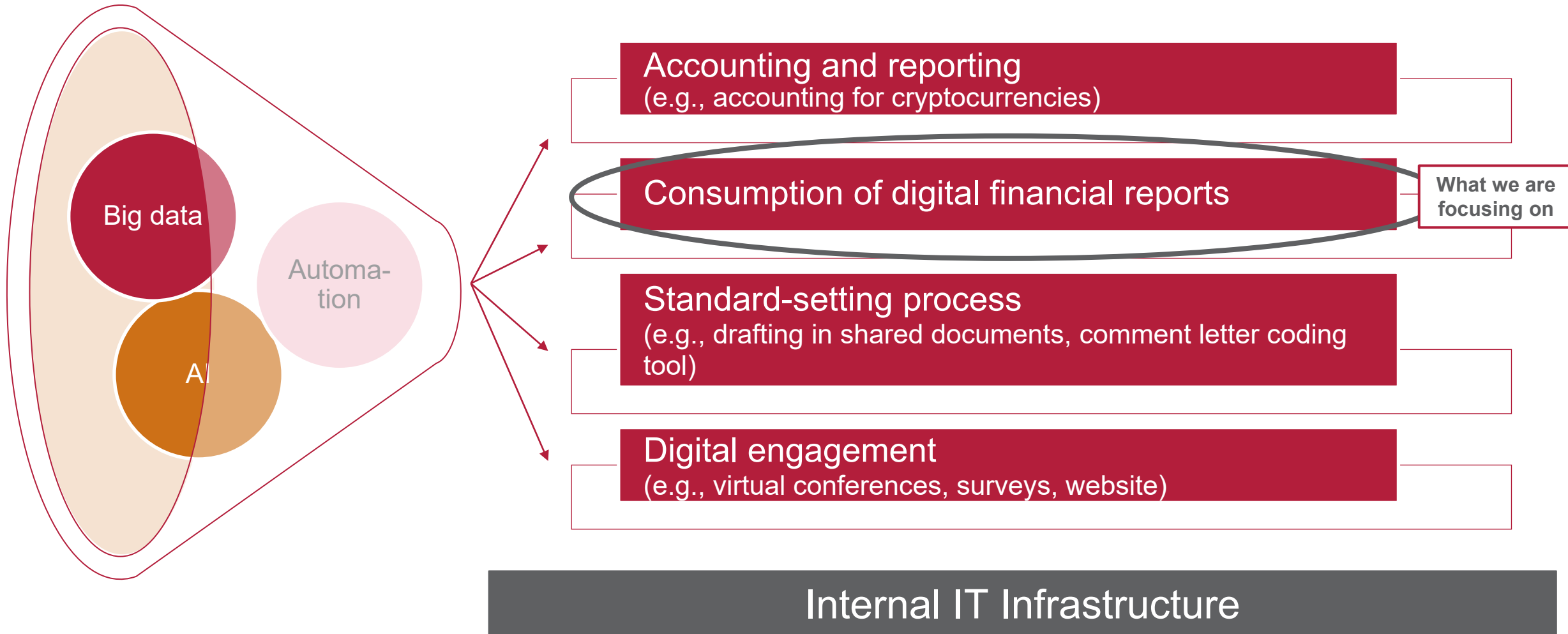

Progressing our digital financial reporting strategy

Background information on Digital Financial Reporting

October 2022

Focus of our discussions on 'digital'



Topics

- What is digital financial reporting? (slides 4-7)
- How are financial reports digitalised—the need for a digital taxonomy (slides 8-14)
- Benefits of digital financial reporting (slides 15-17)
- Current challenges (slides 18-22)
- Connectivity between the IASB and ISSB (slides 23-25)

What is digital financial reporting?

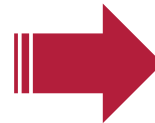
What is a digital financial report?

