

Summary of the IFRS Taxonomy™ Consultative Group discussions

The IFRS Taxonomy Consultative Group (ITCG) held its sixth face-to-face meeting on 25 October 2016.

The meeting took place in the International Accounting Standards Board (the Board) offices in London. This note prepared by staff summarises the discussions. Related papers and recordings of the meeting are available on the [meeting page](#).

Hans Hoogervorst, Board Chairman, opened the meeting by emphasising the increasing importance of digital reporting, linking it to the Board's theme of better communication in financial reporting and the IFRS® Foundation mission statement. He noted that the Board is now involved in the approval and review of IFRS Taxonomy content.

The ITCG then discussed:

- an update on activities;
- principle-based reporting and the technological world;
- the progress made by the entity-specific disclosures task force;
- IFRS Taxonomy content and other areas;
- the UK Financial Reporting Lab's project on digital future; and
- IFRS Technology and the ITCG.

Update on activities

The staff updated ITCG members (members) about the last six months, while responding to the following ITCG queries and comments:

- one member expressed the view that common-practice analysis of disclosures related to new or amended Standards should start soon after the effective date of the Standards, rather than at the time of the Post-implementation Review. The staff argued that common-practice analysis should only start several reporting periods after the effective date, when best practices in reporting begin to appear.
- one member asked whether the Board will consider endorsing the Legal Entity Identifier (LEI) in the context of the common-practice analysis for IFRS 12 *Disclosure of Interests in Other Entities*. The staff said they would need to assess whether such content fits within the scope of the IFRS Taxonomy content.
- one member asked why the implementation of Taxonomy Packages 1.0 is not subject to public comment. The staff replied that it only consists of the addition of an index to the IFRS Taxonomy, which does not affect its content or architecture.
- one member had a translation query. The staff explained that the technical XBRL files are translated and, therefore, a translation of the labels in the *IFRS Taxonomy Illustrated* format is also available.

The staff then discussed planning for the next 12 months, when the staff will focus on:

- content development—continuing to update the IFRS Taxonomy to reflect IFRS Standards and IFRS reporting practices in an accurate and timely manner.
- quality of structured electronic data—improving consistent and accurate use of the IFRS Taxonomy, in particular, by developing additional IFRS Taxonomy educational materials for preparers and working with regulators to establish a global framework for electronic reporting.
- challenges related to principle-based reporting—working with XBRL International on entity-specific disclosures and researching whether digital reporting has implications for the Board's Primary Financial Statements project. The staff provided a high-level overview of the problems with the structure and content of the primary financial statements and potential approaches to addressing those problems identified so far.

Members made the following comments about future activities:

- one member expressed support for the Board's cooperation with IOSCO, emphasising that standardised regulatory filing rules would be favourable for all actors in the electronic reporting chain. Yael Almog, Executive Director of the IFRS Foundation, asked members to encourage regulators to support this initiative.

- one member enquired whether the IFRS Taxonomy would be given the status of an accompanying material to the Standards in the future. The staff replied that this did not receive stakeholders' support when the IFRS Foundation reviewed its due process.
- one member encouraged the staff to work with preparers on test filings to identify IFRS Taxonomy issues. The staff said that they had previously set up such a task force (the XBRL Detailed Tagging Task Force) but preparers expressed only limited interest. Staff added that they are considering re-engaging with preparers to assess the need for further educational or implementation materials.
- one member asked whether the Board would consider making significant changes to IFRS Standards as a result of technological developments. The staff replied that the Board will take into account the implications of structured electronic reporting in the Primary Financial Statements project. More generally, as part of its technology strategy, the Board will set up a process for monitoring technological changes and assessing their impact on IFRS Standards.
- one member stated that the lack of a definition for 'operating' in IFRS Standards makes it difficult to use IFRS information (including structured electronic data) in practice. Preparers create extensions for operating profit that reflect those differences in definitions. The staff replied that the Primary Financial Statements project would look into improving the structure and content of the primary financial statements, considering additional subtotals, line items and definitions (including operating profit).
- the ITCG Chairman asked the staff to clarify the link between the Board's theme of better communication in financial reporting and planned IFRS Taxonomy activities. The staff replied that digital reporting makes IFRS financial statements more accessible to users, which leads to more effective and efficient communication.

The staff also updated the ITCG on the status of the revised IFRS Taxonomy terms and conditions. The staff summarised the ITCG comments received so far and explained the next steps.

Principle-based reporting and the technological world

The staff reported that some stakeholders have expressed concerns that the IFRS Taxonomy and electronic reporting conflict with principle-based standard-setting. During break-out sessions, the members were asked to discuss:

- possible reasons for these concerns and whether the members shared such concerns;
- what the IFRS Foundation or the Board could do to address such concerns; and
- the implications of digital reporting for some of the possible approaches considered in the Board's Primary Financial Statements project.

