June 2016

IFRS Foundation

IFRS® Taxonomy Due Process: Feedback Statement

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IFRS TAXONOMY DUE PROCESS: FEEDBACK STATEMENT

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IFRS TAXONOMY DUE PROCESS: FEEDBACK STATEMENT

Introduction

This Feedback Statement summarises the comments the Trustees received on the consultation to update and revise the IFRS Taxonomy Due Process. It also sets out the response to this feedback.

Background

The Trustees of the IFRS Foundation oversee the operations of the International Accounting Standards Board ('the Board') and the Interpretations Committee. The Trustees have a committee—the Due Process Oversight Committee ('DPOC')—which has the task of reviewing and, if necessary, amending the due process procedures in the light of experience and comments from the Board and interested parties.

Since late 2011, the operations of the Board have included the development and maintenance of the IFRS Taxonomy content and the representation of that content in a reporting syntax such as the eXtensible Business Reporting Language ('XBRL') standard. Prior to that, the IFRS Taxonomy and related XBRL activities were an IFRS Foundation supporting activity. This organisational change triggered a review of the IFRS Taxonomy due process as set out in the existing *Due Process Handbook for XBRL Activities* ('the XBRL Handbook'). This review started in mid-2013.

In January 2014 the DPOC approved interim amendments to the IFRS Taxonomy due process, which have been in place since then. These amendments included the creation of the IFRS Taxonomy Consultative Group ('ITCG') and the establishment of a process whereby public consultation is sought on IFRS Taxonomy updates released during the year (instead of the *Annual IFRS Taxonomy* as is the case under the XBRL Handbook). In addition, the amendments included the use of a new consultation document '*The Proposed IFRS Taxonomy Update*' to expose proposed changes to the IFRS Taxonomy for public comment.

During late 2014 and early 2015 a due process trial was conducted to evaluate a proposal to align the consultation of the *Proposed IFRS Taxonomy Update* document and the related Exposure Draft of a new or revised IFRS Standard (or Draft Interpretation). The Exposure Draft *Disclosure Initiative* (Proposed Amendments to IAS 7) was used for this trial.

In the light of the experience gained and the feedback received from the trial, on 4 November 2015 the DPOC published the *Invitation to Comment IFRS Taxonomy Due Process* consultation paper (the 'Invitation to Comment'). The Invitation to Comment proposed that the process of seeking public feedback on the taxonomy after the release of the final IFRS Standard or Interpretation should be retained. In addition, it proposed the following substantive changes to the existing IFRS Taxonomy due process:

- the Board should be involved in the review and approval of the IFRS Taxonomy content;
- the drafting, Board approval and ITCG review of the *Proposed IFRS Taxonomy Update* document would happen at the same time as the drafting, Board approval and external editorial review of the related final IFRS Standard or Interpretation; and
- the publication of the *Proposed IFRS Taxonomy Files* for a proposed content update is optional.

It was also proposed that once the revision of IFRS Taxonomy due process was complete, the XBRL Handbook would be withdrawn. In its place, the *IASB and IFRS Interpretations Committee Due Process Handbook ('Due Process Handbook')* would be extended to incorporate the revised IFRS Taxonomy due process in the form of a separate annex or section.

Consultation

Comments on the Invitation to Comment were due by 3 February 2016.

The Invitation to Comment included four questions dealing with the main areas of change:

(a) the role of the Board in the review and approval of the IFRS Taxonomy content;

(b) the timing and length of consultation on *Proposed IFRS Taxonomy Update* documents;

(c) the publication of the *Proposed IFRS Taxonomy Files*: and

(d) other comments.

We received 16 comment letters. All the comment letters are available on the Foundation's website[1]. We also received feedback from other outreach activities. A list of respondents and a statistical summary by type of respondent and geographical region is in Appendix A. In addition, comments on the IFRS Taxonomy due process made by respondents to the consultation document *Request for Views—Trustees' Review of Structure and Effectiveness: Issues for the Review* ('the Request for Views') published in July 2015 have been included in our analysis. Appendix B provides the names of the six organisations that responded to the Request for Views but not to the Invitation to Comment.

