

Meeting note—IFRS® Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) held a face-to-face meeting on 24 June 2019. The meeting took place in the International Accounting Standards Board (Board) office 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:

- a review of supporting materials for the IFRS Taxonomy (paragraphs 1–13);
- strategy for the IFRS Taxonomy (paragraphs 14–21);
- the interaction between electronic reporting and the Board's work on the primary financial statements (paragraphs 22–35);
- a review of common reporting practice to improve the IFRS Taxonomy content (paragraphs 36–45); and
- the interaction between electronic reporting and the Board's work on the review of disclosures (paragraphs 46–49).

IFRS Taxonomy supporting materials

1. The staff provided a summary on the materials published by the IFRS Foundation (Foundation) to support the appropriate use of the IFRS Taxonomy. The aim of the session was to seek feedback on whether these materials realised their stated objectives and whether they could be improved.

Guides to using the IFRS Taxonomy

2. Many ITCG members stated that *Using the IFRS Taxonomy—A preparer's guide* is useful for first-time filers. Members provided more specific comments on the guide as follows:
 - a. one member said few preparers are aware of this resource and recommended the Foundation advertise it more.
 - b. two members observed that many US Securities and Exchange Commission (SEC) registrants rely on consultants to provide detailed XBRL knowledge.
 - c. one member suggested adding more examples of tagging to clarify the issues discussed in the guide. That member also suggested adding guidance on creating extensions¹ to improve the consistency of tagging among preparers.
 - d. another member recommended adding guidance on preparing XBRL filings. The staff responded that such guidance was deliberately excluded due to the differences in tools used by preparers.
3. Some ITCG members said that *Using the IFRS Taxonomy—A regulator's guide* was also useful:
 - a. two ITCG members said it is used most often by regulators who plan to use the IFRS Taxonomy as part of their system; and
 - b. one ITCG member noted that the guide is also used by regulators and software vendors as a reference model for taxonomy architecture, not only for implementation of the IFRS Taxonomy but also for implementing other taxonomies.

¹ Filing system owners create extensions to the IFRS Taxonomy by adding elements, for example, for tagging disclosures required only in a particular region, jurisdiction or regulatory system.

4. Regarding *Using the IFRS Taxonomy Formula Linkbase*
 - a. one member suggested adding guidance for regulators on how to use the formulas in the IFRS Taxonomy and how to adapt them to regulator-specific extensions.
 - b. one member found the guide very helpful but suggested that the guide explain changes between versions of formulas in a simple way. However, another member said this is not necessary because existing software should be able to extract such changes.
5. A few members found *Using the IFRS Taxonomy—The Taxonomy Architecture* useful:
 - a. one member suggested that the content should be updated only for significant changes in the taxonomy architecture.
 - b. another member noted the importance of the section on the structure of the IFRS Taxonomy files to software vendors and regulators.
 - c. one member said that information about statistics on IFRS Taxonomy elements is unnecessary, other than for marketing purposes. Another member found that information helpful for understanding the magnitude of the differences in the annual IFRS Taxonomy in two different years.
 - d. one member noticed that the guide sets out high-level principles for building the IFRS Taxonomy, including those related to modelling options. He said this information might be of interest to executives who would be unlikely to read the technical guide. This member suggested including a separate executive summary to explain the content in simple terms.
6. Members provided suggestions related to all the guides:
 - a. one member emphasised the need to provide information in the guides that highlights changes in each release of the IFRS Taxonomy; and
 - b. another member stated that duplication of the content between guides is useful because it allows for reading each guide as a stand-alone document.

Supporting materials

7. The staff summarised the responses provided by ITCG members to a questionnaire about Taxonomy supporting materials sent in advance of the meeting. Some members provided additional comments during the meeting.
8. Many members emphasised the need for examples of tagging:
 - a. members agreed that such examples are especially useful for new filers and when new elements become available. The examples demonstrate correct usage of the IFRS Taxonomy elements, which increases the consistency of tagging and reduces tagging errors.
 - b. one member said that more comprehensive examples would be helpful.
9. Members found the provision of IFRS Taxonomy viewer helpful because users can view the IFRS Taxonomy without using specialised software, more specifically:
 - a. most members found the PDF view of the IFRS Taxonomy useful because it is easy to share and print.
 - b. many members expressed an interest in a Microsoft Excel[®] viewer with more comprehensive content comparing to the current version, because it is easy to filter information and search. One member added that it is easy to convert an Excel file into PDF format.
 - c. members found the HTML view the least useful.

