Meeting note—IFRS® Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) held a face-to-face meeting on 19 April 2018.

The meeting took place in the International Accounting Standards Board (Board) offices in London. This note has been prepared by the staff and summarises the discussions. Related papers and recordings of the meeting are available on the meeting page.

ITCG members discussed:

- the Better Communication in Financial Reporting theme (paragraphs 1–2);

- the effect of technology and digital reporting on the Board's Principles of Disclosure research project (paragraphs 3–9);

- a technology review of the IFRS Taxonomy (paragraphs 10–14);

- implementation support on using the IFRS Taxonomy (paragraphs 15–26);

- an analysis of common reporting practice for disclosures required by IFRS 13 *Fair Value Measurement* (paragraphs 27–30);

- the handling of entity-specific disclosures and possible implications for IFRS Taxonomy content (paragraphs 31–34); and

- updates by ITCG members on developments directly relating to the IFRS Taxonomy or the use of technology for financial reporting (paragraphs 35–43).

Update on the Better Communication in Financial Reporting theme

1. The staff provided an update on the Better Communication in Financial Reporting theme—in particular, on the Primary Financial Statements project and the IFRS Taxonomy activities. The staff stated that the primary focus of IFRS Taxonomy activities in the next 12 months will be the analysis of common reporting practice.

2. The staff also noted that the Board is undertaking a number of activities on how advances in technology could influence financial reporting, standard setting and the IFRS Taxonomy. In response to a question from an ITCG member, the staff explained that an important aspect of those activities is to develop a digital strategy that will involve exploring ways to further integrate the IFRS Taxonomy into the Board's standard-setting process. Another ITCG member expressed support for these activities and encouraged the Board to consider how IFRS Standards will be affected by technological developments such as improved data accessibility.

Principles of Disclosure—technology and digital reporting considerations

3. The purpose of this session was to:

   (a) provide ITCG members with a brief summary of the feedback received on the *Disclosure Initiative—Principles of Disclosure* Discussion Paper; and

   (b) to seek their advice on whether and how the effects of technology and digital reporting should be included within the scope of the Principles of Disclosure research project.

4. Some ITCG members identified two types of users the Board would need to consider: traditional users who consume financial information through paper or PDF and digitally sophisticated users.

These members thought the Board should cater to both types, but expressed mixed views on how that could be achieved. One such member said the Board should be technology-neutral when developing Standards, that is, companies should be able to apply any requirements developed by the Board irrespective of the method of delivery. Another ITCG member said the Board should develop separate requirements for traditional and technological forms of financial statements.

5. Many ITCG members said they expect users of financial statements to increasingly consume financial information using technological formats. Most of these members identified XBRL or Inline XBRL as examples of such formats. These members provided other examples such as rich site summary, application-programming interface (API), artificial intelligence and block-chain technology.

6. ITCG members expressed mixed views about whether traditional financial statements, such as paper or PDF will remain useful as the use of technology and digital reporting increases:

   (a) some members said traditional financial statements will remain useful to some groups of users. One of these members added that the development of artificial intelligence might render the distinction between unstructured and structured information irrelevant.

   (b) some other members did not think that traditional financial statements would remain useful because, in their view, technology will provide better ways of accessing and analysing information.

7. ITCG members made the following comments on the benefits of the greater use of technology and digital reporting:

   (a) many members said technology will allow users to process an unlimited amount of information. Consequently, in their view, users could expect more granular financial information. One of these members added that preparers would need to think differently about how they communicate information to users.

   (b) some members added that technology would enable the consumption of information in multiple formats, including PDF. For example, electronically-tagged PDF documents.

   (c) one member suggested that technology, and in particular, XBRL would reduce the imbalances that currently exist in the consumption of financial information. This member said that they have heard from analysts and professional investors that use technology today that, they obtain about 15% of their information from financial statements and the rest through other sources, such as big data and data aggregators. This member added that advancements in technology would enable a wider range of users to access similar amounts of financial information.

8. Many ITCG members said the IFRS Taxonomy and the use of structured data would improve the effectiveness of disclosures provided to users of financial statements. This was primarily because the IFRS Taxonomy clearly indicates the IFRS Standard to which a particular disclosure relates. Consequently, in their view, the IFRS Taxonomy would help provide context for the financial information. These members suggested that the Board further encourage the use of the IFRS Taxonomy.

9. However, some ITCG members commented that there might be specific issues relating to the consumption of financial information in a technological environment, for example:

   (a) obtaining assurance over the financial information;

(b) the level at which financial information provided in an XBRL format should be tagged; and

(c) how comprehensive the elements in a taxonomy should be in order to facilitate detailed tagging of information.