A digital financial report is a financial report that is machine-readable

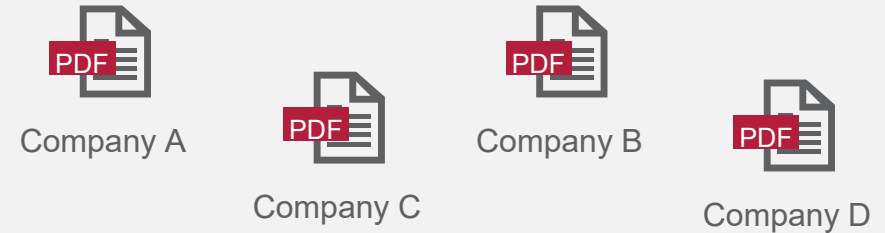
More than a PDF version of a financial report



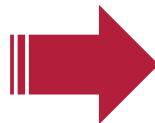
I want to understand the details of company A's share-based payment arrangements



Reporting in a PDF format



I want to download 100 companies' EPS into a spreadsheet to calculate & compare their P/E ratio




Digital financial reporting



What does a digital financial report look like?

Human-readable electronic document


With embedded information (referred to as 'tags') needed to be machine-readable 





129 Strategic Report Governance and Directors' Report **Financial Statements** Other Information

Consolidated income statement

	Note	Year ended	
		31 December 2021	31 December 2020
		€ million	€ million
Revenue	5	13,763	10,606
Cost of sales	18	(8,677)	(6,871)
Gross profit		5,086	3,735
Selling and distribution expenses	18	(2,496)	(1,939)
Administrative expenses	18	(1,074)	(983)
Operating profit		1,516	813
Finance income	19	43	33
Finance costs	19	(172)	(144)
Total finance costs, net		(129)	(111)
Non-operating items		(5)	(7)
Profit before taxes		1,382	695
Taxes	21	(394)	(197)
Profit after taxes		988	498
Profit attributable to shareholders		982	498
Profit attributable to non-controlling interests		6	—
Profit after taxes		988	498
Basic earnings per share (€)	6	2.15	1.09
Diluted earnings per share (€)	6	2.15	1.09

IFRS Accounting Disclosure

Fact Properties 


   

Concept

- (ifrs-full) Basic earnings (loss) per share

The amount of profit (loss) attributable to ordinary equity holders of the parent entity (the numerator) divided by the weighted average number of ordinary shares outstanding during the period (the denominator).

Dimensions

Date 1 Jan 2021 to 31 Dec 2021 

Fact Value € 2.15

Accuracy 2 (cents)

Change 97.2% increase on 1 Jan 2020 to 31 Dec 2020

Entity [LEI] 549300LTH67W4GWMMRF57

Concept ifrs-full:BasicEarningsLossPerShare

Taxonomy IFRS 2020

< 1 of 1 >

> Anchoring

▼ References

IAS

Name	IAS
Number	33
IssueDate	2020-01-01
Paragraph	66

Digital financial reporting in action

By digitalising financial reports, information in those reports becomes machine-readable, allowing investors to extract, compare and analyse information efficiently

CALCBENCH
Company Detail | Multi-Company | Disclosures | Analy

Raw XBRL Data

Whole Universe **Choose Companies**

Companies and Groups

Looking at: IFRS SEC

Fact

Numeric Value : e.g. 65000000

XBRL Tag : BasicEarningsLossPerShare

Tag Taxonomy = IFRS

Unit Of Measure : e.g. USD o

Period

Fiscal Year : 2021

Fiscal Period : Y

Calendar Year : e.g. 2017 or '2017,2018' with

Calendar Period :

1 Search

Analysis platforms can be used to efficiently search digitalised data

482 matching facts

Company	XBRL Tag	Value	Unit of Measure
Ferguson plc (FERG)	BasicEarning...	\$6.75	Trace USD/shares
Ferrari N.V. (RACE)	BasicEarning...	€4.50	EUR/shares
Ferroglobe PLC (GSM)	BasicEarning...	(\$0.63)	USD/shares
Flora Growth Corp. (FLGC)	BasicEarning...	(\$0.48)	USD/shares
Foreign Trade Bank Of Latin Am...	BasicEarning...	\$1.62	USD/shares
Formula Systems (1985) Ltd (FO...	BasicEarning...	\$3.57	USD/shares
Forward Pharma A/S (FWP)	BasicEarning...	(\$0.02)	USD/shares
Fresenius Medical Care AG & C...	BasicEarning...	€3.31	EUR/shares

