

Trustees' Review of Structure and Effectiveness: Issues for the Review

**Breakout Session Overview for the IFRS Taxonomy Consultative Group
Face-to-Face meeting October 27th 2015**

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Logistics

- ITCG members to be divided into 3 groups
- Each group will:
 - Focus on a single topic for ITCG input into the Trustees' Strategy review
 - Address the questions posed to the ITCG for that topic
 - Determine if there is additional information to be supplied on this topic not covered by the summary or addressed in the questions
 - Elect a spokesperson to report back to the whole ITCG
 - Benefit from a scribe appointed by the Foundation
- The breakout rooms and members per group will be provided on the day of the meeting

Context

The 2015 Trustees' review focuses on three main areas:

1. **ensuring that the relevance of IFRS is maintained:** considering the evolving financial, and wider corporate, reporting landscape, as well as potential implications of technological developments for financial reporting;
 2. **consistency of the application of IFRS:** looking at the IFRS Foundation's approach to supporting the consistent application of IFRS and whether there is anything more it could, or should, be doing considering the limitations; and
 3. **governance and financing:** proposing further enhancements, including changes with respect to the size of the IASB.
- One area relates to the relevance of IFRS. Included here are the following topics that are of specific interest to the ITCG:
 - the Foundation's strategy for the IFRS Taxonomy (paragraphs 29-34 of the document); and
 - the impact of developments in technology on maintaining the relevance of IFRS (paragraphs 35-39 of the document).

Group One: Addressing Question 3

Q3 Do you agree with the Foundation's strategy with regard to the IFRS Taxonomy?

Questions for the ITCG

1. Does the ITCG agree with the strategy and areas for clarity as summarized from the responses?
2. Should there be multiple taxonomies that references and extends a base taxonomy developed by the Foundation. Where are we on Extensions? Can this be controlled? What happens with comparability of financials across regions that have both extended independently?
3. How the consumption of IFRS financial statements changing and what are the implications of this for the taxonomy?
4. "One of the reasons the IASB produces the IFRS Taxonomy is to assist with the accurate digital representation of IFRS in a structured format"
 - 4.1 Does "accurate" mean the accuracy of the standard (accounting) or does it mean accuracy of the taxonomy in representing the accounting standard?
 - 4.2 Should the Board place a greater emphasis on the quality of the taxonomy through board level discussions and if so how should the look?

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Questions for the ITCG

5. “We naturally understand that there are gaps between standard and practical disclosure in each countries. There are many countries that have their own rule for disclosure, for which it is deemed that the IASB taxonomy cannot cover these disclosures. Even though IASB is continuing to provide common practice elements, it becomes difficult to avoid some discrepancy. (For example, some country, some industry can take them but others cannot)”
 - 5.1 Do the common practice elements fully mitigate this exposure as it relates to the global adoption of the IFRS taxonomy as developed by the Foundation?
6. During 2013, the organisation initiated a shift in its strategy to focus more on the Taxonomy itself and leaving to others with more appropriate expertise the development of the computer language (XBRL) used to render and view the Taxonomy.”
 - 6.1 In this context clarity should be brought to the meaning of “leaving to others”? Does it mean the physical file of taxonomy, or some functions of XBRL such as formulae link base, or both plus more?

Group Two: Addressing Question 4

Q4. How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users?

Questions for the ITCG

1. Should the IFRS Taxonomy team do research on regulators' implementations of XBRL to determine where the Taxonomy has not met their needs?
2. Does the ITCG believe the Foundation can best support regulators by satisfying the needs of the majority of regulators?
3. Is it okay to not fully support the needs of all regulators that use XBRL? And if so, how do you determine what the majority is and which regulator to give more preference - by the number of companies in the regulator's jurisdiction, by the number of filings per year, by market cap, or by some other measure?

Group Three: Addressing Question 5

Q5. Do you have any views or comments on whether there are any other steps the IASB should take to ensure that it factors into its thinking changes in technology in ways in which it can maintain the relevance of IFRS?

Questions for the ITCG

1. How does the IFRS taxonomy need to change to support comparability?
2. What is holding back the wider adoption of the IFRS taxonomy?
3. The current financial reporting practices are resulting in more flexible presentations to assist in addressing complexity in those reports. This trend may reduce the comparability of financial reports to some extent. Will the use of the IFRS Taxonomy mitigate the impact of the above trend on the comparability of financial statements between entities and over time?
4. There are certain moves to more "principle-based" disclosure requirements. Will this trend generally affect the use of the IFRS Taxonomy, in particular the need for common practice/industry elements? If so how should the Foundation adjust its practices?
5. As there will be increasing number of financial reports tagged in accordance with the IFRS Taxonomy across jurisdictions, have we addressed the questions about whether, by whom and how a database of such financial reports is set up and maintained?