



## Summary of the IFRS Taxonomy™ Consultative Group discussions

The meeting took place in the IASB offices in London. Recordings of the meeting, as well as the agenda and related papers, are available on the [meeting page](#).

The topics that were discussed are:

- the IASB's Disclosure Initiative including the IFRS Taxonomy;
- update by regulators on the use of the IFRS Taxonomy;
- the IFRS Taxonomy roadmap and strategy;
- management of entity-specific disclosures;
- encouraging regulator updates of the IFRS Taxonomy;
- update on XII activities;
- IFRS Taxonomy technology; and
- IFRS Taxonomy content areas for review.

### The IASB's Disclosure Initiative including the IFRS Taxonomy

The staff stated that the objective of the IASB's Disclosure Initiative work is to improve the effectiveness of disclosures. The Disclosure Initiative relates to a range of research and implementation projects that incorporate the development of the IFRS Taxonomy and the Principles of Disclosures (POD) project. The aim of the POD project is to develop a disclosure framework that helps entities to make better judgements about what information to disclose and how. The IASB is continuing its discussions on the topics for the *Principles of Disclosure* Discussion Paper with the aim of publishing a Discussion Paper in Q4 of 2015.

The staff informed the ITCG that the upcoming publication of new or amended Standards (*IFRS for SMEs*, leasing, insurance) will have a significant impact on the content of the IFRS Taxonomy. Additional common practice content for activities relating to utilities, chemicals, information technology and media is also planned to be added in the next six months.

The staff updated the ITCG on the IFRS Taxonomy due process trials. A quick initial analysis of the comments received on the Exposure Draft *Disclosure Initiative Proposed Amendments to IAS 7* so far indicates that there is little support for the proposal to publish an IFRS Taxonomy Update at the same time, and in the form of an accompanying material, to an Exposure Draft. The staff also told the ITCG that the trial of the proposed due process for the IFRS Taxonomy common practice content is proceeding, with a Board Member Panel reviewing (but not approving) new content additions and the initiation of a new Common Practice project. A member of the ITCG commented that the typical audience reviewing an Exposure Draft may not be that aware of the IFRS Taxonomy and its potential benefits within a (future) digital corporate reporting framework. This member expressed the view that integrating the IFRS Taxonomy and standard-setting due process has the potential to change this mind-set and urged the staff to consider it within their analysis. The staff expressed the view that it may be symptomatic of a bigger issue, namely that standard-setting is focused—at least initially—on recognition and measurement instead of disclosures. This view was shared by a member of the ITCG who stated that preparers will initially concentrate on understanding the broader impact of an Exposure Draft; disclosures are generally only reviewed when the final Standard is published. Another member of the ITCG shared her experience as a participant of a user working group discussing the Exposure Draft *Disclosure Initiative Proposed Amendments to IAS 7*. This member stated that the overall conclusion of this working group was that discussing the IFRS Taxonomy and the proposed disclosures at the same time is useful. The staff stated that they have also heard from some data aggregators that the IFRS data model helps them to better understand the proposed disclosure requirements.

The staff concluded their update by informing the ITCG that the first launch of the IFRS Taxonomy jurisdictional profiles is planned for early June.

## Update by regulators

The staff from the European Securities and Markets Authority (ESMA) explained that work is continuing on the various parts of the consultation paper relating to the development of a European Single Electronic Reporting Format (ESEF). The staff from the US Securities and Exchange Commission (SEC) stated that they continue to have a positive view of the IFRS Taxonomy for electronic reporting by foreign private issuers. However, any specific actions and the timing thereof will be a Commission determination.

The staff from the Australian Securities and Investments Commission (ASIC) provided an update on their XBRL-related developments. With regards to the IFRS Taxonomy, the ASIC staff stated their support for the continuation of common practice projects, the integration of the IFRS Taxonomy and standard-setting due process and the further development of the IFRS Formula linkbase. The ASIC staff explained that the most challenging aspect they experience in using the IFRS Taxonomy is the management of entity-specific extensions. The IFRS Taxonomy is designed using the assumption that entity-specific extensions will be permitted; however, this is not the case under the current ASIC filing programme. The ASIC staff also expressed the view that the move towards streamlined reporting may result in greater variety in the content and layout of IFRS financial statements, and that the IFRS Taxonomy may help to provide a solution for the perceived challenge of reduced comparability, which may result from streamlined reporting. Management of entity-specific disclosures should therefore remain a project of high priority for the IFRS Taxonomy team.

