type, the Board could make similar decisions as in IFRS 7. We believe the attempt by the authors of the discussion paper at such a definition can serve as a sound basis for the IASB doing just that.

In conclusion, we believe there is no benefit to be gained at present by the IASB in taking Management Commentary to its agenda for developing a mandatory standard. We believe that the current discussion paper together with the responses from constituents will provide sufficient guidance and best practices for companies in jurisdictions with unregulated MC.

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Should you wish to comment on the above further, please do not hesitate to contact us (jpc@unice.be).

Yours sincerely,

(original signed by)
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