There were mixed views about the existence of a conflict. Some members said that the perception of a conflict stemmed from a lack of understanding of structured electronic reporting. These members suggested this lack of understanding could be addressed through broader communication and education.

One member suggested that using an index-based approach for the IFRS Taxonomy could help to mitigate any perceived conflict between electronic reporting and principle-based standard-setting, as such an approach would allow more flexibility for preparers.

Most members said additional structure, definitions, granularity and templates for the primary financial statements would increase comparability and data quality, thereby facilitating structured electronic reporting. However, some other participants questioned the need for (comparable) subtotals as long as sufficient disaggregation is provided, allowing users to construct their own measures.

Entity-specific disclosures—task force progress

After an introduction by John Turner, CEO of XBRL International, the co-chair of the XII Entity Specific Disclosures (ESD) Task Force, Andromeda Wood, an IASB staff member, updated the ITCG on the task force's progress. The presentation focused on:

- the task force's purpose, scope and output;
- business cases illustrating the issues the task force is trying to solve; and
- potential solutions for mitigating these issues—including both mechanisms currently available in XBRL (ie using dimensions in base taxonomies and using existing linkbases in preparer extension taxonomies) as well as a new mechanism (ie anchoring in preparer extension taxonomies).

In response to questions from members relating to the scope and output of the task force, Ms. Wood clarified that:

- the scope excludes filing rules and excludes how to design a base taxonomy that works with entity-specific disclosures in XBRL and achieves maximum coverage of the reported information. These topics are handed over to more appropriate XII task forces.
- the summary of the task force's conclusions will be published in the near future, but is currently still a work in progress.
- the primary criterion for identification of potential solutions is usability to investors, but costs to preparers are also considered.

One member expressed a preference for solutions using existing XBRL mechanisms and questioned the differences between the anchoring and the presentation linkbase. Ms. Wood explained that an anchoring linkbase would provide direct links to the base taxonomy items and would convey additional information about an element.

The same member asked whether anchoring would replace any of the existing linkbases. Ms. Wood said that regulators can choose to either replace the existing linkbases with the anchoring linkbase or to continue using the existing linkbases together with the anchoring linkbase. Ms. Wood's task force co-chair, Louis Matherne, Chief of Taxonomy Development at the Financial Accounting Standards Board (FASB), said the existing linkbases were initially not created to help users understand the data. He added that users might appreciate the anchoring linkbase as a single source of information about the relationships among elements.

Another member said that, though some of the solutions are referred to as being 'base taxonomy' mechanisms, they require additional software functionality. This member also asked whether the task force had captured wider requirements that led regulators to choose a particular solution. Ms. Wood said that this had been investigated, but might not end up in the final report.

In response to a question from a member, Ms. Wood said the task force had not considered rendering for the anchoring link, except for examining whether inserting an anchor into the presentation linkbase could cause problems for those using the presentation linkbase to render statements. This member also asked whether it would be possible to have more than one anchor per ESD. Ms. Wood replied that the task force had discussed this and might recommend a minimum of one anchor per ESD.

Ms. Wood confirmed that the list of solutions presented is a comprehensive list, based on the task force's research. A Board member expressed the view that the same mechanism should be implemented by all regulators and that this may be difficult to achieve in practice, especially because some regulators have already used a particular implementation path. Mr. Turner acknowledged that it would take time to achieve a harmonised approach and that XBRL International is not able to enforce a specific solution through the use of new guidance around semantics or new syntax. The specifications are open and can be used in a variety of ways by different regulators. Ms. Wood and Mr. Matherne said the task force might make different recommendations for regulators developing a filing system for the first time and for those that already have a system in place.

IFRS Taxonomy content and other areas

This aim of this session was to:

- get the ITCG's views on whether to consider introducing extensible enumerations and typed dimensions in the IFRS Taxonomy; and
- update the ITCG on proposed common-practice additions for financial institutions.

Extensible enumerations and typed dimensions

Mr. Matherne provided an overview of how extensible enumerations¹ and typed dimensions are used in the Proposed 2017 US GAAP Taxonomy Update. He said users' preference for line items rather than dimensional data modelling has been a primary driver for introducing these mechanisms as well as adding clarity for dimensions used. Mr. Matherne said that FASB had already received some comments from constituents on the use of typed dimensions, which had led them to move away from positive-integer typed dimensions for the 2017 Taxonomy Update. A single typed dimension will be included as a *dateItemType* to indicate the start date for the period when the remaining performance obligation will be satisfied for *Revenue from Contracts with Customers*.

