

## Summary of the IFRS Taxonomy™ Consultative Group discussions

### **The IASB's IFRS Taxonomy Consultative Group (ITCG) held its fourth face-to-face meeting on 27 October 2015.**

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:

- update on the IASB's Disclosure Initiative including the IFRS Taxonomy;
- consultation paper—European Single Electronic Format;
- IFRS Foundation's Review of Structure and Effectiveness—role of technology and the IFRS Taxonomy;
- IFRS Taxonomy versioning control;
- proposed IFRS Taxonomy due process; and
- IFRS Taxonomy content areas for review.

### ***Update on the IASB's Disclosure Initiative including the IFRS Taxonomy***

The staff explained that the IASB's Disclosure Initiative consists of a range of projects that aim to improve the effectiveness of IFRS disclosures. Projects are grouped into two main themes:

- the development of a disclosure framework that helps entities to make better judgements about what information to disclose and how; and
- the setting of better disclosure requirements, which incorporates the modelling of disclosures and IFRS Taxonomy-related work.

The staff updated members of the ITCG on progress made within the last six months and on planned future work.

A member of the ITCG commented on the topic of anticipated common practice. The staff told the ITCG that the IASB had tentatively decided that the IFRS Taxonomy would not include anticipated common practice elements for the amendments to IAS 7 relating to the reconciliation of the components of financing activities. The staff also stated that the final amendment to IAS 7 will incorporate a more comprehensive Illustrative Example (IE) that will result in additional elements being added to the (final) *IFRS Taxonomy Update*. The ITCG member made the observation that the use of a more comprehensive IE is a good and correct theoretic solution from the IASB's perspective, but that in practice preparers and users may have a need for additional elements that are not reflected within the IE.

### ***Consultation paper—European Single Electronic Format***

The staff from the European Securities and Markets Authority (ESMA) updated the ITCG on progress made relating to the development of a European Single Electronic Reporting Format (ESEF). ESMA staff stated that ESMA had finalised their preliminary assessment and consequently published a consultation paper on 24 September 2015. ESMA staff provided the ITCG with a high-level overview of the consultation paper, and asked members of the ITCG for their views on specific topics. Members of the ITCG had the following comments on the questions raised.

#### ***What are your views about the advantages/disadvantages of using extensions?***

Some members stated that not permitting extensions for company specific disclosures has some clear disadvantages; for example:

- users will not be able to rely on the structured electronic filing as a complete data set; cross-checking with the PDF filing is required.
- it may affect the comparability of structured electronic reports.

However, there was also an acknowledgment by members that today's experience has highlighted that the use of XBRL entity-specific extensions is a challenge for investors. Preparers incur a cost but it is not clear what benefits accrue to users. A member of the ITCG expressed the view that the question is not whether extensions are useful but instead what mechanism should be used so that a preparer can communicate entity-specific disclosures in such a way that users of a structured electronic report can understand them in a meaningful way. Anchoring extensions (eg linking an extension to a known base taxonomy element) is one means that is often brought up as a potential solution to achieve this.

***Do you believe it to be useful to limit the requirements to certain parts of the financial statements only (eg primary financial statements)?***

Some members of the ITCG expressed the view that tagging of primary financial statements could be useful to aid with implementation and project roll-out, but that it should be considered as only a first step to full implementation. Those members thought that there is likely to be limited value to investors from tagging only primary financial statements. One member remarked that data aggregators already use technologies that parse and structure the primary financial statements. Another member stated that investors require global similar systems and content to ensure widespread uptake. Limiting the mandate runs a risk that the costs may not outweigh the benefits.

A member of the ITCG asked ESMA for clarification on their plans with regard to implementation paths for the ESEF. The ESMA staff responded that currently there is not yet a formal plan; this is one of the areas on which ESMA is seeking public comments.

***What are your views regarding the technologies proposed by ESMA? What is your experience with the use of XBRL and iXBRL? Do you see any other technology solution developing in other jurisdictions?***

A few members of the ITCG asked why ESMA recommended the use of PDF for unstructured data sets. On the basis of the US and other experiences, those members stated that XBRL text block tagging has proved to be useful to investors, because it supports document searching and aids with document extraction of specific sets of narrative data. In their view, investors also prefer using one single electronic delivery format, instead of having to navigate back and forth between the structured electronic report and the PDF.

The ESMA staff replied that their outreach highlighted that PDF is a technology that everyone—including retail investors—can use and access. This is also a topic on which ESMA is seeking public comments.

***IFRS Foundation Trustees's Review of Structure and Effectiveness, IFRS Taxonomy strategy and role of technology***

The staff provided a brief overview of the objectives of the Trustees' *Review of Structure and Effectiveness*. The staff also informed members of the ITCG of the key themes that emerged from the discussions at the September 2015 World Standard-Setters meeting with regard to the impact technology may have on the relevance of IFRSs.