Technology review of the IFRS Taxonomy

10. The IFRS Foundation undertook an external technical review of the IFRS Taxonomy in 2017. The review found no significant technical defects or deviations from current best practice, but identified a number of relatively minor improvements.

11. The staff sought ITCG members' views on staff proposals relating to four of those areas for improvement:

(a) updating the *Preparer's* and *Regulator's* guides to using the IFRS Taxonomy, to explain that abstract elements can be used to identify, in an electronic filing, parts of financial statements applying IFRS Standards;

(b) simplifying the IFRS Taxonomy structure by deleting entry points that do not include documentation labels;

(c) implementing Taxonomy Packages 1.0. for the IFRS Taxonomy formula linkbase; and

(d) discouraging the use of relative paths to load the IFRS Taxonomy, by removing references to relative paths in existing guides.

12. ITCG members generally supported the proposals.

13. One ITCG member said that the staff should discuss the proposal to simplify the IFRS Taxonomy structure with software vendors. The staff clarified that public consultation on the proposed change is planned.

14. In response to a question from an ITCG member about alternative ways of identifying a section of a financial report, the staff clarified that, in their view, using abstract elements is *currently* the best possible way.

IFRS Taxonomy—implementation support

15. The purpose of this session was to seek members' views about:

(a) proposed improvements to the *Preparer's* and *Regulator's* guides to using the IFRS Taxonomy (paragraphs 17–20);

(b) proposed improvements to the IFRS Taxonomy presentation to improve navigation (paragraphs 21–22); and

(c) proposed implementation notes for elements without a balance attribute, to support correct reporting of negative and positive values (paragraphs 23–26).

16. ITCG members discussed these topics in two breakout groups then reported their discussions to the full group.

Proposed improvements to the Preparer's guide and Regulator's guide to using the IFRS Taxonomy

17. Breakout group A discussed the proposed improvements to the *Preparer's guide* and expressed their support for the proposals to:

    (a) explain in more detail information about the decimal element type, text blocks, entry points, entity-specific disclosures, and formula, presentation and calculation linkbases; and

    (b) make some editorial corrections, for example, to explain how an element with effective and expiry dates can be used for tagging*.*

18. In addition, a few members of group A provided other suggestions to improve the *Preparer's guide*, including*:*

    (a) clarifying that regulators might place restrictions on the extent to which the IFRS Taxonomy can be used; and

    (b) explaining the difference between XBRL and Inline XBRL in more detail.

19. Breakout group B discussed the proposed improvements to the *Regulator's guide* and expressed their support for the proposals to:

    (a) update the *Regulator's guide* to reflect the final recommendations of the Entity Specific Disclosures Task Force; and

    (b) explain in the *Regulator's guide* how to use the IFRS Taxonomy in jurisdictions that are converging to IFRS Standards. One ITCG member said such jurisdictions should be encouraged to use the IFRS Taxonomy and suggested developing a technical mechanism to distinguish between financial information from such jurisdictions and jurisdictions using IFRS Standards.

20. Breakout group B also suggested adding to the *Regulator's guide* additional information about how to use the IFRS Taxonomy formula linkbase to validate tagged financial statements applying IFRS Standards.

Improvements to the IFRS Taxonomy presentation to improve navigation

21. Breakout group A discussed and supported the proposal to add a new presentation group that lists all available IFRS Taxonomy axes and their default members to mirror the list of axes in the definition linkbase group '[999000] Axis – Defaults'. This is because in their view, including all axes in a single presentation group would help preparers find axes more quickly.

22. Breakout group B discussed possible approaches to helping preparers locate elements for tagging primary financial statements. Members of the group supported the staff suggestion to provide examples in the *Preparer's guide*, rather than to make changes to the IFRS Taxonomy presentation linkbase. In addition, breakout group B suggested:

    (a) encouraging preparers to navigate the IFRS Taxonomy via IFRS Standards, that is, by first identifying the relevant requirements in IFRS Standards then locating the appropriate element using element references; and

    (b) collaborating with software vendors to improve the design of tagging software interfaces to ease navigation for users of the IFRS Taxonomy.

Implementation notes

23. The staff identified monetary elements without a balance attribute in the IFRS Taxonomy 2018, organised them into categories and proposed improvements for each category.

24. Breakout group A discussed two of these categories and expressed support for the proposals to:

    (a) change the data type for price-related elements that do not have a natural accounting balance from 'monetary' to 'per share' and update the *Preparer's guide* to clarify that the 'per share' data type in XBRL is used within the IFRS Taxonomy for units relating to shares, share options and other equity instruments; and

    (b) assign a balance attribute of 'credit' or 'debit' and where appropriate, change the element labels for elements relating to estimates of forecasts of cash flow or profit and loss and contingent assets and liabilities.

