

Summary of the IFRS Taxonomy™ Consultative Group discussions

The IFRS Taxonomy Consultative Group (ITCG) held its fifth face-to-face meeting on 7 June 2016.

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

The topics discussed include:

- update on the Board's work to improve communication of financial information, including the IFRS Taxonomy;
- use of structured electronic reporting, including the IFRS Taxonomy;
- IFRS Taxonomy implementation guidance;
- IFRS Taxonomy content areas for review;
- IFRS Taxonomy educational materials—*Guide to Understanding the IFRS Taxonomy Common Practice Content*;
- Implementation of Taxonomy Packaging 1.0—Versioning control and translations; and
- ITCG member updates.

Update on the Board's work to improve communication of financial information, including the IFRS Taxonomy

The staff explained that, as a result of feedback received from constituents during the 2015 Agenda Consultation, the Board has decided to focus on 'better communication' as the key strategic theme for the next five years. Activities relating to digital reporting (which includes the IFRS Taxonomy) as well as the Disclosure Initiative and the Primary Financial Statements and Wider Corporate Reporting projects are now grouped together as part of the Board's work on better communication.

The staff provided a short update for each of the projects included in the Board's work on better communication.

Disclosure Initiative

The staff explained that the Disclosure Initiative comprises different projects designed to improve disclosures in financial statements. The *Principles of Disclosure* Discussion Paper, which is expected to be published in the third quarter of 2016, is a key part of the Disclosure Initiative. The Discussion Paper will focus on what information entities should disclose and how to disclose that information, as well as a number of specific issues such as alternative performance measures. The Discussion Paper also aims to improve how the Board drafts disclosure requirements.

Responding to a question from the ITCG, the staff explained that alternative performance measures included measures such as 'underlying' or 'normalised' profit.

Primary Financial Statements

The staff explained that this is an early stage research project looking at the structure and content of primary financial statements, including the implications of digital reporting. The focus in the next few months will be on determining the project scope.

Wider Corporate Reporting

The Trustees' *Review of Structure and Effectiveness* identified as a key strategic priority the maintenance of the relevance of the IFRS Standards. To that end the Trustees agreed at its January 2016 meeting that modest staff resource should be allocated to monitor developments in wider corporate reporting.

The IFRS Taxonomy

The staff provided an update on the main areas of focus for the last six months, including:

- publishing the *Annual IFRS Taxonomy 2016* and three *IFRS Taxonomy Updates*;
- finalising the revised IFRS Taxonomy due process, which will give the Board a role in the review and approval of the IFRS Taxonomy content;
- publishing additional IFRS filing profiles;
- managing entity-specific disclosures;

- developing new and enhanced educational and supporting materials; and
- setting the strategy relating to the IFRS Taxonomy and technology.

Comments and clarifications sought by the ITCG mainly related to the IFRS Taxonomy due process.

A member of the ITCG suggested—and a Board member agreed—to make publicly available the composition of the IFRS Taxonomy Review Panel.

Another member of the ITCG said that, in his experience, taxonomy modelling can inform standard-setting, so it is important to discuss and resolve any modelling issues early in the process. The staff replied that they received little support for the proposal to publish the *Proposed IFRS Taxonomy Update* at the same time as the publication of the related Exposure Draft. Many stakeholders expressed the view that such an approach was not efficient because the final Standard could differ significantly from the Exposure Draft. One member of the ITCG said that stakeholders' views about the preferred timing for the release of the *Proposed IFRS Taxonomy Updates* might change over time and that staff should re-evaluate this aspect of the due process after a period of time. The staff re-iterated that the IFRS Taxonomy staff work closely with the staff who draft the Standards. This close cooperation has been formalised in the revised due process.

Use of structured electronic reporting, including the IFRS Taxonomy

The staff provided an update on the IFRS Filing Profile Project, which aims to publicly document the filing and access requirements for IFRS financial statements, including the use of electronic reporting and the IFRS Taxonomy. The staff reported that 14 securities regulators use the IFRS Taxonomy, but are implementing it in different ways. The staff also discussed some of the challenges regulators may have when implementing a structured electronic reporting system, such as the quality of the tagged data and how to best handle the variety in IFRS reporting practice. The staff also summarised discussions with investors on the use of structured electronic data.

A member of the ITCG remarked that the IFRS Filing Profiles reflect a moment in time and asked staff whether future trends could also be identified. The staff replied that the surveys do not include questions about future plans of regulators because, although the information would be useful, not all regulators will be willing to share or publish it. Another ITCG member queried how frequently the profiles would be updated. The staff replied that the aim is to update the profiles on a regular basis, but that it is not always easy to obtain the required information.

European Securities and Markets Authority (ESMA) staff updated the ITCG on the public feedback on the consultation paper relating to the European Single Electronic Format (ESEF). ESMA staff stated that:

- stakeholders had divergent views about the implementation of ESEF;
- the ESMA proposal to use the IFRS Taxonomy received broad support from stakeholders; and
- the ESMA proposal to bar IFRS Taxonomy extensions was not well received.

