



Agenda Paper 3
CMAC meeting—25 February 2016

Structured Electronic Reporting

What do investors need?

The views expressed in this presentation are those of the presenter, not necessarily those of the International Accounting Standards Board or the IFRS® Foundation.

Purpose of this session

- To discuss whether investors require **structured electronic reporting** to facilitate their analysis
- To understand what investors require **in order for structured electronic reporting to be useful**
- Your views **will help us to understand** whether we are **heading in the right direction**

Agenda

- Brief recap of structured electronic reporting
- Overview of use by regulators and investors
- Why discuss this topic now
- Break-out sessions
 - Each with a set of questions about the use of structured electronic reporting
- Report back to the group

Background

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Why structured electronic reporting?

Potential **benefits to investors** include:

- reduction in the costs of accessing IFRS information;
- easier navigation of IFRS financial statements (including note disclosures);
- reduced reliance on third-party normalised data;
- facilitation of analysis—for example, underlying differences in definitions between similarly-labelled items can be identified more quickly; and
- development of new and innovative ways to communicate IFRS financial information.

Structured electronic reporting –what is it?

- A means of **encoding a digital report** (eg financial statements) so that the **meaning of information** being communicated is captured and exchanged in a consistent way
- Information can be in different forms:
 - numerical facts, text, narrative explanations, inter-item relationships such as aggregations and reconciliations, accounting policies, definitions, references to the IFRS Standards...
- **Allows information to be exchanged** between different systems (eg data feed)
- Requires the **use of a taxonomy** (for tagging) and **a technical standard** (eg XBRL)

Structured electronic reporting: example

Consolidated Income Statement (EUR €) In Millions, except Per Share data, unless otherwise specified	3 Months Ended		6 Months Ended	
	Jun. 30, 2015	Jun. 30, 2014	Jun. 30, 2015	Jun. 30, 2014
Revenue [abstract]				
Cloud subscriptions and support	€ 552	€ 241	€ 1,056	
Software licenses	979	957	1,675	
Software support	2,531	2,158	4,985	
Software licenses and support	3,510	3,116	6,660	
Cloud and software	4,062	3,357	7,715	
Services	908	794	1,751	
Total revenue	4,970	4,151	9,467	
	(212)	(105)	(409)	
	(560)	(517)	(1,103)	
	(772)	(621)	(1,512)	
	(835)	(667)	(1,654)	
	(1,607)	(1,289)	(3,166)	
	3,363	2,862	6,301	
	(728)	(566)	(1,451)	
	(1,314)	(1,049)	(2,568)	
	(256)	(218)	(528)	

IFRS Taxonomy™ element names

Reference to IFRS Standards

References

Reference 1: <http://www.xbrl.org/2003/role/disclosureRef>

- Name IAS
- Number 18
- IssueDate 2012-01-01
- Paragraph 35
- Subparagraph b

Example from SAP interactive XBRL viewer



Use by investors

We have heard that some (but not all) investors would like some form of structured electronic reporting. However, **investor usage does not seem to be widespread:**

- we have used as our main reference the Columbia Business School CEASA* study, '*XBRL and Interactive Data For Analysts and Investors*' (see Appendix 2 for a snapshot)
- however, this study was done in 2012
 - has direct use, or interest in the direct use of structured filings data by investors (and analysts) progressed since then?
 - if so, why and how; if not, why not?

*Center for Excellence in Accounting and Security Analysis

However, we have also observed that the **use of structured electronic reporting by regulators is growing.**

- The Amended Transparency Directive in Europe for a single electronic reporting format (see Appendix 2 for a snapshot)
- ESMA consultation on the European Single Electronic Format (see Appendix 2 for a snapshot)
- Project under way to survey regulatory filing rules and IFRS Taxonomy adoption around the world

<http://www.ifrs.org/XBRL/Pages/IFRS-filing-profile-project.aspx>

Break-out sessions

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Purpose of the break-out sessions is to:

- To understand if there is a **role for structured electronic reporting***
 - If no, what are other alternatives?
- To discuss whether investors use **structured electronic reporting** to facilitate their analysis today
 - if so, what information do you use?
 - what do investors expect and require?
 - what is currently working for investors?
 - what would investors like to be done differently?
 - what other needs do investors have that are currently not met?