We also consulted members of the ITCG. The IFRS Taxonomy due process proposals were discussed at the October 2014, June 2015 and October 2015 meetings of that group.[2]

The DPOC considered the issues raised by respondents and the ITCG and how to deal with them at its meeting in May 2016.

Views and feedback

Overview and key points

In the pages that follow, we outline the significant matters arising from the feedback, set out as follows:

- Board approval and review of the IFRS Taxonomy content;
- Consultation—timing, length and other related matters;
- Publication of the *Proposed IFRS Taxonomy Files*;
- Interaction between the IFRS Taxonomy and Standard-setting; and
- Other matters.

Many respondents supported our approach to Board engagement with the IFRS Taxonomy content. There was also general support for our proposal to retain the existing process of consulting on the IFRS Taxonomy after the release of the final IFRS Standard or IFRS Interpretation.

Some respondents raised concerns about the level of interaction (and integration) between the IFRS Taxonomy and the Standard-setting process. In particular, they thought that the proposals may increase the risk of the IFRS Taxonomy constraining the principle-based approach to Standard-setting.

1 All comment letters are available on: http://www.ifrs.org/DPOC/Pages/Comment-letter.aspx.

2 A summary of the ITCG meetings minutes is available on: http://www.ifrs.org/About-us/IASB/Advisory-bodies/Working-groups/ITCG/Pages/IFRS-Taxonomy-Consultative-Group-ITCG.aspx

Board approval and review of IFRS Taxonomy content

In the Invitation to Comment, the DPOC asked for feedback on its proposals that:

(a) the Board should approve IFRS Taxonomy updates that reflect new or amended IFRS Standards (including Interpretations and the *IFRS for SMEs* Standard); and

(b) other IFRS Taxonomy content updates (including common practice content) would be subject to review, but not approval, by a designated group of at least three but not more than five members of the Board ('the IFRS Taxonomy Review Panel').

Comments received	Our responses
Support for our proposals Many respondents agreed that Board involvement enhances the credibility and quality of the IFRS Taxonomy. The approach to Board engagement as proposed in the Invitation to Comment was also well supported.	Given the broad support the DPOC received for its proposals, the final IFRS Taxonomy due process has retained the role of the Board (and the approach to Board engagement) as proposed in the Invitation to Comment.
Concerns about Board resources Some respondents expressed concerns that Board involvement with the taxonomy adversely affects the Board's resources available for Standard-setting and related outreach activities.	The DPOC acknowledges that Board involvement will use resources, but is of the view that Board involvement is required to protect the integrity of the IFRS Taxonomy. In particular, it helps to ensure that the IFRS Taxonomy does not inadvertently interpret the IFRS Standards.
Alternative proposal A few respondents thought that not all Board members may have the required expertise to review or approve the IFRS Taxonomy content. They suggested establishing a taxonomy committee of financial reporting specialists that would work in a similar way to the IFRS Interpretations Committee.	The DPOC recognises that the Board must be in a position (ie possess the required competency and have access to the appropriate materials) to take on a formal role for the IFRS Taxonomy content. The Board have been educated about the IFRS Taxonomy, and this education will be renewed regularly. The DPOC also would like to note that it has introduced a new consultation document 'the *Proposed IFRS Taxonomy Update*', which describes taxonomy content changes with minimal technology-related language. The Board has already established a specialised consultative group for the IFRS Taxonomy, ie the ITCG. Many members of the ITCG have broad financial reporting and data modelling skills. These members review taxonomy updates and raise issues for the attention of the staff and Board. They also provide guidance on general taxonomy-related matters.

