

November 23, 2021

IFRS Foundation
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Canary Wharf
London E14 4HD
United Kingdom

Dear Colleagues,

The Saudi Organization for Chartered and Professional Accountants (SOCPA) appreciates the efforts of the IASB and welcomes the opportunity to comment on the Exposure Draft ED/2021/6, *Management Commentary*.

Below are our responses to questions raised in the ED. We include only the answers to those questions where we do not fully agree with the Board's view:

SOCPA response to Question 1 (a): The practice statement is viewed as complementary to the IFRSs and it is built around these standards. In other words, it provides some other information that is not provided by applicable IFRS standards. Therefore, stating compliance with the revised Practice Statement even if the financial statements are not prepared in accordance with IFRS Standards may give the impression that the financial statements are also in compliance with the IFRS even if they are prepared on other basis.

SOCPA response to Question 1(b): No. As we stated in the response to Question 1(a), the practice statement is viewed as complementary to the IFRSs and it is built around these standards.

SOCPA response to Question 2(a): No. the practice statement is a guidance tool toward a better compilation of the management commentary. Besides, the information included in the management commentary could be qualitative in nature, which makes such information non comparable with information provided by other entities. Therefore, stating whether an entity complies with the statement or not may be of importance to the users of the management commentary.

SOCPA response to Question 2(b): No. As we stated in the answer to Question 2(a), the practice statement is a guidance tool toward a better compilation of the management commentary. Therefore, there is no risk whether an entity complies with all or some of its guidance.

Another observation regarding Question 2: The ED uses the phrase "explicit and unqualified statement" while IAS 1 uses the phrase "explicit and unreserved statement". It is not clear why

the ED uses the word ‘unqualified’ instead of the word ‘unreserved’, especially that the word ‘unqualified’ has its own meaning in auditing standards, which is not the same meaning in the context of the ED.

SOCPA response to Question 3: Agree with the proposed objective of management commentary. The objective stated in the ED is in line with nature of the management commentary, which complement information disclosed in the financial statements. However, paragraph (b) should be drafted to cover current and future periods. We suggest the following draft of this paragraph: “(b) provides insight into factors that affect or could affect the entity’s ability to create value and generate cash flows across all time horizons, including the long term”.

SOCPA response to Question 4: Agree with the Board's proposed approach. However, and as management commentary complement financial statements, we suggest limiting contents to information elements that enhance understanding contents of the financial statements and revealing confidential or competitive information. We suggest the Board to conduct an extensive outreach with preparers and stock market authorities to find an agreed upon ground of the boundary of information disclosed in the management commentary.

SOCPA response to Question 5(a): The design of the disclosure objectives seems to be a theoretical design. We believe a direct and clear determination of the objectives would enhance the three level design.

SOCPA response to Question 5(b): See please our response to Question 6.

SOCPA response to Question 6: You may reconsider redrafting contents (a) to (d) to include them in the management commentary in the context of their effect on (f). That is because we see the management commentary as a document explaining and enhancing the understanding of the information disclosed in the financial statement beyond the limit of disclosures in the notes to the financial statements. Therefore, the entity’s financial performance and financial position is not just an area of contents of the management commentary. Rather, the whole contents are all about entity’s financial performance and financial position.

SOCPA response to Question 7: We agree that management commentary should focus on those matters that, according to specified criteria, are expected to be of the most interest to the users of the report. However, we have a concern about the term ‘key matters’, which may have some conflicts with the same term used in the Auditing standards (see the International Standard on Auditing No. 701 “Key Audit Matters”). Therefore, we would like the Board to propose another term that may render the meaning intended by the Board. Examples of alternative terms are ‘Key areas of focus’ and ‘High impact factors’, just to name a few.

SOCPA response to Question 10: Materiality is a fundamental concept that is used across the IFRS and has its own practice statement. Therefore, chapter 12 may be redundant.

SOCPA response to Question 11: Chapter 13 includes requirements similar in nature to those found in the conceptual framework. We do not see a strong case to propose attributes of information presented in the management commentary other than those presented in financial statements. Both sets of reports should have similar qualitative characteristics. Therefore, the Board is requested to justify its selection of these characteristics for management commentary and not requiring them for the financial statements.

Please feel free to contact Dr. Abdulrahman Alrazeen at (razeena@socpa.org.sa) for any clarification or further information.

Sincerely,



Dr. Ahmad Almeghames

SOCPA Chief Executive Officer