In this context, ESMA welcomes the formation of the XII ESD (entity specific disclosures) Task Force. ESMA staff reported that ESMA's recommendation is likely to be announced in the autumn of 2016. This recommendation will include topics such as reporting technology and the scope of ESEF. Detailed specifications, such as filing rules, will be developed after the announcement. ESMA staff said the January 2020 target date for ESEF implementation is still feasible.

IFRS Taxonomy implementation guidance

This session started with a member of the ITCG sharing his experience using the IFRS Taxonomy in Colombia. In the view of this member, most challenges related to a lack of end users' understanding of XBRL and the IFRS Taxonomy.

Louis Matherne, Chief of Taxonomy Development at the Financial Accounting Standards Board (FASB), provided an overview of US GAAP Taxonomy implementation support, including Taxonomy Implementation Guides and Taxonomy Implementation Notes. The guides document the FASB taxonomy staff's modelling choices and the notes provide additional information about the intended use of an element, such as the expected sign of a reported value. The supporting materials have been well received by preparers and service providers.

The IFRS Taxonomy staff gave an update on its implementation support and proposed some ideas for additional implementation guidance for consideration by the ITCG.

In response to queries, the staff said that the IFRS Taxonomy used most Illustrative Examples published in the IFRS Bound Volumes. The staff also commented that in the past the Board has not supported creating additional IFRS Taxonomy illustrative examples. A Board member suggested the IFRS Taxonomy Team could consider collaborating with the IFRS Foundation's education team in developing additional illustrative examples.

The ITCG then further discussed implementation guidance during two breakout-group discussions.

Question 1—does the IFRS Taxonomy need any additional implementation support?

Both Group 1 and Group 2 members generally agreed that additional implementation support could be helpful.

Group 1 noted that the guidance provided by the FASB Taxonomy team raised the quality of tagging for US GAAP reporting. Group 2 members emphasised that coordination with regulators is important in setting best practices and for understanding the need for additional implementation support.

Question 2—what should be the location, form and scope of any additional implementation support?

Group 1 members suggested linking IFRS Taxonomy content and related implementation support. Members had different views on the best way to achieve this:

- Click-through functionality—is useful in particular to smaller companies as they can only spend a limited amount of time going through detailed documentation accompanying *IFRS Taxonomy Files*;
- A linkbase— has the benefit that it could be commercialised and would also permit external parties to add their commentary.
- Abstract labels (as used in the UK)—have the benefit that they are an existing XBRL functionality for which there is widespread software support. However, one member of the ITCG argued against using abstract labels for implementation support as such use does not reflect abstract labels' true XBRL functionality.

Group 2 members recommended the IFRS Foundation provide three levels of IFRS Taxonomy implementation support:

- Level 1—IFRS educational materials implemented within the IFRS Taxonomy via a linkbase or other components.
- Level 2—informal guidance for particular scenarios that takes into account different types of users and filing systems, such as guidance on management of entity-specific disclosures.
- Level 3—knowledge sharing between users around the world using a digital repository, resembling Wikipedia. This repository would be separate from the IFRS Taxonomy, but it could provide links to the IFRS Taxonomy. The content could be provided by external parties using the IFRS Taxonomy, but the IFRS Foundation (or the ITCG) would be responsible for quality control.

The staff commented that a collaborative platform might attract more comments. In addition, it would permit stakeholders to comment when they are using the IFRS Taxonomy, ie closer to the effective date of a new or amended IFRS Standard.

Group 2 members said that the top five topics IFRS Taxonomy Implementation guides should focus on are: financial instruments, other comprehensive income, leases, revenue recognition and fair value.

Question 3 (Group 1)—what type of information should implementation notes and/or abstract elements cover?

Group 1 members suggested that signage guidance may be useful. They also said that the IFRS Foundation should consider using technology to facilitate more interactive comments, including guidance, by external parties.

Question 3 (Group 2) — should we aim to convert IFRS Taxonomy illustrative examples into guides?

A Group 2 member said that in his view, there would not be any significant benefits, as the Illustrative Examples do not cover the complex scenarios found in practice. The staff responded that they will review with the IFRS Foundation education team whether more complex examples exist and could be used.

Question 4 (Group 1) —should taxonomy guidance include any accounting guidance from the IFRS Standards?

Group 1 members expressed different views. Some members suggested that including such information could be useful. Other members expressed concerns about the resources required to include such guidance. One member also argued that the benefit of including any such guidance is likely to be small because accounting decisions are made before financial statements are tagged.

Group discussion

In response to a query by the ITCG chair, the staff said they would bring a proposal for implementation guidance at a future meeting, adding that the upcoming IFRS 4 *Insurance Contracts* would consume a lot of resources during the rest of the 2016, but some quick wins could be implemented in the fourth quarter of 2016.

A Board member enquired whether it would be possible to collaborate with external parties for the development of implementation guidance. Another Board member asked whether any external parties such as accounting firms already provided such guidance. This Board member questioned whether it was the role of the IFRS Foundation to provide extensive taxonomy implementation guidance.

Staff from the FASB acknowledged that external parties have a role to play, but the market is currently not providing these services. The FASB staff also expressed the view that implementation guidance cannot be left to commercial service providers only.