Comments received	Our responses
	The DPOC thinks that the input of financial reporting specialists (including investors and preparers) could be particularly valuable to identify IFRS reporting practice that may need to be captured within the IFRS Taxonomy to increase its usefulness. In that respect, the DPOC notes that the *Due Process Handbook* already permits the Board to establish a consultative group (or task force) for a specific project. This includes IFRS Taxonomy common practice projects. The DPOC does not exclude establishing a taxonomy committee that would work in a similar way to the IFRS Interpretations Committee. The DPOC will re-evaluate after a period of time, in the light of the experiences with the new process, the proposal to establish such a committee.
IFRS Taxonomy Review Panel One accounting firm noted that the *Due Process Handbook* already permits the Chair of the Board to assign Board members to a project. Hence, this accounting firm considered it unnecessary for the due process to specifically refer to an IFRS Taxonomy Review Panel.	The *Due Process Handbook* states that the role of assigned Board members is to provide advice to the staff. The DPOC have allocated a role to the IFRS Taxonomy Review Panel that goes beyond advice. In particular, this panel must formally assess IFRS Taxonomy common practice content. The final IFRS Taxonomy due process now also states that at least one (Senior) Technical Director is a member of the IFRS Taxonomy Review Panel. This reflects existing current practice, but was not specified in the Invitation to Comment.

Consultation

In the Invitation to Comment, the DPOC asked for feedback on its proposals:

(a) to seek public consultation on taxonomy content changes for the final IFRS Standards only;

(b) that the comment period of a *Proposed IFRS Taxonomy Update* document should normally be at least 60 days; and

(c) that a comment period of no less than 30 days can be considered by the staff after obtaining approval from the Board (for content changes reflecting the IFRS Standards), or after consulting the IFRS Taxonomy Review Panel (for other content changes) or the ITCG (for technology changes).

Comments received	Our responses
Timing of consultation—broad support Most respondents agreed with our proposal. One accounting firm suggested that the IFRS Taxonomy due process should permit the possibility of consulting at an earlier time, if this was considered to be appropriate by the Board. In the view of this respondent, the 2015 due process trial demonstrated that early consultation may help with the clarity and consistency of the wording of the IFRS Standards.	Giving the broad support the DPOC received for its proposals, the final IFRS Taxonomy due process has kept intact the timing of public consultation. The DPOC noted that many respondents (including those that responded to the 2015 due process trial) stated that consulting on taxonomy content at the Exposure Draft stage could result in additional costs and could be inefficient, particularly if presentation and disclosure requirements change between the Exposure Draft and the final IFRS Standard. It is for this reason that the DPOC decided not to include an option of consulting at an earlier time. Having said that, the DPOC will ask staff to re-evaluate after a period of time whether consulting at an earlier time encourages broader feedback. The due process trial seems to indicate that this could be the case. The DPOC also would also like to note that the alignment of the IFRS Taxonomy and Standard-setting process means that the implications of the IFRS Standards on the IFRS taxonomy are considered when staff develop presentation and disclosure requirements. This is further discussed below in the section 'interaction between the IFRS Taxonomy and Standard-setting'.
Length of consultation Some respondents thought that a longer comment period is likely to be required, in particular when the amendments to the IFRS Standards are complex in nature.	The DPOC weighed up the requirement for a timely release of the final IFRS taxonomy (in particular the *Annual IFRS Taxonomy*) against the need to have sufficient time to encourage a broad response. The DPOC continues to hold the view that a comment period of 60 days strikes the right balance. It does not preclude the use of a longer comment period if this is considered to be appropriate.
Reduced comment period—role of the DPOC One accounting firm queried our approach, stating that our proposal is not consistent with the *Due Process Handbook*, which stipulates that the DPOC needs to approve a shorter comment period for the Standards.	The DPOC continues to believe that a reduced comment period (of not less than 30 days) is appropriate for IFRS Taxonomy changes that are narrow in scope and that its approval should not be required.

Comments received	Our responses
	The DPOC agrees that the use of a reduced comment period for IFRS Taxonomy changes that are not narrow in scope but are urgent should require its approval. The DPOC expects this only to be the case in exceptional circumstances. The final IFRS Taxonomy due process now reflects this.
Importance of targeted outreach One accounting firm mentioned that the Board and the staff need to assess whether additional targeted outreach may be needed to obtain broad feedback from all stakeholders.	The DPOC agrees. The final IFRS Taxonomy due process now specifies that such an assessment should be made.

Publication of the *Proposed IFRS Taxonomy Files*

In the Invitation to Comment, the DPOC asked for feedback on its proposal to make the publication of the *Proposed IFRS Taxonomy Files* an optional step for proposed updates to the content of the IFRS Taxonomy. This is a mandatory step under the current process.