2 Export

Results can be easily exported to excel or linked directly to investor models

AutoSave Off

File Home Insert Draw Page Layout Formulas Data Review

V187 : X ✓ fx USD/shares

	A	B	C	D	F	G	H	I	V
1	Exported from Calcbench: 9/27/2022 9:16:48 PM EST								
2	**For more features, download the Calcbench Excel Add-in at www.calcbench.com/excel								
3									
4	ticke	CIK	entity_name	filing_ID	docur	XBRLtag	Value	fisca	unit_of_measure
174	FERG	0001832433	Ferguson plc	303618	20-F	BasicEarningsLossPerShare	6.747	2021	USD/shares
175	RACE	0001648416	Ferrari N.V.	314416	20-F	BasicEarningsLossPerShare	4.5	2021	EUR/shares
176	GSM	0001639877	Ferroglobe PLC	322901	20-F	BasicEarningsLossPerShare	-0.63	2021	USD/shares
179	FLGC	0001790169	Flora Growth Corp.	337372	20-F/A	BasicEarningsLossPerShare	-0.48	2021	USD/shares
180	BLX	0000890541	Foreign Trade Bank Of Latin Americ	321842	20-F	BasicEarningsLossPerShare	1.62	2021	USD/shares
181	FORTY	0001045986	Formula Systems (1985) Ltd	328372	20-F/A	BasicEarningsLossPerShare	3.57	2021	USD/shares
183	FWP	0001604924	Forward Pharma A/S	320124	20-F	BasicEarningsLossPerShare	-0.02	2021	USD/shares
185	FMS	0001333141	Fresenius Medical Care AG & Co. Ki	313620	20-F	BasicEarningsLossPerShare	3.31	2021	EUR/shares

Ready 339 of 482 records found Accessibility: Investigate

Consolidated Group income statement

	Y 2021 8/1/2020 to 7/31/2021	Y 2020 8/1/2019 to 7/31/2020	Y 2019 8/1/2018 to 7/31/2019
Revenue notes	\$22,792,000,000	\$19,940,000,000	\$19,729,000,000
Cost of sales notes	(\$15,812,000,000)	(\$13,957,000,000)	(\$13,822,000,000)
Gross profit notes	\$6,980,000,000	\$5,983,000,000	\$5,907,000,000
Operating costs notes	(\$4,946,000,000)	(\$4,534,000,000)	(\$4,528,000,000)
Operating profit notes	\$2,034,000,000	\$1,445,000,000	\$1,375,000,000
Finance costs notes	(\$145,000,000)	(\$147,000,000)	(\$86,000,000)
Finance income notes	\$1,000,000	\$7,000,000	\$12,000,000
Share of profit/(loss) after tax of associates notes	\$1,000,000	(\$2,000,000)	\$2,000,000
Gain on disposal of interests in associates and other investments notes	-	\$7,000,000	\$3,000,000
Impairment of interests in associates notes	-	(\$22,000,000)	(\$9,000,000)
Profit before tax notes	\$1,851,000,000	\$1,292,000,000	\$1,301,000,000
Tax notes	(\$241,000,000)	(\$317,000,000)	(\$259,000,000)
Profit from continuing operations notes	\$1,650,000,000	\$975,000,000	\$1,042,000,000
(Loss) profit from discontinued operations notes	(\$142,000,000)	(\$14,000,000)	\$66,000,000
Profit for the year attributable to shareholders of the Company	\$1,508,000,000	\$961,000,000	\$1,108,000,000
Basic earnings per share	\$6.75	\$4.28	\$4.8
Continuing operations and discontinued operations (in US cents per share) notes	\$6.75	\$4.28	\$4.8
Diluted earnings per share	\$6.71	\$4.24	\$4.7
Basic earnings per share	\$6.71	\$4.24	\$4.7
Continuing operations and discontinued operations (in US cents per share) notes	\$6.71	\$4.24	\$4.7
Diluted earnings per share	\$6.71	\$4.24	\$4.4
Continuing operations and discontinued operations (in US cents per share) notes	\$6.71	\$4.24	\$4.4

