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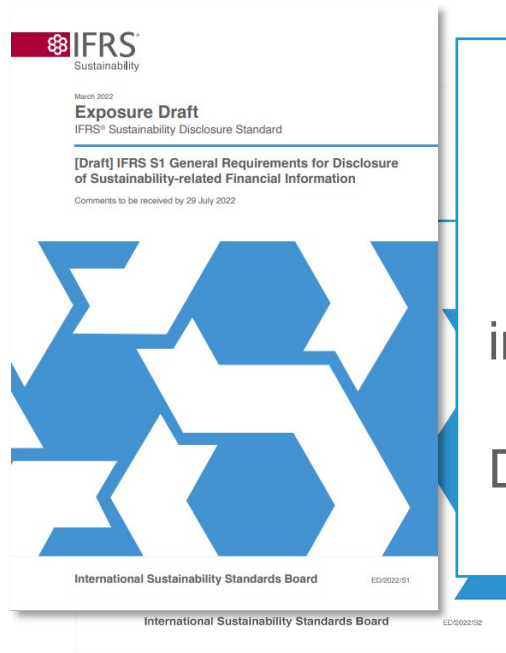
## IFRS Taxonomy Consultative Group (ITCG) meeting

Date	<b>5 December 2022</b>
Project	<b>IFRS Sustainability Disclosure Taxonomy</b>
Topic	<b>Summary of content in the staff draft of the IFRS Sustainability Disclosure Taxonomy</b>
Contacts	<b>Iza Ruta (<a href="mailto:iruta@ifrs.org">iruta@ifrs.org</a>) Owen Jones (<a href="mailto:ojones@ifrs.org">ojones@ifrs.org</a>)</b>

**This paper is provided as background to AP 2A.**

This paper has been prepared for discussion at a public meeting of the ITCG. This paper does not represent the views of the International Sustainability Standards Board (ISSB) or any individual ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Sustainability Disclosure Standards. The ISSB's technical decisions are made in public and are reported in the ISSB *Update*.

# IFRS Sustainability Disclosure Standards: Developing a digital reporting taxonomy



To facilitate digital consumption the IFRS Foundation intends to develop an IFRS Sustainability Disclosure Taxonomy

- 1 In May 2022 published a staff draft of the Taxonomy (based on [draft] S1 and [draft] S2) accompanied by a staff paper outlining fundamental issues
- 2 At a later date, a proposed taxonomy to be published by the ISSB for public consultation

# The Staff Request for Feedback package

## Staff documents published

- [Staff Request for Feedback](#)
- Staff draft of the IFRS Sustainability Disclosure Taxonomy
  - in [XBRL format](#) (machine-readable format)
  - illustrated in a simplified, visual [PDF format](#) (human-readable format)

**Support development** of staff proposals for the Taxonomy

**Set out initial thinking** for staff recommendations to the ISSB, and alternatives.

**Focus on fundamental matters** that need to be considered early to enable the ISSB to publish a Taxonomy on a timely basis

These documents were not approved by the ISSB. They were not an exposure draft or proposed taxonomy and did not constitute due process documents

[Webinars](#) were provided discussing the proposals and the questions in the Request for Feedback

# Fundamental matters discussed

- ‘GAAP’ neutral building block?
- Separate from the IFRS Accounting Taxonomy?

Design aims and structure

1

- Content grouped by
  - ISSB ED and
  - aspects of core content
- Industry-based metrics grouped by industry

Taxonomy layout

2

- Disclosures related to core content in each ISSB ED are reflected as a separate list of distinct items

Relationships between ISSB EDs

3

- How much detail to ask preparers to tag?
- Distinct items for narrative that is:
  - separately understandable
  - easily identifiable

Degree of detail for narrative information

4

- Should categorical items be used for disclosures that are true/false responses or specific responses from a list?

Categorical information

5

- How best to reuse work on SASB Taxonomy and smooth transition?
- How to handle entity-specific metrics and targets?

Modelling metrics

6

- Is there a need for a specific mechanism to capture connections between pieces of disclosed information?

Representing connected information

7

- Do requirements related to cross-references need to be modelled in the Taxonomy?

Connections between reports

8

- Should content be consistent with the IFRS Accounting Taxonomy for similar disclosure requirements?