10. Many members commented that information showing the changes between two versions of the IFRS Taxonomy is useful. One member said that the current presentation of that information—where old names of elements are struck through and new names of elements are highlighted—is clear and easily understandable. Another member suggested using a format such as Excel, because it is easier to search than PDF.
11. Members said the IFRS Taxonomy Formula Linkbase, which provides automatic validation for filings, was helpful but targeted towards specific users such as software developers. One member said it would be helpful to increase the types of formulas provided to improve data quality for filers.
12. Many members commented on the potential benefits of the xIFRS service (an HTML version of IFRS Standards with IFRS Taxonomy elements embedded after related paragraphs). However, some members said the xIFRS service is seldom used, possibly because users have to pay to log into eIFRS to use it. One member said it is difficult to find the xIFRS service on the website.
13. A few ITCG members asked about the costs of managing and publishing supporting materials for the IFRS Taxonomy. Two members suggested using automation to reduce the time and resources needed. The IFRS Taxonomy team responded that even with automation, the staff would be responsible for quality control. One member suggested discontinuing tagging the Foundation's annual financial statement due to its limited value as an example of tagging. This will allow the Foundation to save some time and resources.

Strategy for the IFRS Taxonomy

14. The purpose of the session was to seek members' views on four topics relating to strategy. ITCG members discussed these topics in three breakout groups, then each group presented a summary of its discussions.

The electronic reporting environment

15. ITCG members discussed whether there are effective alternatives for facilitating electronic financial reporting using IFRS Standards, other than the IFRS Taxonomy:
 - a. members agreed that, in future, the need for efficient methods of accessing and searching for financial information in digital format (structured data) will increase.
 - b. members said the IFRS Taxonomy is critical to the future of IFRS Standards because it directly affects the quality of structured data. Members further advised that artificial intelligence and machine learning will be important tools for analysing financial information in the future and they will benefit from the availability of structured data.
 - c. members identified a need to balance the pressure for more detailed information in the IFRS Taxonomy to meet the demands of machine learning with the increased complexity of the IFRS Taxonomy for use by preparers using the IFRS Taxonomy.
 - d. members identified XBRL as the only digital standard that facilitates the ability to exchange electronic financial reporting information at present. However, they suggested that the Foundation should anticipate diversity in technology in future and plan for ways to allow the IFRS Taxonomy to accommodate those technologies.

The IFRS Foundation's value proposition

16. ITCG members discussed the unique values the Foundation, a public interest organisation, brings to the development and maintenance of a taxonomy for financial reporting.

17. ITCG members:

- a. said the Foundation has essential and unique knowledge related to the IFRS Standards that is integral to the development of the IFRS Taxonomy. They mentioned that the IFRS Taxonomy could be seen as an extension of the underlying IFRS Standards.
- b. reported that the Foundation uses similar due process for the development of IFRS Standards and the IFRS Taxonomy, which includes seeking external feedback. This provides an appropriate level of quality assurance for the IFRS Standards and the IFRS Taxonomy.
- c. suggested that considering the development of IFRS Standards and the IFRS Taxonomy together provides useful opportunities and feedback with regard to both the Standards and the taxonomy. For example, the IFRS Taxonomy informs standard-setting activities by identifying areas for improvement through the research on common reporting practice.
- d. considered outsourcing the technology aspect of developing the IFRS Taxonomy, but some members were concerned that doing so could weaken the process.

Technology—opportunity and risk management

18. ITCG members discussed the opportunities from and risks of relying on XBRL technology to support the IFRS Taxonomy and how the Foundation can capitalise on the opportunities and mitigate the risks.