3 Trace

Results can easily be traced back to the underlying financial report

Expand To Full Disclosure Open In Disclosure Viewer

	2021		2020	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
	\$m	cents	\$m	cents
Profit from continuing and discontinued operations attributable to shareholders of the Company	1,508	674.9	961	427.5
Loss from discontinued operations	142	63.6	14	6.2
Profit from continuing operations	1,650	738.3	975	433.7

2019

	Basic earnings per share	Diluted earnings per share
	\$m	cents
Profit from continuing and discontinued operations attributable to shareholders of the Company	1,108	475.8

How are financial reports digitalised—the need for a digital taxonomy

How are financial statements digitalised?



Who	Standard-setter		Companies		Investors
What	Standards	Digital taxonomy [#]	Financial reports	Use tagging software to tag disclosures in financial reports	Digital consumption
Why	Provides requirements for company disclosures in financial reports	Provides tags derived from the Standards to make disclosures machine-readable	Makes paper reports machine-readable		Digital comparison and analysis of financial reports for more efficient investment decision-making

[#] A classification system used to make financial reports machine-readable. Different from, for example, a green taxonomy used to classify environmentally sustainable economic activities

The need for a digital taxonomy

A digital taxonomy is a system for classifying and structuring data points in a manner which:

- makes the data machine-readable, and
- aids users in finding, understanding and comparing large amounts of information to facilitate efficient financial analysis



By using a common taxonomy to tag quantitative and qualitative disclosures, computers have the context needed to determine whether disclosures with different descriptions are comparable disclosures

The IFRS Accounting Taxonomy

1 Identification

The IFRS Accounting Taxonomy lists the globally agreed **computer codes (elements)** that preparers can use **to identify (tag)** disclosures in IFRS financial statements

Consolidated statement of comprehensive income (extract)	
Revenue	30,650
Cost of sales	(26,000)
Gross profit	4,650



2 References

The IFRS Accounting Taxonomy **describes the accounting meaning of each element and provides references to the IFRS Accounting Standards**

Label	Gross Profit
References	IAS 1.103 Example
Documentation	The amount of revenues less cost of sales. [Refer: Cost of sales; Revenue]

3 Classification

The IFRS Accounting Taxonomy organises elements into **groups** and defines **relationships** between them to help preparers and users of tagged financial statements find elements more easily

[310000] Statement of comprehensive income, profit or loss, by function of expense	
Profit or loss [abstract]	
Profit (loss) [abstract]	
Revenue	Monetary Duration, Credit
Interest revenue calculated using effective interest method	Monetary Duration, Credit
Insurance revenue	Monetary Duration, Credit
Cost of sales	(Monetary) Duration, Debit
Gross profit	Monetary Duration, Credit

The IFRS Accounting Taxonomy

Sources of the IFRS Accounting Taxonomy content

IFRS Accounting Standards

Presentation and disclosure requirements in IFRS Accounting Standards

Illustrative examples and implementation guidance

Common reporting practice

Commonly disclosed information not specifically mentioned in IFRS Accounting Standards

The Taxonomy reflects disclosure requirements in IFRS Accounting Standards

It does not introduce new requirements

It is not a disclosure checklist

It does not dictate how preparers should present their reports

How you can navigate the IFRS Accounting Taxonomy

Standards Navigator: Taxonomy elements shown within bound volume text

Show: Annotation Taxonomy Expand All +

53 A lessee shall disclose the following amounts for the reporting period:

(a) depreciation charge for right-of-use assets by class of underlying asset;

Depreciation, right-of-use assets	Disclosure	Monetary	Duration	832610
-----------------------------------	------------	----------	----------	--------

(b) interest expense on lease liabilities;

Interest expense on lease liabilities	Disclosure	Monetary	Duration, Debit	832610
---------------------------------------	------------	----------	--------------------	--------

(c) the expense relating to short-term leases accounted for applying **paragraph 6**. This expense need not include the expense relating to leases with a lease term of one month or less;

Expense relating to short-term leases for which recognition exemption has been used	Disclosure	Monetary	Duration, Debit	832610
---	------------	----------	--------------------	--------