Similar IFRS disclosures

9

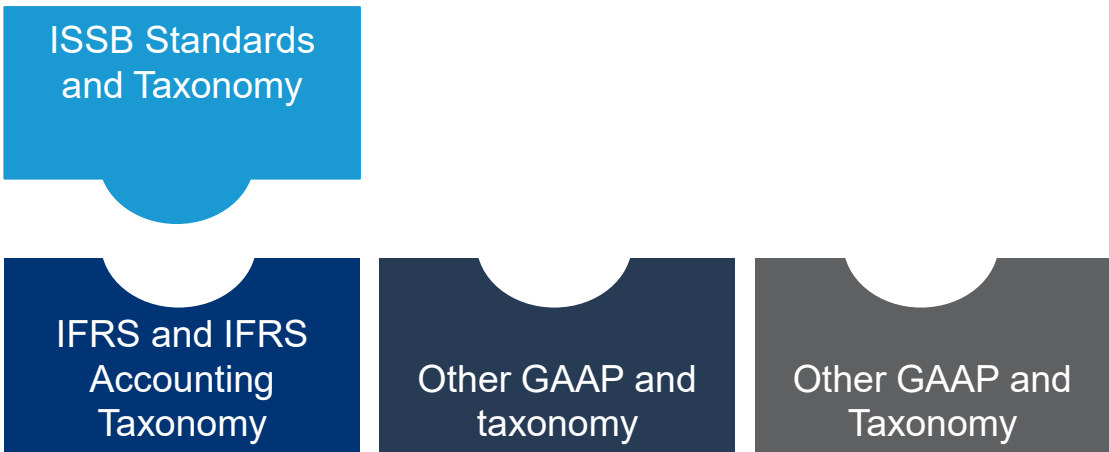
# 1–Taxonomy architecture

## ‘Connectivity’

The IFRS Sustainability Disclosure Standards and Taxonomy are intended to work with any GAAP and accounting taxonomy

Staff recommended separate Taxonomies for IFRS Sustainability Disclosures and IFRS Accounting, so that

ISSB Taxonomy could work with other accounting Taxonomies



## ‘Building blocks’

The Taxonomy should be usable as ‘core’ baseline for ‘Incremental’ jurisdiction extensions/add-ons

ISSB Taxonomy could be used as a base by jurisdictions



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## 2–Purpose of taxonomy layout (item grouping)



Items within a taxonomy can be organised **(grouped) to help** preparers and primary users **navigate, understand and use the taxonomy**



**Helping preparers easily find the items** they need facilitates consistent tagging and thus aids digital consumption of financial reporting

The way taxonomy items are grouped within a taxonomy **does not dictate:**

- how preparers should organise their human-readable reports
- how data resulting from the tagging of those reports can be viewed or analysed by users

## 2–Recommended Taxonomy layout

**Two groupings**, each containing all the items derived from the body of the exposure drafts, excluding industry-based metrics in the appendix



- **based on the IFRS Standard** from which they are derived



- **based on the aspects of core content**—governance, strategy, risk management and metrics and targets

**Separate grouping for industry-based metrics**, included in the Appendix of the climate exposure draft



The staff recommends **grouping industry-based metrics separately, by industry** rather than by the Standard or by aspects of core content

Just like a **table of contents** and an **index** provide **different routes to the same content**

▶ **Consistent with layout for IFRS Accounting Taxonomy**  
– helps find items based on the requirements in the Standards

▶ **May better reflect reporting presentation practice** for some/many preparers – helping to find items when tagging

▶ Expected to reflect reporting practice and is **consistent with SASB Taxonomy**

# 3-Relationship between modelling of ISSB EDs

There are significant similarities between the disclosure requirements of [draft] S1 and [draft] S2

The requirements could either be represented as:

**‘line item’ approach** (Ignore the similarities): two independent lists, one for [draft] S1 and one for [draft] S2, of items representing required disclosure with each requirement identified as a separate concept. The two lists would look very similar.

**‘dimensional’ approach** (Focus on the similarities): one list of elements representing requirements, with an additional attribute required on each fact disclosed indicating whether it was related to climate (under [draft] S2) or general sustainability (under [draft] S1).

Item	Value
Disclosure A about Sustainability	....
Disclosure B about Sustainability	....
Disclosure A about Climate	.....
Disclosure Z about Climate	....
Disclosure B about Climate	....