The Chair of the ITCG explained that the focus of the discussions was on the following questions, which the Trustees are seeking public comment on:

- Do you agree with the IFRS Foundation's strategy with regards to the IFRS Taxonomy? (Question 3)
- How can the IASB best support regulators in their efforts to improve digital access to general purpose financial reports to investors and other users? (Question 4)
- 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? (Question 5)

The ITCG then moved on to discuss the topic in break-out groups.

The ITCG undertook an initial review of the consultation document in August 2015. What follows is a summary of the break-out discussions and the views expressed by some members of the ITCG in advance of the October 2015 meeting.

### ***Report from the group looking at Question 3***

The spokesperson for this group reported that members of the ITCG generally agreed with the goals, supporting pillars and initiatives as stipulated in the Trustees' review with regard to the IFRS Taxonomy strategy. In summary, these are:

- the strategic objective of the IFRS Taxonomy is to assist with the accurate digital representation of IFRS disclosures in a structured format;
- the IFRS Foundation itself should continue to develop and maintain the IFRS Taxonomy;
- the focus of the IFRS Foundation should not be on the underlying technology but instead on having the IFRS Taxonomy content recognised as the globally agreed standard to tag and intelligently structure IFRS financial statements;
- greater involvement of the IASB with the IFRS Taxonomy content, while recognising that the IFRS Taxonomy may aid, but does not dictate, standard-setting activities; and
- an emphasis on supporting regulators in their efforts to improve digital access.

The spokesperson, however, reported that members of this group expressed the view that the IFRS Taxonomy strategy does not stress enough the importance of collaboration with all stakeholders (for example, accountancy firms, investors, preparers) in ensuring a successful electronic filing regime. Members of this group also highlighted that the consumption of IFRS financial statements is changing, because technologies and corporate reporting itself are changing. This changing reporting environment again points to the need for more collaboration with external parties at both a taxonomy and standard-setting level.

Members of this group also discussed the topic of entity or regulatory extensions to the IFRS Taxonomy. Members thought that the use of IFRS Taxonomy extensions is unavoidable. In their view, the IFRS Foundation has an important co-ordinating role to play in this regard, specifically relating to:

- the continued maintenance and development of IFRS Taxonomy common practice, to minimise the number of extensions used;
- the architecture used for IFRS Taxonomy extensions; there is a user expectation that there should be a high level of similarity in systems and methods used; and
- specific guidance on the best ways to extend the IFRS Taxonomy.

It was suggested that it could be useful for the IFRS Taxonomy strategy to clarify the role of the IFRS Foundation, and the activities it may plan to undertake to support a co-ordinated use of IFRS Taxonomy extensions.

Members of this group supported the IFRS Foundation's strategy to involve the IASB more in the development of the IFRS Taxonomy. Although members agreed that the IFRS Taxonomy should not dictate standard-setting, they expressed the view that it might be useful for the IFRS Taxonomy strategy to explicitly state how consideration of the taxonomy could benefit standard-setting. For example, the taxonomy has the potential to better show the relationships that may exist between Standards. This group also noted that the staff should continue their efforts to illustrate the IFRS Taxonomy content in a non-technical format, in order to fully engage the IASB and other (non-technical) stakeholders.

In response to the overall report, a member of the ITCG stated that the IFRS Taxonomy currently combines accounting concepts and technical XBRL syntaxes. In this member's view, the use of the term 'IFRS Taxonomy content' may be confusing and could potentially mislead regulators and other users of the IFRS Taxonomy. This member suggested that the IFRS Taxonomy strategy could clarify better the meaning and implications of the terms 'IFRS Taxonomy content' and 'technology neutrality'.

### ***Report from the group looking at Question 4***

The spokesperson for the group reported that there was a consensus view that the IFRS Foundation should not only continue but further its research to establish whether the IFRS Taxonomy meets the needs of regulators and end users. Members of this group had various suggestions and remarks:

- The IFRS Foundation should not exclude the possibilities of analysing and using other technologies.
- The IFRS Foundation could take a more leading role to support dialogue between different regulators and encourage the sharing of knowledge and broader thinking. This could be achieved, for instance, through the setting up of forums or through leveraging existing Xii and regulatory conferences. Co-operation with organisations such as IOSCO and the World Bank may also be useful.
- Group discussions should not replace, but should instead complement, the individual discussions with regulators that currently take place.

- Outreach should include both existing and potential regulators using the IFRS Taxonomy. Other market participants, such as investors, also need to be involved, because they may have different views and perspectives.
- The use of group discussions and the focus on topics of particular interest could mitigate any resource constraints that the IFRS Foundation may have.
- Some additional help on how to implement and work with the IFRS Taxonomy might also be useful to support regulators. For example, what are the benefits and costs of different adoption mechanisms (closed vs open reporting, use of Inline XBRL etc)? A minimum set of rules (or principles) to work with the IFRS Taxonomy could be established.