IFRS Taxonomy content areas for review

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Proposed Amendments to IFRS 4)

Temporary exemption

The staff explained that this is the first time that an IFRS Standard does not permit early application. They asked the ITCG for their views on when elements, for which no early application is permitted, should be added to the *IFRS Taxonomy Files*. The staff proposed two options:

- Option 1—add the elements to the annual *IFRS Taxonomy Files* when the Amendments become effective;
- Option 2—add the elements to the *IFRS Taxonomy Files* at the same time or shortly after the Amendments are issued. In that case, there might be a need to indicate 'no early application' for the relevant elements.

The staff stated that they prefer option 1, and three members of the ITCG explicitly agreed with this.

One ITCG member expressed a preference for Option 2 noting that regulators do not update taxonomies on a regular basis. This member did not think that including elements in the IFRS Taxonomy before they can be applied would cause confusion.

Although not supporting it, one member noted the option of a separate taxonomy file which would include those elements. The staff responded that in their view this option would be impracticable, as it might require the support of more than one version of the IFRS Taxonomy files.

Overlay approach

The staff explained that the proposed Amendments require entities that apply the overlay approach to disclose the effect of the overlay approach-adjustment on individual line items in the statement of profit or loss. The staff suggested two modelling options:

- Option 1—create an 'effect of overlay adjustment' axis and member that would be used with existing line items from the entity's statement of profit or loss.
- Option 2—create an empty 'statement of profit or loss location' axis, whose extension members would represent the individual line items in that statement.

The staff preferred Option 1, and three members of the ITCG agreed. Other ITCG members expressed no preferences.

New IFRS Taxonomy Common Practice project

The staff sought the ITCG's views on a proposal to initiate a new Common Practice project in 2016–2017, focusing on disclosures relating to IFRS Standards that have become effective during the last three years. The staff explained that in the last few years, the focus has been on activities. However, the main activities have been analysed and the number of new common-practice elements has been declining and is now low. The staff also stated that this new approach can be used as a trial to explore the potential benefits of closer alignment of the Common Practice project with Post Implementation Reviews of IFRS Standards.

One ITCG member said he supported moving away from an activity-based approach, but questioned whether it was worthwhile to continue the Common Practice project. The staff suggested applying the new approach to at least one new Standard. Resources could be reallocated if this approach does not prove to be successful. The ITCG members did not object to this proposal.

Upcoming IFRS Taxonomy Updates

The staff informed the ITCG members about the expected publication dates for upcoming *IFRS Taxonomy Updates* in 2016/2017.

IFRS Taxonomy educational materials—*Guide to Understanding the IFRS Taxonomy Common Practice Content*

The staff described the objectives and content of this new guide, expected to be published in the third quarter of 2016. The staff explained that this document will be subject to a formal review by the ITCG and invited members to submit their comments. These comments will be discussed at a next meeting of the ITCG.

Implementation of Taxonomy Packaging 1.0—Versioning control and translations

The staff informed the ITCG that the Taxonomy Package 1.0 (TP 1.0) specification will be applied to all future IFRS Taxonomy releases. The staff then sought feedback from members on the link to versioning reports in TP 1.0 manifest files and on the implementation of additional multi-lingual elements for TP 1.0.

Link to versioning reports within TP1.0

The staff asked the ITCG members which of the following options for publishing the versioning report they preferred:

- Option 1—publishing the versioning report file directly on the IFRS website;
- Option 2—publishing the versioning report file under the <http://xbrl.ifrs.org/> repository; or
- Option 3—publishing the versioning report file in the IFRS Taxonomy zip file.

One ITCG member said he would certainly discount the third option. He expressed no preference for any other option. The other ITCG members did not express preferences.

Multi-lingual elements in TP 1.0

The staff suggested different options for implementing multi-lingual elements in TP 1.0.

One ITCG member said implementation of taxonomy packages is a good idea, since implementation will allow software to easily access the IFRS Taxonomy. Adding TP1.0 functionality to previously released IFRS taxonomies should also be considered.

The staff explained that they would have to either republish or change the file contents in older taxonomy packages to implement TP1.0.

The staff also agreed to implement the full specification of the TP1.0 for ITCG members to review.

Other ITCG members did not express their preference for any of the options. It was suggested that the staff should prepare some proof of concept files for the options considered. This would make it easier for members to provide comments.

ITCG member updates

Shu Huihao, Deputy Director General of the Ministry of Finance of China, thanked the IFRS Foundation for the opportunity to join the ITCG. He updated the ITCG members on recent progress made in China, highlighting that the Chinese Accounting Standard Taxonomy is now using the 2014 IFRS Taxonomy.

Chie Mitsui updated the ITCG members about workshops that were organised in Japan focusing on IFRS financial reporting and the IFRS Taxonomy. She expressed the view that the disclosure framework needs to be discussed before discussions can take place on the IFRS Taxonomy. She highlighted some areas of reporting where investors are not able to obtain the information they require. She stated that Japanese investors welcomed the publication of a disclosures casebook by the Japanese Financial Services Authority and she encouraged the IFRS Foundation to publish similar guidance. The staff replied that the Board will be looking whether improvements can be made to the structure of the primary financial statements.