* Please focus on those areas that are within the scope of the activities of the IFRS Foundation (eg the financial statements).

Break-out Group One

Q1: How do you use structured electronic reporting, if at all?

Q2: If you don't use it, why not? What are some alternatives?

Q3: Where do you expect structured electronic reporting to make (or to have already made) a significant impact?

Q4: Do you require all information in the IFRS financial statements to be encoded for easy data download?

Q5: Describe what you would like a structured electronic version of IFRS financial statements to enable you to do.

Break-out Group Two

Q1: Can structured electronic reporting work for principle-based reporting? Does it require normalised data?

Q2: How would you handle entity-specific disclosures?

Q3: Do you see any risks involved? If so, how would you mitigate these risks?

Q4: Does structured electronic reporting have specific implications for the understandability of IFRS disclosures?

Appendix 1

Terminology used

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The IFRS Taxonomy

- includes element names for disclosures that are commonly reported by entities in practice

Entity-specific disclosures

- the IFRS Taxonomy does not include element names for disclosures that are specific to an entity
 - these disclosures mainly relate to an aggregation or disaggregation of existing IFRS Taxonomy elements

Example of using the IFRS taxonomy

IFRS financial statements

Cash flow from financing activities - entity A	
Proceeds from issuing share capital	900
...	
<i>Net cash from (used) in financing activities</i>	1333



Encoding using the IFRS Taxonomy

Cash flows from (used in) financing activities
ifrs_Proceeds from issuing shares
...
ifrs_Net cash flows from (used in) financing activities

Example of an entity-specific disclosure

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IFRS financial statements

Cash flow from financing activities - entity B	
Issue of share capital - senior executive option plan	100
Proceeds from share rights issues	20
Proceeds from shares issued by Contract Energy, a subsidiary	50
...	
<i>Net cash from (used) in financing activities</i>	2200

Encoding using the IFRS Taxonomy?

?

Should this entity-specific disaggregation (all relating to a single IFRS Taxonomy element) be encoded within a structured electronic report for it to be useful to investors?

If so, how?

Appendix 2

Relevant events and research

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The CEASA study (2012)

- Investors want **more, not less** detailed structured data. At the time of the study it was still largely **pent-up demand**:
 - most investors who used XBRL-tagged data did so indirectly through data aggregators and new emerging software vendors who specialised in processing XBRL filings; and
 - those investors using XBRL data were using it for the perceived informational advantage of having interactive access to certain types of data that they believed they could not collect elsewhere with the same effectiveness and efficiency.

The CEASA study (cont'd)

- Direct use of XBRL data **had not yet been fully integrated** into their workflow, due to:
 - limitations in the then-current data available—eg errors, extensions, incomplete data set, short history
 - lack of the state-of-the art consumption and analysis tools that fit into existing workflows and data needs; and
 - much of the data (generally normalised) needed can be obtained from other sources with tools that already met their requirements.

The CEASA study (cont'd)

- However, investors consistently stated **that demand still** existed for the following data in a reliable and easy-to-access format:
 - footnotes (note disclosures);
 - earnings announcements;
 - Management Discussion and Analysis; and
 - proxy filings.

- Financial reporting in the EU:
 - Issuers on regulated markets in the EU have to make public Annual Financial Reports (AFR)
 - Until the amendment of the Transparency Directive (TDA) there was no requirement at the European level to publish AFR in a specific electronic reporting format
- Requirements:
 - The TDA requires issuers on regulated markets to prepare AFR in a single electronic reporting format (European Single Electronic Format) with effect from 1 January 2020.

ESMA's Consultation Paper (2015)

- On 25 September 2015, ESMA issued a Consultation Paper on the following key aspects of the European Single Electronic Format (ESEF):
 - technical reporting language to be used for the annual financial report
 - taxonomies to be used for structured electronic data
- Key proposals:
 - mandate the use of XBRL and the IFRS Taxonomy for IFRS consolidated financial statements of all entities listed on a regulated market.
 - not to mandate the tagging of entity-specific disclosures (information available in PDF only)
 - the scope of the tagging – for example whether it should include the disclosures
 - mandate the use of the PDF format for the full annual financial report.
- The consultation period ended 18 January 2016

Thank you