### **Report from the group looking at Question 5**

The spokesperson for the group reported that the discussion has centred around three main themes.

The first theme was that standard-setting and technology should be kept separate—specific technologies should not be a concern for standard-setting. It was suggested that this aim could be achieved via the introduction of a semantic layer sitting between the Standards and reporting technologies. Examples of this include the UPC (Universal Product Code), and other product codes, which use a semantic definition that is compatible with any kind of technology. A semantic layer should itself be technology-neutral, enabling the porting of taxonomy information between technologies.

The second theme arose from a discussion considering why the Trustees' *Review of Structure and Effectiveness* included a question on the technology and the relevance of IFRS. The group suggested that the subject matter experts involved in defining the accounting standards may be concerned about the relevance of their work in the light of advances in technology, such as 'Big Data' and unstructured data. The break-out group agreed with the proposal in the Trustees' review that a small group could be established to track technological developments. One of the functions of this group would be to alert the IFRS Foundation to advances in technology that might affect the IFRS Foundation's activities and the relevance of IFRS.

The third theme included the anchoring of the Standards and any semantic layer to a practical implementation. The group suggested that while a neutral semantic layer could facilitate the support of technologies, the demonstration of a particular technology would provide a link to solutions for the marketplace. This was reinforced through comments outside of the report back by the spokesperson for this group. Care must be taken in creating the semantic layer so that it does not become too abstract, and there should be specific technologies, such as XBRL, used to represent the semantic layer so as to ensure that there is always a working example of the standard in a broadly consumable technology.

Other discussion points outside of the report back by the spokesperson for the group also gave rise to topics that should be considered when addressing the implications of technology on the Standard, namely:

1. The use of artificial intelligence techniques and other technologies to mine and make sense of unstructured data is maturing and may evolve, or is already evolving, to not requiring taxonomy classifications any more to produce the results that desired by consumers.
2. Advances in technologies allow transactions to be tracked and cross-referenced outside of the financial statements. This may result in automated communication between parties and may become the primary means of exchanging financial information. This raises a potential risk that technology may make accounting concepts irrelevant. Another member commented that, it may not be as radical as accounting concepts becoming irrelevant, however there is likely to be an impact. Investors only require the data, how standard setters choose to present, classify and aggregate data may become less relevant.

The group had also looked more briefly at some of the questions provided as prompts for discussion—mainly based more specifically around the IFRS Taxonomy. Several of the questions were discussed and seemed to be overall strategic questions instead of being specifically related to the issue of technology; this included the issues of adoption and principle-based reporting. The group suggested that the issue of comparability and the IFRS Taxonomy may be better considered as an issue of 'consumability', because comparability is more at the level of the Standards.

In response to the overall report, a member of the ITCG commented that instead of moving back and decoupling, we should move forward and embrace technology, including more engagement with technology groups and organisations. The group's spokesperson responded that the decoupling strategy has the benefit of being able to react quickly to technology changes.

A staff member asked whether some real-life examples exist that illustrate the practical use and benefits of a technology-neutral semantic layer. Members of the ITCG referred to examples such as the FIBO Standard and the OMG Group.

## ***IFRS Taxonomy Versioning Control***

### ***Specific issue—IFRS Taxonomy Deprecation schema***

The staff stated that the existing IFRS Taxonomy deprecation schema uses one prefix and namespace. This is not in line with the 2014 IFRS Taxonomy architectural changes, which introduced a modularised namespace structure for the IFRS Taxonomy element schemas. The staff explained that this makes it difficult to maintain the deprecation schema, because different elements may come from different namespaces. Consequently, the staff suggested that the modularised namespace structure should also be applied to the deprecation schema and asked the ITCG for their views on this proposed change to the IFRS Taxonomy architecture.

ITCG members generally agreed with the staff proposal to introduce separate deprecated prefixes and namespaces for full IFRS, the *IFRS for SMEs* and MC. A question was also raised about how to handle IFRS Taxonomy elements that were deprecated prior to 2014. The consensus view of the ITCG was to have a separate deprecated schema with the old namespace and prefix of 'ifrs' for elements prior to 2014. The ITCG also noted that at a future date, this list of old elements could eventually be deleted.