The staff from the Ministry of Finance of China informed the ITCG that the CAS Taxonomy 2015 has been released. This new version of the CAS Taxonomy is based on the *IFRS Taxonomy 2014*. The Ministry of Finance of China is also working with companies to encourage the use of XBRL for internal management reporting.

## The IFRS Taxonomy roadmap and strategy

The staff updated the ITCG on the IFRS Taxonomy roadmap for the next six months and asked members for their views on two areas; these are common practice and activities to support regulators.

There was general consensus by members of the ITCG that common practice reviews should continue because they reduce the need for IFRS Taxonomy extensions. Members did not raise any concerns on the proposal of the staff to focus the scope of a potential 2015/2016 common practice project on a review of activities relating to 'agriculture and consumer staples and hotels, restaurants and leisure'. The ASIC staff stated their support to incorporate agricultural related activities within this review. Other views articulated by members of the ITCG were:

- (a) location of common practice content within the IFRS Taxonomy presentation linkbase can cause issues for regulatory filing systems that do not permit extensions by companies;
- (b) an area for future review may be common practice for unlisted companies and stand-alone accounts, the IFRS Taxonomy for SMEs currently does not incorporate common practice content;
- (c) the staff should maintain and consider further opportunities to engage with regulators, such as a review of existing inventories of regulatory extensions to the IFRS Taxonomy; and
- (d) it was noted that there is a diminishing rate of return (the number of additions for the recent projects being relatively small), the staff should consider whether enhancements can be made to the existing processes resulting in common practice being identified more efficiently.

With regards to the planned activities to support regulators, a member of the ITCG remarked that the IFRS Taxonomy supporting and documentation materials are already highly regarded by regulators. This member expressed the view that regular updates of the IFRS Taxonomy are the most important challenge for regulators.

The staff continued by asking members of the ITCG for their views on the longer-term priorities for the IFRS Taxonomy team. The staff expressed the view that the three areas in which further improvements could be made are: the IFRS Taxonomy data structure, the ease of use of the IFRS Taxonomy and outreach within investors and preparers. Most members of the ITCG rated simplification of the IFRS Taxonomy as the area that could have the most significant impact on all users of the IFRS Taxonomy. Some members of the ITCG stated that this is a focus area for other taxonomy standard-setters and XBRL International and as such co-operation between all parties involved could be beneficial. Another member urged the staff to consider the impact of changes in technology within such a simplification project. Other views expressed by members of the ITCG were:

- (a) the process used to test changes to the architecture of the IFRS Taxonomy may need some review, possibly incorporating instances covering a wide range of scenarios;
- (b) implementation guides to support the correct application of the IFRS Taxonomy could be, in principle, useful, but because they are resource intensive, a clear business case needs to be made; and

- (c) review potential to co-operate with banking regulators such as the European Banking Authority (EBA) to align taxonomy data modelling where appropriate; however, another member stated that the opportunities may be limited due to the differences in scope and objectives between the EBA and the IFRS Taxonomy.

The staff ended the discussion by stating that the IFRS Foundation and the IASB are currently looking at the potential role of technology and its impact on the relevancy of IFRS and the IFRS Taxonomy. This will be discussed more in depth at a future ITCG meeting.

## Management of entity-specific disclosures

The ITCG had its first discussion on the management of entity-specific disclosures at its October 2014 meeting. The discussions at that meeting mainly focused on the business requirements. The staff presented a brief reminder of the conclusions reached at that meeting and then proceeded to present the staff's view on the proposed actions in response. These actions include:

- (a) a review of the IFRS Taxonomy, which will incorporate an assessment on the overall use of dimensions and further analysis to review instances in which an entity-specific element may not have a relation to an existing IFRS Taxonomy element;
- (b) preparer documentation and guidance;
- (c) examination of technical mechanisms supporting the connection of entity-specific disclosures with IFRS Taxonomy items;
- (d) improvements to the IFRS Taxonomy navigation, including an investigation of the viability of a code-based navigation system; and
- (e) publication of a paper describing and discussing entity-specific disclosures and the staff's views on the potential improvements that could be made.

