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Re: ***IASB Exposure Draft Management Commentary***

Dear Sir/Madam,

We are pleased to have the opportunity to comment on IASB *Exposure draft Management Commentary* (hereafter MC).

First of all, as a preliminary remark, we do believe important to point out that the IASB should concentrate on the development of IFRSs, carrying out projects that will result in accounting standards and using its resources in an effective manner. We think that there are more significant and urgent projects on which the IASB should address its resources rather than the guidance on MC.
Therefore, we have some concern about the ED proposed. Indeed, it regards a document that under IFRSs is neither included in the set of financial statements (even if it is within the boundaries of financial reporting) nor is its adoption prescribed to be in accordance with IFRSs.
Furthermore, even though we acknowledge that the proposed guidance may be a useful reference for those jurisdictions that do not have MC reporting requirements and for them it could improve the quality of financial reporting, we are concerned that such guidance may be considered as “best practice” and so a MC which fails to follow the framework proposed entirely could be regarded as not a good MC.

However, if the IASB decides to go on, our comments are as follows.

Question 1 – Status of the final work product
Do you agree with the Board’s decision to develop a guidance document for the preparation and presentation of management commentary instead of an IFRS? If not, why?

As said above, we think that the IASB should concentrate its efforts in issuing IFRSs instead of a guidance regarding a document that is outside the set of financial statements.
However, in case the Board carries out the project on MC, we believe that it would be preferable to develop a guidance document instead of an IFRS. That in order to avoid conflicts with the local requirements or regulations existing in some jurisdictions on MC. Furthermore, we note that the information that some jurisdictions require to be included in the MC, especially in European countries, is already of high level.

Question 2 – Content elements of a decision-useful management commentary
Do you agree that the content elements described in paragraphs 24–39 are necessary for the preparation of a decision-useful management commentary? If not, how should those content elements be changed to provide decision-useful information to users of financial reports?

We agree that the content of the proposed guidance cannot be specified in a rigid fashion and that it is closely linked to the facts and circumstances of the entity. Therefore, we agree with the content elements described in the ED, given that they also do not present any areas of conflict with the European accounting directives and in particular, with the Italian requirements pertaining to MC.
However, we believe that it would be useful that MC includes information relating to environmental and employee matters, to the extent necessary for an understanding of the company's development, performance or position, in accordance with the provision inserted by the directive 2003/51.

Question 3 – Application guidance and illustrative examples
Do you agree with the Board’s decision not to include detailed application guidance and illustrative examples in the final management commentary guidance document? If not, what specific guidance would you include and why?

We support the Board’s decision not to include detailed application guidance and illustrative examples. We think that such guidance and examples can be provided in a more accurate basis by other organisations.

Moreover, we wish to point out two other aspects on which the IASB does not require comments. These aspects are as follows:

1. The ED proposes that the desirable qualitative characteristics of MC are the same as the desirable qualitative characteristics of all other general purpose financial reports, as set out in the May 2008 ED *Conceptual Framework for Financial Reporting: Chapter 1-The Objective of Financial Reporting and Chapter 2-Qualitative Characteristics and Constraints of Decision-Useful Financial Reporting Information.*
   With reference to these qualitative characteristics, we think that it is not reasonable to expect all MC to be comparable between entities, given the entity-specific facts and circumstances and how these factors are perceived by management. Furthermore, the MC cannot satisfy the requirement of neutrality, because it represents necessarily the management’s view of the entity and it cannot be verifiable due to the information included.

2. The ED does not include a framework for establishing where in the financial reports disclosures are most appropriately presented (i.e. the placement principles), since the Board decided to defer this issue to Phase E of the Conceptual Framework.
   We think that the development of placement criteria would have been an important issue if the final document on MC was an IFRS and not a guidance and if the MC and the notes were both part of the set of financial statements. Indeed, in such case determining placement principles would have been appropriate in order to avoid duplicating in the management commentary the disclosures made in the notes to financial statements.
   We do believe that the Board should not deal with this matter neither now nor in the Phase E of the Conceptual Framework project because, otherwise, there might be the risk in the future to attach too much importance to this guidance compared to that at the moment.

Yours sincerely,

Angelo Casò
(OIC Chairman)