### ***General views regarding Versioning control***

No member of the ITCG raised any difficulties they have with the current way in which IFRS Taxonomy changes are communicated or with the overall scope of IFRS Taxonomy versioning control. Members of the ITCG had the following comments and suggestions:

- a member said that versioning by whole taxonomy was fine; providing versioning information at item level is likely not to be that useful, because the amount of changes that might need to be communicated would be substantial ('information overload');
- a member suggested that the IFRS Taxonomy team should review the taxonomies produced by the European Banking Authority, because this might give further insight into alternative methods used for the communication of version information;
- a member suggested that it might be useful to have an attribute or other identifier for new concepts or changed concepts associated with the concept; in particular an identifier indicating that a domain had a new additional member may be useful to preparers; and
- a member suggested that we should conduct specific outreach with software vendors to understand the user requirements and priorities.

## ***IFRS Taxonomy due process***

The staff updated the ITCG on the progress made on the IFRS Taxonomy due process. The Trustees of the IFRS Foundation approved the invitation to comment, which will be published early November. It is now proposed that a *Proposed IFRS Taxonomy Update* will continue to be published only for the final Standard and not for the Exposure Draft as was originally proposed by the staff.

The staff asked members of the ITCG for their views on two planned enhancements with regard to the ITCG's involvement within the due process. These are:

- the proposal that the ITCG review is normally aligned to the fatal flaw period of the drafting of the final Standard or Interpretation; and
- the proposal that for taxonomy technology changes the staff must discuss with the ITCG the public comments received and changes to the original proposal, including any proposal to re-expose the changes with the ITCG.

Members of the ITCG agreed with the proposed enhancements.

A member of the ITCG asked whether these proposals would affect the ITCG review period, saying that there might be a potential risk of ITCG members not having sufficient time to review the taxonomy content. The staff replied that this is not the case. The proposal does not make a change to the minimum duration of the ITCG review that is currently in place.

The staff also asked whether members had any suggestions as to how to increase the effectiveness of ITCG reviews. Educating members on upcoming Standards and highlighting areas of potential contention (for example, where there are multiple data modelling choices) were two suggestions made by the ITCG.

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

### ***IFRS 16 Leases***

The staff explained that the Standard does not explicitly decide on the classification of ROU assets and their relationship to PPE. The Standard allows entities to present ROU assets separately or to present ROU assets within the same line item as the underlying corresponding underlying assets when they are owned. The staff considered two options for reflecting the required presentation and disclosure requirements within the IFRS Taxonomy. These are:

- Option 1: creation of new elements for 'ROU assets' and the total 'Property, Plant and Equipment (PPE) and 'ROU assets' ,
- Option 2: creation of a new element for 'ROU assets' only without addressing the interrelation to PPE.

The ITCG members discussed these options. It was noted that lack of specific guidance in this regard will lead to comparability issues in the financial statements. Entities are likely to tag their financial statements differently in similar circumstances, treating the ROU assets either as part of PPE or as a stand-alone position. To address this concern, a member of the ITCG suggested a third option, which would involve the creation of separate elements for 'PPE including ROU assets' and 'PPE without ROU assets'. Staff explained that this option has the risk of straying into interpretation of the Standard, as it suggests that ROU assets are formally part of PPE. These elements could only be added in the future as common practice, when there is sufficient empirical evidence that these elements are commonly disclosed by entities when applying the Standard.

Three members expressed their support for Option 2. There was no support for Option 1. Members remarked that their underlying reasoning for preferring Option 2 is not related to what is the best data model, but is instead driven by the possibilities offered by the Standard itself.

### ***Items for disclosure of location of information***

The IFRS Taxonomy currently uses text elements to depict IFRS requirements to disclose the line items in which certain amounts are included. The staff presented other possible options, such as for example using a dimensional structure or using enumerations. Some members expressed the view that using dimensions might offer more value to users than using the existing model. It was however noted that using dimensions would require a numerical value to be tagged, which might not always be required by the Standards. Another possible option suggested is to model these disclosures as entity-specific relationships within a structured electronic report, using, for instance, the XBRL formula linkbase.

### ***Additional guidance on use of IFRS Taxonomy elements***

The IFRS Foundation currently already provides materials that provide guidance on the use of the IFRS Taxonomy. The staff asked the ITCG for their general views on whether additional guidance is useful and, if so, what should be the form and content of that guidance.

Members in general supported adding more IFRS Taxonomy guidance, provided that it does not interpret the Standards. A member suggested including, within the IFRS Taxonomy files, a link to the IFRS Taxonomy Illustrative Examples. Another member highlighted that creating additional implementation guidance is a significant project. This member suggested identifying problematic areas for which the implementation guidance should be created.

A few members expressed a preference for including guidance within the Taxonomy files, rather than in separate documentation. In their view, this would encourage widespread use. It was noted, however, that some jurisdictions might not want to implement such guidance. The staff suggested the use of separate IFRS Taxonomy linkbases as a potential solution, because it gives users of the IFRS Taxonomy the choice of whether to use them or not. The staff also stated that further flexibility could be provided through modularisation of these linkbases (for example by Standard or type of guidance).