How you can navigate the IFRS Accounting Taxonomy

[IFRS Accounting Taxonomy Illustrated](#): List of Taxonomy elements in PDF or Excel

[210000] Statement of financial position, current/non-current		
Statement of financial position [abstract]		
Assets [abstract]		
Non-current assets [abstract]		
Property, plant and equipment	X _{instant, debit}	IAS 1.54 a Disclosure, IAS 16.73 e Disclosure
Investment property	X _{instant, debit}	IAS 1.54 b Disclosure, IAS 40.76 Disclosure, IAS 40.79 d Disclosure
Goodwill	X _{instant, debit}	IAS 1.54 c Disclosure, IAS 36.134 a Disclosure, IAS 36.135 a Disclosure, IFRS 3.B67 d Disclosure
Intangible assets other than goodwill	X _{instant, debit}	IAS 1.54 c Disclosure, IAS 38.118 e Disclosure
Investments accounted for using equity method	X _{instant, debit}	IAS 1.54 e Disclosure, IFRS 12.B16 Disclosure, IFRS 8.24 a Disclosure
Investments in subsidiaries, joint ventures and associates	X _{instant, debit}	IAS 27.10 Disclosure
Non-current biological assets	X _{instant, debit}	IAS 1.54 f Disclosure
Trade and other non-current receivables	X _{instant, debit}	IAS 1.54 h Disclosure, IAS 1.78 b Disclosure
Non-current inventories	X _{instant, debit}	IAS 1.54 g Disclosure

Benefits of digital financial reporting

Benefits of digital financial reporting

- Provides opportunities to improve capital market efficiency and reduce firms' cost of capital



Reduced search costs



Increased analyst coverage



Increased access to capital



Level playing field for investors



Capital market transparency



Increased information processing efficiency



Reduced language barrier

Over 90% of global market capitalisation now require some form of digital financial reporting (e.g. US, EU, UK, China, India, Japan)

- However, the current global approach to digital financial reporting is **fragmented** and, in our view, does not realise the full benefits

Opportunities to enhance financial reporting

- Digitalisation offers new opportunities to enhance financial reporting. Possible opportunities include:

The ability for investors to tailor the presentation of financial reports to meet their decision-making needs

Interactive financial reports that allow investors to toggle between different measurement bases

Enhanced ability to reflect relationships between items/disclosures

- Leveraging digital opportunities may require a ‘pro-digital’ standard-setting approach
 - There is a wide spectrum of what a ‘pro-digital’ approach might entail. Some examples are:
 - Re-thinking the cost/benefit analysis of disclosure requirements
 - Reporting more granular information may no longer be as costly
 - Consuming larger quantities of data may be easier
 - Re-thinking the balance between comparability and entity-specific information
 - Thinking beyond the constraints of a static paper-based format
 - Location of where information is presented/disclosed may be less of an issue
- A pro-digital approach may involve challenges
 - Implications for materiality
 - Ensuring contextual information remains visible
 - Costs for preparers
 - Challenges for less sophisticated investors
 - May require changes to existing regulatory/legislative filing requirements

Current challenges

Fragmented global adoption of the IFRS Accounting Taxonomy

- **Variations in whether use of the IFRS Accounting Taxonomy is required**

For example, some jurisdictions:

- require use of the IFRS Accounting Taxonomy
- require use of the IFRS Accounting Taxonomy, with modifications for carve outs
- require use of their proprietary taxonomy for IFRS reporters
- permit, but do not require, use of the IFRS Accounting Taxonomy
- have no digital financial reporting requirements

- **Implication**

- Investors cannot digitally compare IFRS reports from around the world



Consistent, global use of the IFRS Accounting Taxonomy is fundamental to consumption of digital financial reports

Poor quality digital data

- **Variations in whether assurance is required over digital financial reports**
 - **Variations in whether enforcers review digital financial reports**
-
- **Implication**
 - Poor data quality (incorrect tags, scaling (thousands vs. millions), negative vs. positive signs, use of unnecessary extensions)
 - Risk of investor harm and loss of trust in digital data