Some members of the ITCG commented that the publication of IFRS Taxonomy implementation guides (including those aimed at preparers) is, in principle, a good idea, but in practice may be difficult to write in such a way so that they are relevant and applicable across all filing systems using the IFRS Taxonomy. Another member commented that the identification and management of entity-specific extensions remains one of the most important topics to be addressed. This member stated that within the US GAAP filings, entity-specific disclosures are handled via additional elements that are present in the US GAAP Taxonomy for detailed coverage up to a point. What is missing, however, is a mechanism that tells the filer how to create that extension in a manner that permits a user to understand what it relates to within the totality of the filing.

## Encouraging regulator updates of the IFRS Taxonomy

The staff explained the advantages of updating the IFRS Taxonomy on a regular basis, but also stated that they recognise that there may be factors that may hinder regular updates. The ITCG then moved on to discuss the topic in break-out groups.

### ***Report back from the group looking at the use of the IFRS Taxonomy as published***

Members of this group commented that the update costs (IT systems, project set-up, vendor set-up) is the major prohibiting factor, which explains the reluctance from some regulators to update during the year and/or on an annual basis. An opinion was expressed that a regulator—not a preparer or an agent—bears the greatest cost. This group also noted that the cost impact depends on the type of amendment being made, with changes to the architecture of the IFRS Taxonomy having the greatest impact. Those technical changes should be as rare as possible and communicated well in advance.

Timing is also a factor that affects regular updates, because different jurisdictions introduce or endorse the Standards on different dates.

Members of this group expressed the view that a stronger IASB commentary on the applicability or validity period of a specific version of the IFRS Taxonomy may encourage regulators to update to newer versions of the IFRS Taxonomy. An active decommissioning (but not formal withdrawal of permission for use) of older versions of the IFRS Taxonomy may also help, because it provides a strong signal to update. However, such a decommissioning would require sufficient notice, warning all users of pending removal from the website of the IFRS Foundation.

A member of the ITCG expressed the view that a more effective change management could reduce the costs that regulators incur when updating, explaining that, at present, an analysis of the business changes mainly remains a manual process.

### ***Report back from the group looking at the use of the IFRS Taxonomy with a regulator extension***

Members of this group commented that time constraints and costs are the main reasons for delaying the updates of the IFRS Taxonomy. Regulators may not be able to follow the IFRS Taxonomy release schedule closely because they may require more time to incorporate the extensions and to consult on the possible changes.

Members of this group had the following suggestions to encourage regular updates:

- (a) release of the IFRS Taxonomy data model at an early stage, possibly prior to the publication of the XBRL files;
- (b) incorporation of anticipated common practice, or timely addition of common practice, which will reduce the need for regulators to incorporate their own extensions;
- (c) no early adoption of IFRS, because there would be no overlaps between versions of the Standards (the staff commented that this is outside the scope of IFRS Taxonomy related activities);
- (d) intensify IFRS Taxonomy related outreach activities with accounting standard setters;
- (e) improved visibility during IFRS conferences, emphasizing the IFRS Taxonomy and the Standards as a package;
- (f) additional education, which will inform users of the advantages of updating on a regular basis; and
- (g) actively discourage (but not enforce or formally prohibit) the use of older versions of the IFRS Taxonomy.

#### ***Report back from the group looking at the use of the IFRS Taxonomy with a preparer extension***

Members of this group concluded that cost is the overriding concern, but this may be mitigated to some extent by software and appropriate IFRS Taxonomy implementation guidance for new or amended Standards. The optimal update frequency will also be determined by the type of enhancements made to the IFRS Taxonomy and the scope of the regulatory electronic filing programme.