Comments received	Our responses
Publication of the *Proposed IFRS Taxonomy Files* is useful A few respondents stated that the files can help IFRS Taxonomy users who apply the amendments using XBRL to understand the proposed changes. They also noted that consultation on these files helps to protect the technical integrity of these files.	The DPOC reasoned that no public consultation is required, because the *Proposed IFRS Taxonomy Files* are simply capturing the content updates described in the *Proposed IFRS Taxonomy Update*. In addition, the files are subject to review by members of the ITCG. The DPOC was also concerned about the resources and time involved in producing these files, in particular that this could delay the publication of the *Proposed IFRS Taxonomy Update* document for new or amended IFRS Standards. Having said that, the DPOC acknowledges that some users may prefer to review the proposed changes (and are therefore more likely to comment on them) by making use of the *Proposed IFRS Taxonomy Files*. The final IFRS Taxonomy due process now states that the staff have to assess whether publication of the *Proposed IFRS Taxonomy Files* for proposed content updates is appropriate.

Interaction between the IFRS Taxonomy and Standard-setting

The Invitation to Comment included wording stating that 'the IFRS Taxonomy is considered during the development of new or amended IFRS Standards'. The Invitation to Comment also proposed that:

(a) drafting, Board approval and publication of the *Proposed IFRS Taxonomy Update* document would normally happen at the same time as drafting, approval and publication of the related IFRS Standard or IFRS Interpretation;

(b) the ITCG review of the proposed taxonomy content changes should be aligned with the external editorial review of the related IFRS Standard; and

(c) the *IFRS Taxonomy Update* document should have the status of accompanying material to the related IFRS Standard.

Comments received	Our responses
A broad concern that the taxonomy constrains the principles-based approach to Standard-setting Some respondents supported the view that consideration of the taxonomy may improve the clarity and consistency of the wording of the IFRS Standards, but they warned that any such taxonomy considerations should not constrain a principle-based approach to Standard-setting. However, other respondents disagreed with this, stating that such an approach increases the risk of the IFRS Taxonomy undermining principle-based Standard-setting. One accounting firm suggested that the wording did not clearly explain the direction of influence between the IFRS Taxonomy and Standard-setting.	The IFRS Taxonomy is based on, and is consistent with, the presentation and disclosure requirements of the IFRS Standards. In the Request for Views, the Trustees emphasised the importance of the fact that IFRS Taxonomy considerations should not dictate the Standard-setting approach. The DPOC holds the view that the risk that the taxonomy could constrain the exercise of judgement needed in a principle-based approach to Standard-setting is more related to how the IFRS Taxonomy may be implemented in practice, for example when using the IFRS Taxonomy as a template as to what information must be provided in a structured electronic report. The IFRS Foundation works closely with regulators and publishes IFRS Taxonomy educational and supporting materials to mitigate any such risk that may exist. Paragraph 3.28 of the *Due Process Handbook* already requires that as part of the balloting process the technical staff should liaise with the IFRS Taxonomy technical staff. The DPOC continues to think, based on the experiences of the staff and the Board, that taxonomy data modelling can help improve the clarity and consistency of the wording of the IFRS Standards. This in turn supports the consistent interpretation and implementation of the IFRS Standards.