19. ITCG members:

- a. could identify no alternatives to XBRL at present. However, they suggested that, going forward, the IFRS Taxonomy should be built in a ‘technology neutral’ way, so that it is compatible with different technologies and focuses on defining accounting concepts and the relationship between them.
- b. recommended creating an IFRS Taxonomy lab to explore new approaches and technologies that could facilitate future development of the IFRS Taxonomy.
- c. emphasised the need for cooperation between various regulators, to align the use of technology and maintain consistency in the architecture of the IFRS Taxonomy.

Electronic reporting—defining success

20. ITCG members discussed what success means in the context of electronic reporting and how to facilitate such success in the global financial reporting system.

21. Members proposed that:

- a. all information requested by users should be electronically tagged, for instance, financial information outside financial statement such as earnings releases, non-financial information or information not required by IFRS Standards.
- b. because high quality data is critical to success, auditors need to give assurances about the quality of information and regulators need to enforce the provision of high-quality data.
- c. all stakeholders—including standard setters, regulators, users of information, auditors, preparers and software providers—play a role in ensuring that digital reporting is useful.
- d. globally consistent information should be made available by using a single accounting and taxonomy regime in all jurisdictions.
- e. accessing data should be simple. Members noted that in some jurisdictions, regulators provide free and easy access to data while in other jurisdictions, information is not easily

- accessible because there is no single point of access (for example, information needs to be downloaded separately for each company) or access to the information is not free.
- f. data needs to be available on a timely basis and, in the long term, on a real-time basis rather than quarterly or annually.
 - g. simple and more automated processes for communicating information are needed.

Interaction between electronic reporting and the Board's work on primary financial statements

22. The Primary Financial Statements (PFS) project aims to help users make better decisions by improving the structure and content of primary financial statements, with a focus on the statement(s) of financial performance. The purpose of the session was to seek members' views on:
 - a. how the proposals in the PFS project might enhance electronic reporting. Feedback on this topic will be used when preparing the PFS effect analysis; and
 - b. how to model disclosures for management performance measures in the IFRS Taxonomy.

How might the PFS proposals enhance electronic reporting?

23. No ITCG members disagreed with the staff's analysis of how the PFS proposals might enhance electronic reporting.
24. One member suggested issuing the *Proposed IFRS Taxonomy Update* before issuing the final IFRS Standard. The staff replied that they had tried such an approach in the past—issuing a Proposed IFRS Taxonomy Update at the same time as [Exposure Draft Amendments to IAS 7 Statement of Cash Flows](#). However, the staff said stakeholders were reluctant to comment on the Proposed IFRS Taxonomy Update at that stage of the standard-setting process because the Board's proposals were still subject to change. The staff further emphasised that they consider the electronic reporting implications of proposals before the Exposure Draft is published, which is earlier in the process than in the past.
25. One member suggested that the staff should research whether tagged illustrative examples are effective in reducing diversity in the modelling approaches companies use in practice.
26. In response to a query from an ITCG member, the staff clarified that the IFRS Taxonomy would include line items for the Board's new defined subtotals as well as for any subtotals identified in the analysis of common reporting practice—extensions would be used only for entity-specific subtotals. The staff added that they expect such entity-specific subtotals will be less likely to fit within the proposed structure for statement(s) of financial performance than in the current structure, which will reduce entity-specific presentation and the need to create extensions.
27. One ITCG member said it was helpful that the staff considered users' needs using realistic examples.

Modelling for management performance measures

28. Most members supported staff proposals for the detailed tagging of disclosures relating to management performance measures (in addition to text block tagging) because:
 - a. according to one member, disclosures relating to management performance measures—in particular the reconciliation of management performance measure to the IFRS measure—provide useful information to users of financial information. This member said that detailed tagging would facilitate users' analysis of the adjustments companies make when