Item	Sustainability	Climate
Disclosure A	.....	....
Disclosure Z		.....
Disclosure B	....	.....



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## 3-Similarities between disclosure requirements

### [draft] S1 – General requirements

16. An entity shall disclose information that enables users of general purpose financial reporting to understand the significant **sustainability-related** risks and opportunities that could reasonably be expected to affect the entity's business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. Specifically, the entity shall disclose:
- (a) a description of significant **sustainability-related risks and opportunities** and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term; and

### [draft] S2 – Climate disclosures

9. An entity shall disclose information that enables users of general purpose financial reporting to understand the significant **climate-related** risks and opportunities that could reasonably be expected to affect the entity's business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term. Specifically, the entity shall disclose:
- (a) a description of significant **climate-related risks and opportunities** and the time horizon over which each could reasonably be expected to affect its business model, strategy and cash flows, its access to finance and its cost of capital, over the short, medium or long term; and

## 3-Illustration of tagging using line items and dimensions

*“Our factories in South Asia are at risk of flooding as a consequence of increased global temperatures”*

### (1) Line Items:



Description of significant **climate**-related risks or opportunity (Sustainability-related risk or opportunity [Axis]=*Flooding* [Member])



Description of significant **sustainability**-related risks or opportunity (Sustainability-related risk or opportunity [Axis]=*Flooding* [Member])

### (2) Dimension indicating which standard:



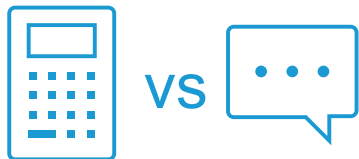
Description of significant sustainability-related risks or opportunity (Sustainability-related risk or opportunity [Axis]=*Flooding* [Member], Sustainability Standard [Axis]=**General Requirements** [Member])



Description of significant sustainability-related risks or opportunity (Sustainability-related risk or opportunity [Axis]=*Flooding* [Member], Sustainability Standard [Axis]=**Climate-related disclosures** [Member])

Both approaches might require double tagging of information related to climate-related risks and opportunities to ensure consistent tagging and usability/ease of extraction of information.

# 4–Hierarchy and detail for narrative information



- Investors use narrative information differently than numeric information. Narrative information often needs to be read in context and can be less directly comparable than numerical information.
- Which level(s) of disclosure requirements to ask preparers to identify, and how does that choice relate to the structure and wording of the Standards?

## Text of the Standard

### Governance

- 4 The objective of climate-related financial disclosures on governance is to enable users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities.
- 5 To achieve this objective, an entity shall disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and information about management’s role in those processes. Specifically, an entity shall disclose:
- (a) the identity of the body or individual within a body responsible for oversight of climate-related risks and opportunities;
  - ...
  - (f) how the body and its committees oversee the setting of targets related to significant climate-related risks and opportunities, and monitor progress towards them (see paragraphs 23–24), including whether and how related performance metrics are included in remuneration policies (see paragraph 21(g)); and