¹ Subsequent to this meeting, FASB agreed to defer the implementation of extensible enumeration until the 2018 release to give constituents adequate time to implement in their respective processes. It should be noted that there is broad support for this change but constituents simply needed more time to implement.

The staff then presented their views on extensible enumerations within the context of the IFRS Taxonomy:

- an advantage could be improved consistency compared with the lack of consistency in free-text elements and a clear link to the taxonomy item that is reported as a value of the enumeration;
- a disadvantage could be that extensible enumerations would represent a change in the IFRS Taxonomy architecture, which would require significant outreach; and
- there is a risk that, when deciding on the lists of options, the staff could stray into interpreting the Standards.

One member supported introducing extensible enumerations in the IFRS Taxonomy and said there was no risk of staff interpreting the Standards. He added that perhaps just one suggested item could be provided for each list, leaving it to preparers to extend the lists. Mr. Matherne countered that a sufficient number of suggested items need to be provided as examples so that preparers would understand the domain. The same member also said that preparers should not be able to change the domain.

Two members expressed concerns about the compatibility of extensible enumerations with Inline XBRL. The staff said it needed to investigate compatibility further and identified one potential issue, ie the value reported in Inline XBRL needs to match the value in the extensible enumeration. These values often would not match, restricting preparers to using hidden items in Inline XBRL. For example, preparers would write 'Property, plant and equipment' in their financial statements, rather than 'ifrs-full:PropertyPlantAndEquipment'. This is also an issue when more than one value is reported using the same tag.

The discussion on typed dimensions was limited by time constraints. The staff said that typed dimensions would allow a reduction in the number of explicit dimensions without the need for an extension taxonomy. The feedback and usage of the FASB typed dimensions will inform the next steps for the IFRS Taxonomy.

The staff invited members to submit any additional comments via email.

Proposed common-practice additions for financial institutions

The staff explained that they received feedback from a user highlighting potential new common-practice elements based on an empirical review of several banks' IFRS financial statements. The staff investigated whether these elements met the criteria for common practice (such as frequency) in the sample of banks' disclosures gathered for the IFRS Taxonomy common-practice review for financial institutions in 2012. As a result, the staff proposed 21 new common-practice elements for inclusion in the IFRS Taxonomy. The members were asked to review these elements by 8 November.

UK Financial Reporting Lab—Digital future

Thomas Toomse-Smith, project director at the UK Financial Reporting Lab (the Lab) updated the ITCG on the Lab's Digital Future Data project. The project is at an early stage however Mr. Toomse-Smith provided some insight into what they are hearing in the project. To help scope the project the Lab undertook a survey asking stakeholders for views on areas the project might focus on. The Lab asked survey participants their views on the business attributes and technologies that may be important for investors and preparers in future corporate reporting.

In response to questions from members, Mr. Toomse-Smith explained that:

- most of the participants were UK-based, though the project has also generated interest from other countries;
- the survey participants' likely level of XBRL experience varied;
- for the question on future technologies, participants were asked to select items from a list, but they could also add their own items;
- in a later project phase the staff will conduct in-depth interviews, which will allow them to investigate some aspects in more detail, such as refining the results by type of investor and exploring how participants envisage the use of augmented reality; and
- half of the participants who showed an interest for these interviews were investors or preparers and the others were other stakeholders.

Mr. Toomse-Smith also provided some insight into themes coming from the early interview phases of the project. One area of particular interest to the ITCG was the theme expressed by stakeholders that 'there is a risk that regulatory drivers become focused at the wrong points in the cycle'. This reflected a view that if adoption of digital information is to be as useful as possible then consideration could be given to tagging other (more timely) types of information in addition to the annual report, such as earnings releases.

IFRS Technology and the ITCG

The staff updated the ITCG on the IFRS Foundation's digital reporting strategy. This includes setting up an informal network of experts, which could include some or all of the ITCG members. The staff asked the ITCG to provide feedback and identify technology topics that the ITCG should discuss in the future. The members made the following comments:

- one member expressed the view that all the ITCG members have a role to play. The ITCG's Chairman supported this view.
- one member said the ITCG should discuss more operationally how users collect and use data. Another member said that the ITCG might discuss how preparers can automate the tagging process better.
- one member said that investors, software providers and data aggregators might not be willing to share commercially sensitive information with the network of experts. Surveys might be a more appropriate tool for these parties.
- one member asked whether, in addition to new and emerging technologies, use of existing technologies would also be monitored. The staff replied that they are interested in both.

Members were invited to submit any additional comments via email.