- calculating management performance measures; and users' calculation of their own 'normalised' measures.
- b. according to one member, detailed tagging would give companies control over how their disclosures relating to management performance measures are tagged and used. Today, such information is not tagged using the IFRS Taxonomy but it is captured by data aggregators who apply their own methodologies.
29. ITCG members discussed possible modelling approaches for the detailed tagging of management performance measures in the IFRS Taxonomy. In Agenda Paper 3A, the staff identified three possible approaches:
- a. Approach A—creating IFRS Taxonomy generic line items for expected management performance measures;
 - b. Approach B—creating a generic IFRS Taxonomy line item, a generic IFRS Taxonomy axis while preparers will add entity-specific members; and
 - c. Approach C—creating separate IFRS Taxonomy line items (or members) for specific management performance measures included in the Illustrative Examples or management performance measures commonly used in practice. The staff initially suggested rejecting this approach.
30. When asked to choose between approaches A and B, most members who commented preferred approach B. Members made the following points:
- a. one member agreed with the staff that, applying approach A, there is a risk of inconsistent use of specific dummy line items over time. This member also preferred approach B because it would fit better with the modelling for the reconciliation of management performance measures. The staff expressed an intention to discuss the modelling for reconciling management performance measures at a future ITCG meeting and to reconsider the modelling for management performance measures closer to that time.
 - b. two members did not consider the disadvantage of approach B identified by the staff to be a problem. In the view of these members, axes can be used to model information other than a disaggregation. One member said that many regulatory taxonomies use axes in this way. The other member suggested that the label 'Not applicable', for example, can be used for the default member to indicate that an axis does not represent a disaggregation.
 - c. one member argued that dimensional modelling usually makes data consumption and analysis more complex. In addition, this member noted that XBRL calculations seldom work when axes are used.
 - d. one member suggested a variant of approach B—using typed dimensions instead of explicit dimensions to eliminate the need to create extensions.
31. ITCG members were confused about the rejected approach. A few members seem to favour this approach at first, but later reconsidered. However, one member argued that approach C would make it easier for companies to tag their financial statements because companies could easily find the line item to use. This member argued that approach C would not mislead data users, because users would be aware that management performance measures are not comparable across companies.
32. One member suggested an alternative approach not identified by the staff. This member suggested the IFRS Taxonomy should include a single line item for management performance measures and companies should anchor extension line items for their management performance measures to that IFRS Taxonomy line item. The staff replied that they do not favour such an approach because it relies on regulators requiring anchoring.

33. There was further discussion about ways, other than those identified by staff, to distinguish management performance measures from measures defined by IFRS Standards. Two members suggested introducing a new reference type, 'MPM', in addition to the existing 'disclosure', 'example' and 'common practice' reference types.
34. One member suggested that the tag for a management performance measure should convey whether its calculation has changed over time. The staff said they would consider this, noting that applying the Board's proposals, companies would be required to disclose reasons for and the effects of any changes in the calculation of a management performance measure.
35. In response to a query from an ITCG member, the staff clarified that using a 'monetary' element type for management performance measures is appropriate because the Board is proposing that management performance measures can only be subtotals of income and expenses— for example this means management performance measures cannot be ratios.

IFRS Taxonomy content—review of common reporting practice

36. The staff analyses common reporting practice to facilitate consistent tagging of financial statements prepared applying IFRS Standards. The aim of this session was to seek ITCG members' views on staff research relating to entity-specific elements (extensions) created by US Securities and Exchange Commission (SEC) foreign private issuers in primary financial statements.
37. Members said such analysis is an important part of the work of the IFRS Taxonomy team and provided both general and detailed comments on the results.
38. Members provided some general comments on the analysis as well as more detailed comments on the results of the analysis.

General comments on the analysis

39. One member suggested that the IFRS Taxonomy team consider why foreign private issuers create extensions. An understanding of their reasons for doing so could be useful for standard-setting and helping the team educate companies on how to avoid creating extensions. Members made the following points about the high level of use of extensions:
 - a. one member noted that US GAAP filers used fewer extensions over time, as the filers learned how to tag correctly. Another member suggested using only the most recent XBRL filings in the analysis to avoid analysing areas that have improved since the first year of filing.
 - b. several members noted that a significant number of extensions are created in areas where IFRS Standards do not provide prescriptive disclosures, and companies may have to make disclosures specified by national GAAP or US GAAP.
 - c. one member noted that many SEC filers create extensions related to specific SEC disclosure requirements. Another member said such disclosures might be covered in the SEC taxonomy that filers use.
 - d. one member commented that, sometimes, companies create extensions because of a lack of detail in element definitions. When companies are confused about how to use an IFRS Taxonomy element, they are likely to create extensions. That member provided an example of the lack of clarity on whether the tax effect is included in or excluded from some IFRS Taxonomy elements.