## Corresponding disclosure fragments

### Governance

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### Setting targets

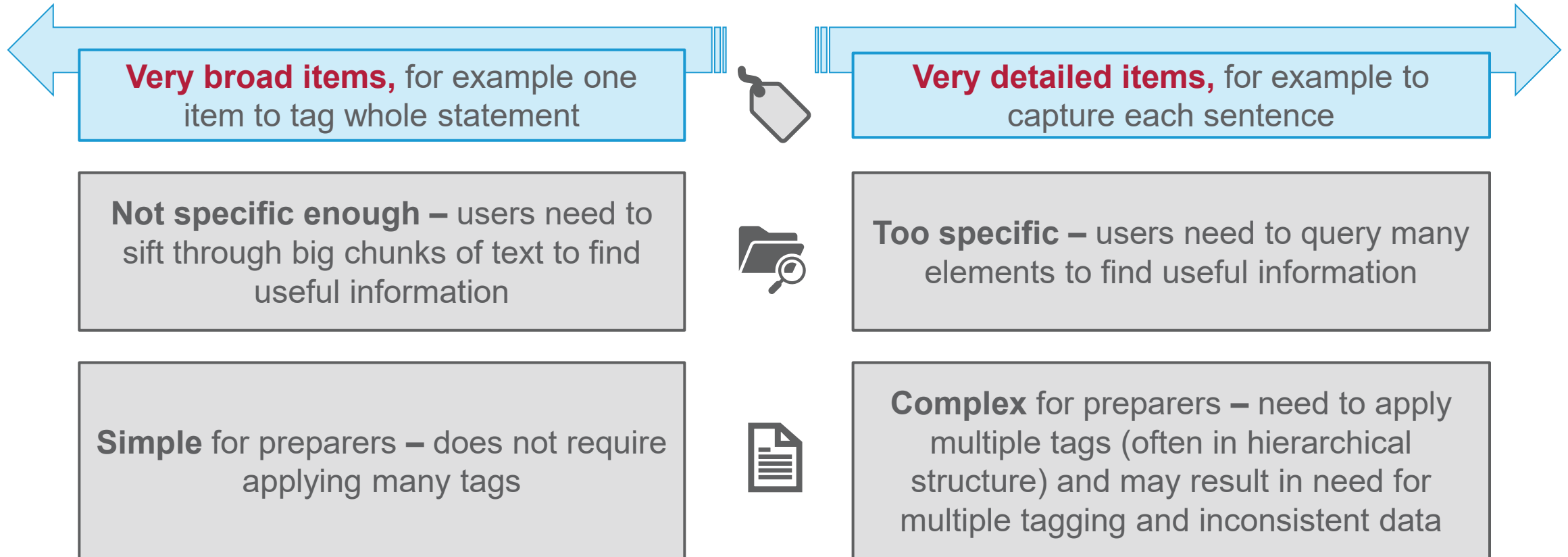
Duis aute irure dolor in reprehenderit in voluptate velit esse cillum dolore eu fugiat nulla pariatur. Performance metrics are included in remuneration policies. This is achieved by setting 10% of performance bonus to be contingent on achieving targeted reductions in key sustainability impact measures. Excepteur sint occaecat cupidatat non proident, sunt in culpa qui officia deserunt mollit anim id est laborum.

### Lorem ipsum dolor

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## 4–Degree of detail for narrative information

There are drawbacks to both too much and too little detail



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## 4–Staff recommendation

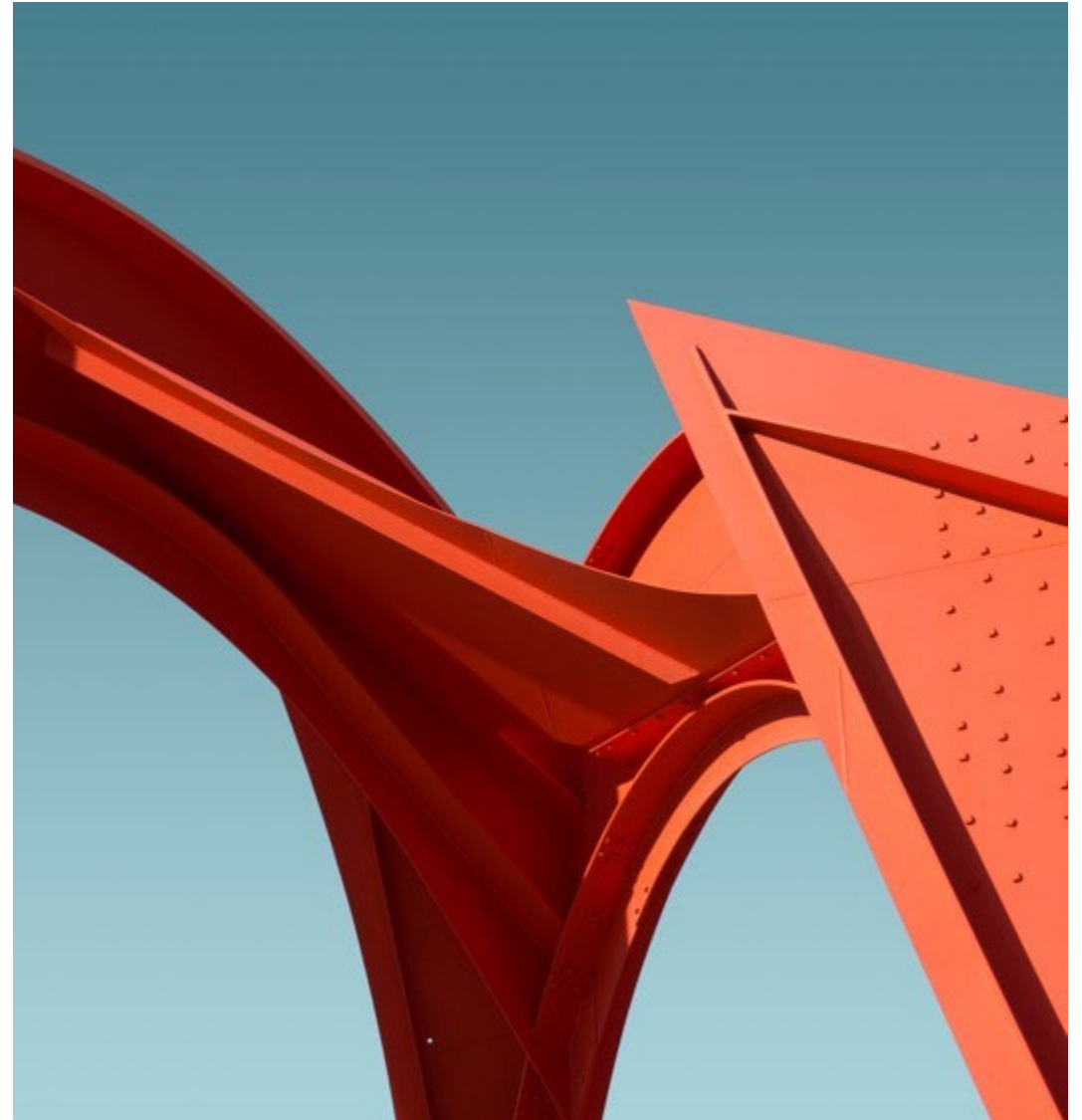
to include items for narrative information that is expected to be:

separately understandable to users

and

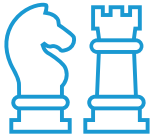
easily identified for tagging

**Are these the right principles?**



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## 5–Categorical information



Some narrative disclosures essentially convey one of a fixed list of options



These disclosures are more directly and easily comparable between entities and across periods, similar to numerical information



If such information were provided in a categorical format (for example, a true/false format), users could quickly search databases for information and compare across companies and periods, without needing to interpret the textual disclosures of each entity.

## 5–Examples of suggested categorical items

### Boolean type

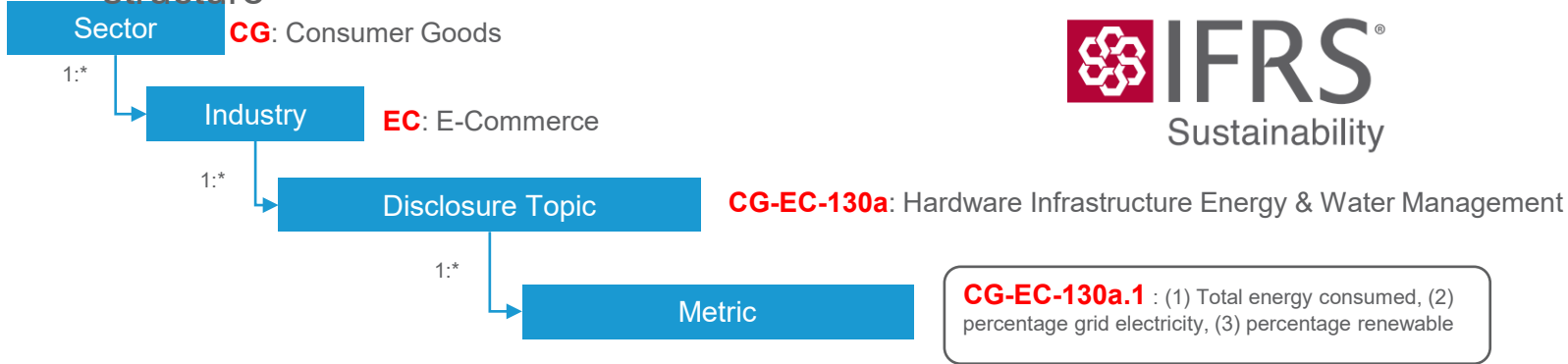
Element label	List of answers for tagging	Reference
Sustainability-related performance metrics are included in remuneration policies	True / False	IFRS S1.13(f)
Entity applied new or amended Standard earlier than its mandatory effective date	True / False	IFRS S1.B1, IFRS S2.C1