25. Breakout group B discussed the other three categories and expressed support for the proposal to add implementation notes for these elements. These implementation notes would explain whether to report the value as positive or negative in the XBRL filing.

26. Breakout group B also suggested using different types of implementation support materials, such as instructional videos.

IFRS Taxonomy content—common practice analysis of IFRS 13 *Fair Value Measurement*

27. ITCG members expressed general support for the suggested changes to the IFRS Taxonomy related to the sensitivity analysis required by IFRS 13. ITCG members had the following general comments:

    (a) one member said that, in his experience, the extension rate for the sensitivity analysis is high and the staff proposals would help reduce this.

    (b) one member suggested the staff should also consider prudential reporting requirements in common practice analyses. The staff replied that this is currently outside the scope of the common practice analyses and added that prudential reporting requirements may differ across jurisdictions.

    (c) one member said that, while they supported the new data model, it is not straightforward. This member therefore suggested that staff develop guidance for preparers on how to tag sensitivity analyses. The staff replied that examples could be included in the Proposed IFRS Taxonomy Update and additional guidance could be included in the element documentation labels.

28. In addition, individual ITCG members provided the following detailed comments on the proposals:

    (a) the suggested modelling using two types of numeric line items to tag an absolute and relative change in unobservable inputs may not be intuitive to preparers, so guidance on this topic should be provided in the *Preparer's guide*. This member stated that in addition, in his experience, most entities disclose absolute rather than relative changes for inputs expressed as a percentage (for example, a discount rate). This member argued that if this is true in general, the proposed modelling can be simplified. The staff said that in a few instances in the sample, a relative change was reported for inputs expressed as a percentage.

    (b) the suggested modelling, using two types of numeric line items to tag an absolute and relative change in unobservable inputs, would be inconsistent with the modelling used for the sensitivity

analysis in IAS 19 *Employee Benefits*. The staff noted that analysis of common reporting practice relating to IAS 19 *Employee Benefits* was not within the scope of this project.

(c) introducing separate elements to tag the effect on profit or loss and other comprehensive income would mean that in some cases a disclosure possibly may be tagged in two ways. This member suggested regulators may need to specify how to tag such disclosures.

(d) a Boolean element could be used to express the direction of the relationship between a significant unobservable input and the fair value measurement, instead of reflecting the direction in the element labels. The staff replied that Boolean elements are currently not used in the IFRS Taxonomy. Consequently, the use of this element type would need to be reviewed separately and applied consistently to the entire IFRS Taxonomy content. The staff noted that this is not within the scope of the current project.

29. ITCG members expressed mixed views on changing the modelling for the disclosure of significant unobservable inputs to a dimensional approach:

(a) two members said they preferred the current modelling, using line items. One of these members said the current modelling works well and the items are easy to find. In addition, this member said they had not seen much variability in the inputs entities use, so they do not expect many extensions. This member said the argument that dimensional modelling makes it easier to consume extensions may therefore not be persuasive in this case.

(b) one member said the US GAAP Taxonomy uses the dimensional approach for this disclosure. However, another member said that modelling consistency between the IFRS Taxonomy and the US GAAP Taxonomy is a 'nice-to-have', rather than a requirement.

(c) two members said that without data on how many entities are currently using the existing elements, it is difficult to assess how significant the costs of the proposed change would be. They encouraged the staff to develop an approach to compile such statistics.

30. The staff asked ITCG members whether they had any suggestions for the scope of future common practice projects. ITCG members made the following comments:

(a) two members said they would send the staff a list of reporting areas where, based on their experience, there are a significant number of extensions.

(b) one member suggested the staff could use as a starting point the areas of the IFRS Taxonomy where regulators have created extensions. The staff said they encourage regulators to inform them about such areas, where common practice analysis may be useful.

(c) one member suggested that the staff consider the information needs of investors and other users of financial information when selecting areas for common practice analysis.

(d) one member said the Board should consider how management performance measures—as developed in the Primary Financial Statements project—should best be reflected in the IFRS Taxonomy.

(e) one member suggested common practice analysis may be useful in the area of wider corporate reporting (for example, sustainability reporting). The staff said this is outside the scope of the IFRS Taxonomy.