Members of this group had the following suggestions to encourage regular updates:

- (a) different types of updates should occur with different frequency (content updates to reflect Standards should happen on a regular basis, common practice may need to happen less frequently whereas updates to the IFRS Taxonomy should be less frequent); and
- (b) flexibility of the IFRS Taxonomy to cater for subsets of the required content.

A staff member indicated that it could be very difficult for the IFRS Foundation to cater for very diverse requirements for different cuts of IFRS content. A member of the ITCG mentioned that the way that accounting preparation tools generally work is to roll-forward and then look at remapping. It may be the case that a preparer would need a new version of the software tool with new support and new templates in order to make use of a newer version of the IFRS Taxonomy.

## **Update on XII activities**

John Dill—in his capacity as member of the Board of Directors of XII—provided an update on XII activities. He explained that XII is working on a number of fronts to expand the capabilities of the Standard, enhance the XBRL brand, explore new areas for adoption, provide guidance to implementers and enhance the membership and funding base of the XBRL consortium. John stated that the work currently being done on the Open Information Model and the set-up of an XII Taxonomy Registry are likely to be the areas that are most relevant to the IFRS Taxonomy.

## **IFRS Taxonomy technology**

The staff updated the ITCG on the potential use of the Extensible Enumeration (EE) specification within the IFRS Taxonomy. The staff expressed the view—and members of the ITCG generally supported this view—that there are no significant benefits to be gained from using the EE specification, at least in the short term.

The staff explained that changes have been made to the IFRS Taxonomy Versioning Information. The IFRS Taxonomy Versioning XML file has been aligned to the newest XII specification and, additionally, the Versioning Information is now available in multiple languages.

The staff asked members of the ITCG for their views on the planned enhancements to make the IFRS Taxonomy illustrated more interactive by, for example, including an option for users to view documentation labels. The ITCG expressed its support for this initiative.

## **IFRS Taxonomy content areas for review**

### ***Update on Common Practice project (media, information technology, utilities, chemicals)***

The staff updated members of the ITCG on the outcome of the discussions with the technical staff and the Board Member Panel on the proposed common practice content additions. The ITCG members had no comments.

### ***IFRS for SMEs***

The staff updated members of the ITCG on the upcoming changes to the *IFRS for SMEs*. Although the impact on the content of the IFRS Taxonomy is significant, no major data modelling issues are expected to arise because the amendments mainly align the *IFRS for SMEs* to full IFRS. The ITCG members were informed that a

draft IFRS Taxonomy for the ITCG review will be provided in June. The staff also informed the ITCG that the taxonomy modularisation that was implemented in 2014 has proven beneficial in terms of modelling the amendments to the *IFRS for SMEs*. The independent management of full IFRS and the *IFRS for SMEs* elements enables better modelling because the *IFRS for SMEs* elements are not affected by their labelling, accounting definitions and taxonomy positioning used for full IFRS.

The ITCG members had no comments.

### ***Early application—disclosure of fact***

The staff told the ITCG that, in most cases, IFRS requires entities to disclose the fact that they have applied a Standard or an amendment to a Standard before its effective date. The IFRS Taxonomy does not include specific elements to reflect disclosures for each such occurrence; however, it has been suggested that having separate early application elements for each Standard may be useful. The staff expressed the view that the IFRS Taxonomy already handles this sufficiently, explaining that this disclosure in the year of initial early application is covered by the existing taxonomy table 'Disclosure of initial applications of Standards or Interpretations' and in future years will be covered by the text blocks that exist for accounting policy disclosures.

A member of the ITCG expressed the view that separate application elements for each Standard may be useful because it will provide more visibility. A member of the IASB expressed the view that separate application elements may also make it easier for an investor to perform time-series analyses and compare companies. The staff commented that some regulators do not require an entity to tag text items except for text blocks relating to accounting policies. Consequently, the existing IFRS Taxonomy solution ensured that the information is captured in some way after the year of initial early application. The staff also stated that investors could extrapolate the information provided by entities in the year of initial early application within their analysis. Another member stated that this may be a case in which the staff may want to consider the use of the EE specification.

Overall, members of the ITCG agreed that no changes should be made to the IFRS Taxonomy at this time.