### Enumeration type

Element label	List of answers for tagging	Reference
Sustainability-related metric is absolute measure or expressed in relation to another metric	Absolute measure / Measure expressed in relation to another metric	IFRS S1.31(a)
Type of risk associated with climate-related scenarios used	Transition risk / Physical risk	IFRS S2.15(b)(i)(3)

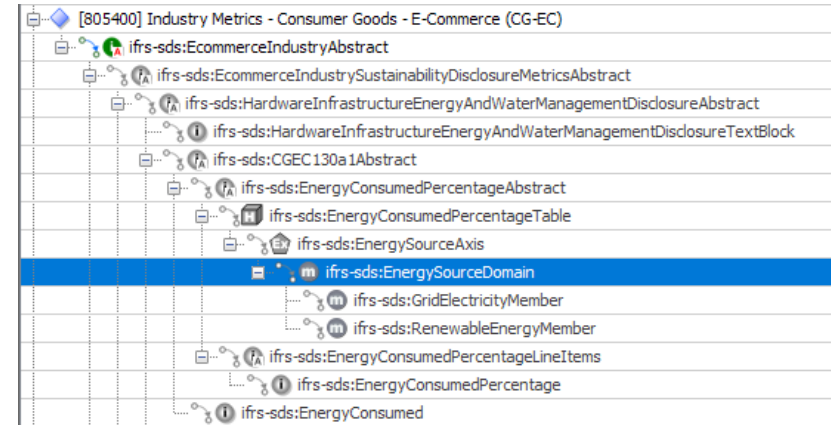
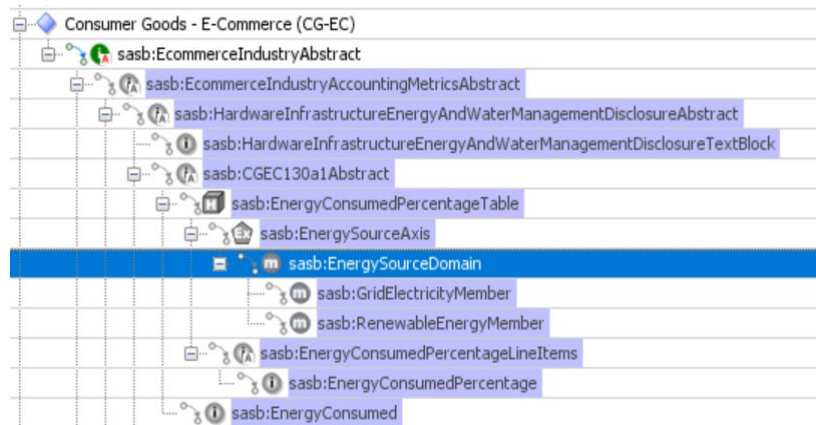
# 6–Industry-based metrics

[draft] S2 Industry-based requirements are closely derived from the SASB Standards, with the same structure



Proposed to leverage SASB’s taxonomy work by closely following the SASB Taxonomy structure and approach

- Identical names used for equivalent items (but are not the same items)
- Similar presentation of items in taxonomy and use of the same industry codes
- Financed Emissions items added
- Changes for some internationalised metrics





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## 6–Entity-specific targets and metrics

### The issue

- Entity-defined metrics and targets are not defined in the Exposure Drafts but would be defined by each preparer. However, the Exposure Drafts include proposed requirements to disclose information to help primary users understand these metrics and targets.
- The Taxonomy would need to provide structures to help users to identify the metrics and targets and any related disclosures.

### Staff recommendation

- We assumed an entity would create entity-specific elements to tag entity-specific metrics.
- The staff modelled the disclosures **about** entity-specific disclosures using a dimensional approach. The disclosure requirements about entity-defined metrics and targets were represented as line items, the specific entity-specified metrics and targets of an entity would be identified by entity-specific members of a defined axis provided in the Taxonomy.
- This tagging would make it simple for entities to provide, and for users to extract and analyse, the values of and required information about each target or metric.