- e. one member thought it is possible that companies create extensions as a result of the different aggregation of information in the financial report comparing to the IFRS elements and issues around materiality. For example, preparers might hesitate to use the IFRS Taxonomy element 'Trade receivables' if the line in their financial report is named 'Trade receivables and other receivables'.
 - f. one member said that some consultants who tag financial statements might be responsible for creating excessive extensions.
40. One member noted that some issues relating to the use of extensions (for example, the level of difficulty involved in analysing extensions) might become less relevant over time due to the use of technology such as machine learning or anchoring (providing information about the relationship between an extension and an element from the IFRS Taxonomy).
41. One member said that problems relating to the use of extensions might decrease over time due to the use of technology such as machine learning or anchoring.²

Comments on the results of the analysis

42. A few ITCG members asked why the staff is only focusing on the primary financial statements and not on the detailed notes. The staff responded that due to time and resource constraints, their initial research was on primary financial statements, but would extend to detailed notes at a later stage. In addition, the staff have prioritised work on disclosures for IAS 19 *Employee Benefits* and financial instruments in 2019.
43. Many members agreed that the conclusions of the research reflected their own experience:
- a. one member said the results of the staff analysis broadly aligned with the results of a field test conducted while preparing to implement the IFRS Taxonomy in Europe.
 - b. two members agreed that banks and insurers create a high number of extensions. One member suggested that many extensions might be created because of principle-based disclosure requirements. A Board member replied that some disclosure requirements need to be principle-based because they relate to company-specific information.
 - c. two members agreed that a high number of extensions are created for the cash flow statement.
44. Some members made additional comments regarding extensions :
- a. one member suggested that other industries that could potentially create a high number of extensions are transportation and trade. This member suggested the staff consider conducting more detailed analysis.
 - b. two members were surprised at some examples of extension axes provided because they expected those axes to be used in the notes rather than in the primary financial statements. The staff explained that it would conduct further analysis to understand the reporting practice.
45. The staff emphasised that any additional feedback will be helpful in the further analysis.

² Anchoring provides information about the relationship between an extension element and the IFRS Taxonomy element.

Interaction between electronic reporting and the Board's work on the review of disclosures

46. The purpose of the session was to ask ITCG members to discuss electronic reporting issues for example disclosures that might be used to satisfy user objectives relating to IAS 19 *Employee Benefits*. The ITCG members discussed four disclosure examples prepared by the staff:
 - a. wider sensitivity analysis of significant actuarial assumptions;
 - b. expected contributions to the plan;
 - c. expected future benefit payments from the plan; and
 - d. information about the difference between defined benefit plan valuations.
47. A few members supported the Board's plans to work closely with the IFRS Taxonomy team on the disclosure initiative. They added that involving the IFRS Taxonomy at an early stage would allow the Board to better consider electronic reporting issues when developing disclosure requirements.
48. Members made the following general points about the interaction between disclosures and electronic reporting:
 - a. principle-based disclosure requirements would result in companies using a variety of presentation formats. This could affect the ease with which users can analyse the information and might reduce comparability among companies in electronic reporting formats. For example, companies that provide information in a table will be able to tag each data point in the table while those that provide the information in graphs would only be able to tag the graph as a whole. Furthermore, information presented in a numeric or tabular format is easier for users to extract compared to information provided in a narrative format. A few members therefore suggested that the disclosure requirements should contain a high level of detail.
 - b. disclosure requirements that include the provision of entity-specific information result in the use of extensions. Such requirements would reduce comparability between companies and make it more difficult for users to use the information electronically.
49. Members provided the following comments on the specific disclosure examples:
 - a. one member suggested the staff review the FASB's work related to pension disclosures. The staff replied the Board is planning to discuss these areas during upcoming joint FASB-IASB meeting.
 - b. one member was concerned that disclosing a wider sensitivity analysis on the basis of each company's significant assumptions will make it difficult for users to compare sensitivities across companies. Another member said it would be difficult for companies to tag the effect of changes in two assumptions at the same time.