Challenges accessing digital data

- **Variations in what is required to be tagged**

For example, some jurisdictions:

- only require tagging of primary financial statements
- require tagging of primary financial statements and block tagging of notes
- require tagging of primary financial statements, block tagging of notes and detailed tagging of specified notes

- **Variations in how accessible digital financial reports are, with no single global access point**

- Some digital reports are freely accessible when issued
- Some digital reports are partially accessible (e.g., fee or permission may be required)
- Some digital reports are not publicly accessible

- **Implication**

- Even if financial reports were tagged using the IFRS Accounting Taxonomy, neither investors nor data aggregators can access some of this data to analyse digitally

Myths about digital reporting persist

Myth #1: Artificial intelligence eliminates the need for the structure that taxonomies give to data

Counter-arguments

Our work indicates that **artificial intelligence benefits from the structure** provided by taxonomies

- Data providers that use artificial intelligence need to create their own taxonomy
- These data providers prefer a globally applied taxonomy, updated at the same time Standards change

Artificial intelligence provides only **limited comparability** across companies. A taxonomy facilitates the identification, by a company, of exactly which information it has provided to satisfy a particular requirement in the Standards. In contrast, artificial intelligence, in effect, makes educated guesses about this

However, once tagged data is available and extracted, artificial intelligence can aid analysis

Myth #2: Data aggregators already satisfy market needs for digital reports

Counter-arguments

- Data aggregators play an important role in providing information to capital markets
- However, data from data aggregators can be costly for investors
- The data may also be reformatted in a standardised way, but this presentation may differ from the underlying paper / PDF financial reports applying IFRS Accounting Standards
- Additionally, data aggregators often do not provide detailed information disclosed in the notes to the financial statements

- **Implication** - Misinformation creates challenges in progressing towards global digital financial reporting

Connectivity between the IASB and ISSB

Connectivity between the IASB and ISSB



As part of its Agenda Consultation the IASB agreed to **slightly increase** its level of focus on digital financial reporting

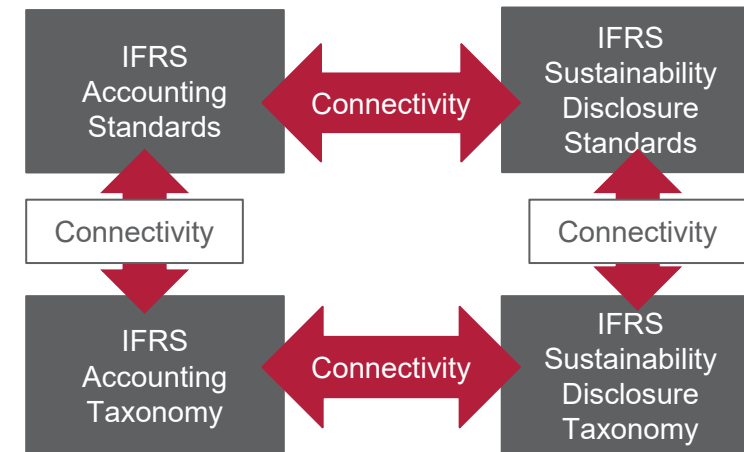


The ISSB expects to consult on its priorities in early 2023

It is anticipated that the ISSB will:

- take a digital from day one approach
- publish a proposed IFRS Sustainability Disclosure Taxonomy shortly after it issues the IFRS Sustainability Disclosure Standards

Staff think that many of the digital reporting considerations for the IASB and ISSB will be similar and see opportunities for connectivity



Additional digital considerations specific to the ISSB

- Need for technology to assist in gathering data (eg, scope 3 emissions) more pronounced for sustainability reporting
- Interoperability with digital taxonomies from other parties (eg, EFRAG / Europe, GRI) needed to:
 - enable common tagging of the same disclosures
 - avoid common tagging of different disclosures

Follow us online

 ifrs.org

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [IFRS Foundation](https://www.linkedin.com/company/ifrs-foundation)

 [International Accounting Standards Board](https://www.linkedin.com/company/international-accounting-standards-board)

 [International Sustainability Standards Board](https://www.linkedin.com/company/international-sustainability-standards-board)