# 6–Entity-specific targets – illustration of conceptual model

Line item elements corresponding to disclosure required **about** targets

Text block: Description of climate-related target (IFRS S2.23(b))

Text block: Description of metrics used to assess progress towards climate-related target (IFRS S2.23(a))

Extensible enumeration: Whether climate-related target is absolute target or intensity target (IFRS S2.23(c))

Boolean: Climate-related target has been validated by third party [true false] (IFRS S2.23(e))

(...)

Climate-related targets [Axis]

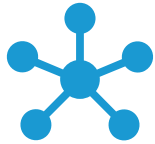
Entity-specific elements representing targets



dfykcvbn	dhjnbcxdfgh
sdghj	dfgn
Absolute target	Absolute target
True	False

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## 7–Connected information

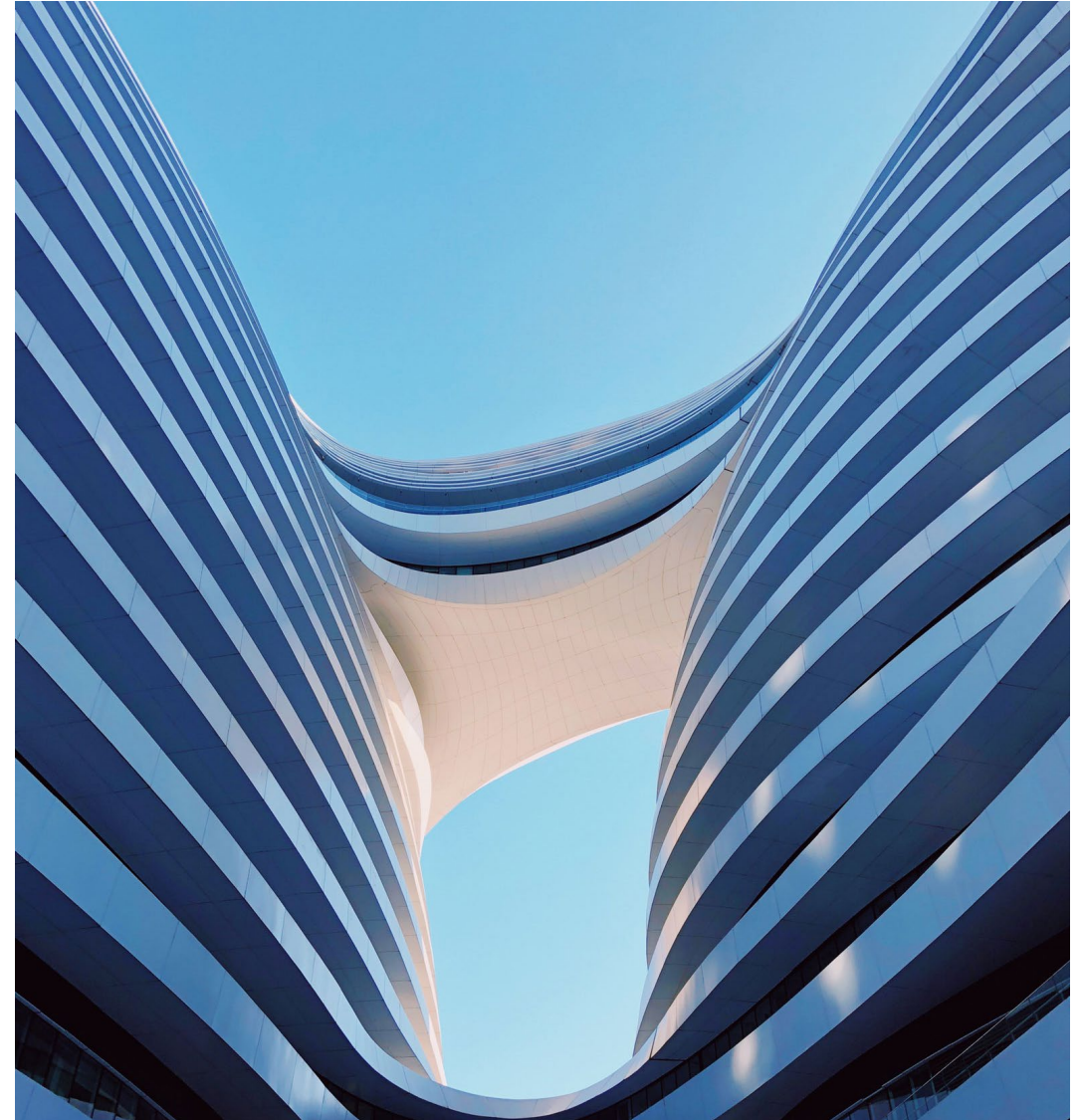


*General requirements* ED requires entities to **describe the relationships between pieces of information** (sustainability-sustainability & sustainability-financial)



Should digital tools be used to improve the digital accessibility of information that describes connections between related disclosures? What approaches would be recommended?