Comments received	Our responses
	Consequently, the final IFRS Taxonomy due process has retained the notion of the IFRS Taxonomy interacting with Standard-setting. However, the DPOC agrees that the phrasing used in the Invitation to Comment did not clearly explain the direction of influence. In particular, we think that it could be read by some as implying that the IFRS Taxonomy can potentially change the essence of the IFRS Standards. The wording has been changed in the final IFRS Taxonomy due process to clarify the direction of influence.
Concurrent drafting, Board approval, ITCG review and publication Many of the respondents agreed with the proposals, supporting our view that a concurrent process is the most effective and efficient way to engage the Board, external stakeholders and the ITCG. Some respondents disagreed. They thought that an aligned process may increase the risk of the IFRS Taxonomy constraining the principle based approach to Standard-setting.	See above the response of the DPOC to the concern that the IFRS Taxonomy may constrain Standard-setting. Considering the largely positive response the DPOC received on its proposals, the final IFRS Taxonomy due process has retained the proposals as set out in the Invitation to Comment.
Accompanying material A few respondents commented on the proposal that the *IFRS Taxonomy Update* document should have the status of accompanying material to the related Standard. Most did not support the proposal. They expressed a concern that giving the *IFRS Taxonomy Update* document the status of accompanying material increases the risk of the IFRS Taxonomy (including common practice) being used as additional guidance on the application of IFRS Standards. They also did not support the view that this document can aid the understanding of the presentation and disclosure requirements of the IFRS Standards. One accounting firm suggested an alternative proposal of giving the annual IFRS Taxonomy the status of an IASB Practice Statement.	Based on the feedback received from the due process trial, the DPOC continues to hold the view that the IFRS Taxonomy may help some stakeholders to become more familiar with the presentation and disclosure requirements of the IFRS Standards. However, the DPOC acknowledges that this may not be the case for all readers of the IFRS Standards and that this is only an ancillary function of the *IFRS Taxonomy Update* document. Considering this, the DPOC now concludes that the *IFRS Taxonomy Update* document should no longer be an accompanying material to the final IFRS Standard. The final IFRS Taxonomy due process now reflects this.

Other matters

Comments received	Our responses
Lack of clear purpose One accounting firm stated that neither the Trustees nor the Board have formally set out what they see as the role and qualitative characteristics of the IFRS Taxonomy. This respondent thought that without such an assessment the objective of the IFRS Taxonomy due process is unclear. This respondent also thought that the purpose of common practice content and the process to identify it have not been clearly explained.	The DPOC agrees that this was not clear. The final IFRS Taxonomy due process now includes a new section describing its objectives. In setting these objectives, the DPOC considered the role of the IFRS Taxonomy as set out by the Trustees in its Request for Views. The Invitation to Comment stated that the IFRS Foundation shall make publicly available materials describing the process used to identify and select IFRS Taxonomy content not directly reflecting the IFRS Standards. The staff are currently preparing a new IFRS Taxonomy guide detailing the process followed for common practice content. This guide will also describe the purpose of common practice content.

APPENDIX A

RESPONDENTS TO INVITATION TO COMMENT ON THE IFRS TAXONOMY DUE PROCESS

Name of respondent	**Country/Region**
XBRL Canada	Canada
Svenskt Naringsliv [Confederation of Swedish Enterprise]	Sweden
Association of Chartered Certified Accountants (‘ACCA’)	Global
BusinessEurope	Europe
Securities and Exchange Board of India (‘SEBI’)	India
Deutsches Rechnungslegungs Standards Committee e.V. (‘DRSC’) [Accounting Standards Committee of Germany (‘ASCG’)]	Germany
Mazars	Global
The Japanese Institute of Certified Public Accountants (‘JICPA’)	Japan
South African Institute of Chartered Accountants (‘SAICA’)	South Africa
European Securities and Markets Authority (‘ESMA’)	Europe
Korea Accounting Standards Board (‘KASB’)	Korea, Republic of
Deloitte Touche Tohmatsu Limited (‘Deloitte’) [UK]	Global
Singapore Accounting Standards Council (‘ASC’)	Singapore
European Financial Reporting Advisory Group (‘EFRAG’)	Europe
Organismo Italiano di Contabilità (‘OIC’) [Italian Accounting Organisation]	Italy
Gesamtverband der Deutschen Versicherungswirtschaft e. V. (‘GDV’) [German Insurance Association]	Germany

APPENDIX B

RESPONDENTS TO THE REQUEST FOR VIEWS COMMENTING ON THE PROPOSED IFRS TAXONOMY DUE PROCESS

Name of respondent	**Country/Region**
Insurance Europe	Europe
Pan African Federation of Accountants ('PAFA')	Africa
The Institute of Chartered Accountants in England and Wales ('ICAEW')	United Kingdom
The Danish Accounting Standards Committee ('DASC')	Denmark
Accounting Standards Board of Canada ('AcSB')	Canada
Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera ('CINIF') (Mexican Council for the implementation and the oversight of financial information)	Mexico

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