Handling of entity-specific disclosures

31. During this session:

(a) Louis Matherne, the FASB Chief of Taxonomy Development and co-chair of the Entity-Specific Disclosures Task Force (ESDTF) provided an update on the work done by the ESDTF, including its draft recommendations;

(b) Anna Sciortino, ESMA Policy Officer provided an update on the ESMA rules for linking extensions to the base taxonomy ('anchoring rules') included within the draft regulatory technical standard on the European Single Electronic Format (ESEF); and

(c) ITCG members were asked to discuss the possible implications of the work done by the ESDTF and ESMA for the IFRS Taxonomy.

32. ITCG members and the speakers provided the following comments on the ESDTF recommendations:

(a) one member asked whether data users thought the calculation linkbase provided sufficient information to interpret extensions. Andie Wood, ESDTF co-chair, responded that the calculation linkbase in most cases provides information users want to know about numerical entity-specific disclosures—how extensions add up to a base taxonomy element or how an extension could be disaggregated into base taxonomy elements.

(b) in response to a query from a member, John Turner, CEO of XBRL International, clarified that XBRL International can make recommendations, but cannot enforce these recommendations. He also added that improving the calculation linkbase is a high priority for XBRL International and that work has started on this.

(c) in response to a query from a member, Mr. Matherne clarified that the ESDTF did not focus on entity-specific disclosures that cannot be linked to a base taxonomy element because such disclosures are relatively rare. He said that when the ESDTF were looking at examples of standalone elements in filings, they found that in many cases those elements could have been linked back to the base taxonomy had the disclosure been modelled in a different way.

33. ITCG members provided the following comments on the ESMA anchoring rules:

(a) one member questioned whether the benefits of anchoring would outweigh the costs. This member argued that instead, more common practice elements should be added to the IFRS Taxonomy. Ms. Sciortino replied that the benefit of anchoring is that it supports comparability across entities. She added that the costs for preparers seem to be reasonable based on the results of the field testing ESMA undertook. Another member said that adding more common practice elements would be a never-ending process and would result in a very large taxonomy that would be difficult to navigate.

(b) one member said that in Japan a similar approach to anchoring was used in the past, but it was discontinued because of data quality issues. This member therefore recommended that the tagged data, including the anchoring, should be audited.

34. ITCG members provided the following comments on the possible implications of the ESDTF recommendations and the ESMA anchoring rules for the IFRS Taxonomy:

(a) one member said that the IFRS Taxonomy architecture may need to be reviewed once XBRL International issues its new calculation specification.

(b) two members argued that the threshold for adding common practice elements should be lowered rather than increased, which would result in a larger taxonomy. One of these members said that nowadays software can handle large taxonomies well, so increasing the size of the IFRS Taxonomy should no longer be avoided. The staff responded that, in their view, a large

taxonomy could still be difficult to navigate for preparers and difficult to use for investors and other users of the tagged data.

Update on developments relating to the IFRS Taxonomy and/or use of technology for financial reporting by ITCG members

Update by Susan Yount

35. Susan Yount presented her views on how taxonomy data modelling might help with consistent tagging of financial data using XBRL.

36. Ms. Yount said that a taxonomy data model that focuses on making the tagged data look exactly like the printed financial statements might not necessarily work best for the users of structured electronic data. Ms. Yount suggested a different approach to taxonomy development, specifically a model to enable consistent and comparable tagging which in turn would support consumption of a large data set.

37. In her view, such a taxonomy model would include elements based only on those accounting concepts and disclosure requirements that apply to *every* entity but can be different in terms of how they are described, formatted and/or labelled. She said that, in her view, the IFRS Taxonomy is close to this form of data modelling.

Update by Michal Piechocki

38. Michal Piechocki, director at Business Reporting Advisory Group, provided an update on the European Financial Transparency Gateway (EFTG) project.

39. Mr. Piechocki stated that the Transparency Directive expressed concerns about the ease of accessing information on the European capital market. He noted that in 2017, the European Commission (EC) started researching the possibility to use block-chain technology to create a distributed record of financial reports across the European Union. As a result, the EC developed the EFTG, which is a cloud-based, commonly-accessible registry that automatically synchronises national regulatory information received from listed companies, including financial reports prepared in accordance with International Financial Reporting Standards.

40. Mr. Piechocki explained the benefits of the EFTG and also provided an update on additional EFTG enhancements currently being reviewed by the European Commission.

Update by John Turner

41. John Turner, Chief Executive Officer at XBRL International, provided a summary of the activities of XBRL International.

42. He noted that XBRL International is working on a roadmap for modernising and simplifying the XBRL Standards while protecting the heritage of the XBRL Standards.

43. Mr Turner said XBRL International is exploring an open information model to respond to more modern ways of representing data, and is considering the use of technology including API.