The staff recommended that no specific attempt be made to capture entity-specific connections in a structured form—given the lack of tried and tested mechanisms.



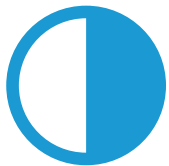
## 8–Cross-referencing



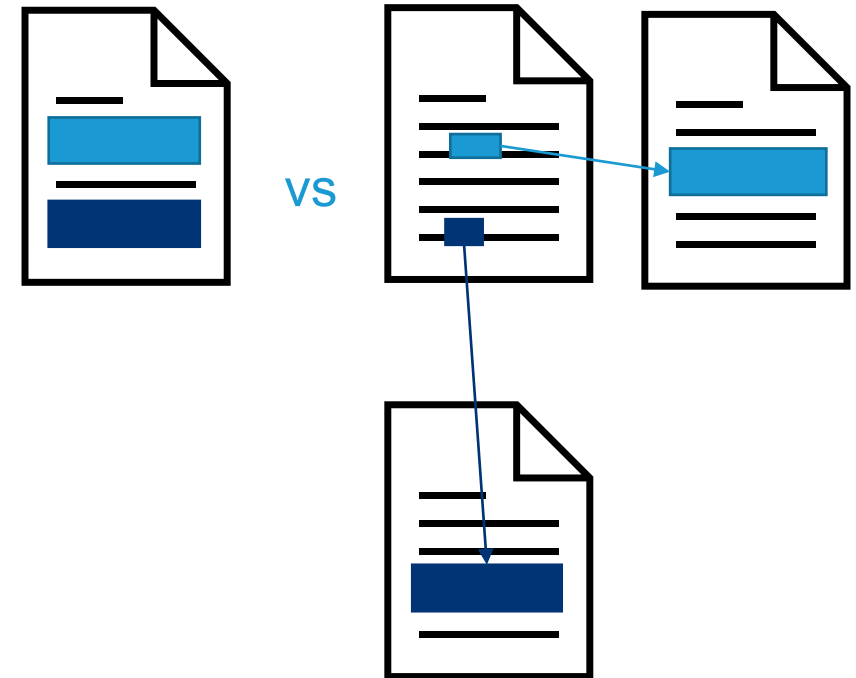
*General Requirements* allows including information by cross-referring to another report\*. Information incorporated by cross-reference becomes part of the complete set of sustainability-related financial disclosures.



Danger that information included by cross-reference from another document might not be tagged.



Tagged information might be incomplete or the digital representation of the report could differ depending on whether a cross-reference was used.



\* if that information is available on the same terms and at the same time.

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## 9–Similar disclosures in accounting and sustainability

The staff recommended, where possible, the use of similar modelling in both the IFRS Accounting Taxonomy and the staff draft IFRS Sustainability Disclosure Taxonomy for disclosure requirements that are similar in both Standards.

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## 9. Example of similar disclosures



Both IFRS Accounting (IAS 8.49(d)) and IFRS Sustainability Disclosure (IFRS S1.90(c)) Standards require disclosure of the explanation of reasons why it is impracticable to determine amounts for corrections relating to prior period errors. This would be reflected in each taxonomy as follows:

	IFRS Accounting Taxonomy	IFRS Sustainability Disclosure Taxonomy
<b>Element label</b>	Explanation of reason it is impracticable to determine amounts for correction related to prior period errors	Explanation of reason it is impracticable to determine amounts for correction related to prior period errors
<b>Element name</b>	<b>ifrs-full:</b> ExplanationOfReasonWhyItIsImpracticableToDetermineAmountsForCorrectionRelatedToPriorPeriodErrors	<b>ifrs-sds:</b> ExplanationOfReasonWhyItIsImpracticableToDetermineAmountsForCorrectionRelatedToPriorPeriodErrors
<b>Element type</b>	text	text block

A full list of examples of similar disclosure requirements is included within Appendix G of the Staff Request for Feedback.

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