

## Summary of the IFRS® Taxonomy Consultative Group discussions

### The IFRS Taxonomy Consultative Group (ITCG) held a face-to-face meeting on 12 June 2017.

The meeting took place in the International Accounting Standards Board (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](#).

The ITCG discussed:

- recent Better Communication in Financial Reporting activities;
- an update by the European Securities and Markets Authority (ESMA) and the US Securities and Exchange Commission (US SEC) on the use of the IFRS Taxonomy;
- a draft of *Using the IFRS Taxonomy—a preparer's guide*;
- proposed IFRS Taxonomy content changes for continuing and discontinued operations and for IFRS 17 *Insurance Contracts*;
- IFRS Taxonomy tables;
- an update by XBRL International on entity-specific disclosures;
- IFRS Taxonomy implementation notes; and
- development of an IFRS Taxonomy commenting platform.

### Better Communication in Financial Reporting—Update on activities

The staff provided an update on Better Communication in Financial Reporting activities, including Disclosure Initiative, Primary Financial Statements and IFRS Taxonomy activities.

The staff invited ITCG members to submit a public comment letter on:

- the *Disclosure Initiative—Principles of Disclosure* Discussion Paper, by 2 October 2017. In particular, the staff asked ITCG members to assess whether, and if so how, digital reporting and technology in general may affect the principles outlined in this Discussion Paper.
- the proposed IFRS Taxonomy update for IFRS 17 *Insurance Contracts*, by 18 September 2017.

In response to a question from an ITCG member, the staff clarified that, as of the *IFRS Taxonomy 2017*, all IFRS Taxonomy elements—including common practice elements—have a direct reference to part A of *IFRS® Standards*.

The staff responded to ITCG members' questions about the possible development of industry-specific templates for primary financial statements<sup>1</sup>, clarifying that research is still at an early stage. The Board will first seek feedback on whether or not it should develop such templates. The Board has yet to decide whether such templates would be mandatory or illustrative. One ITCG member encouraged the Board to consider aligning such templates with templates from other organisations, such as the FINREP requirements in Europe.

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<sup>1</sup> The primary financial statements comprise the statement of financial position, the statement(s) of financial performance, the statement of changes in equity and the statement of cash flows.

## Use of the IFRS Taxonomy

### **Update by ESMA staff**

Michael Komarek, an ESMA senior policy officer, provided a summary of the proposed policy line included in the [ESMA Feedback Statement](#) on the European Single Electronic Format and explained ESMA staff's current considerations on developing the Regulatory Technical Standard relating to:

- the required level of tagging;
- the use of extensions; and
- the development of a regulatory extension taxonomy.

Mr. Komarek stated that ESMA staff is currently proposing to require detailed tagging for the primary financial statements and block tagging for the notes—with the exception of a list of specific items to be tagged in detail in the notes. One ITCG member encouraged ESMA to add items to this list that are of particular interest to investors. Another ITCG member asked whether detailed tagging would be required for all the notes in the long term. Mr. Komarek replied that such a requirement is not planned, though ESMA intends to assess the need for detailed tagging of the notes sometime after 2020.

Mr. Komarek added that ESMA staff is currently also proposing to permit the use of extensions, provided they are anchored to a base taxonomy element.

Mr. Komarek also provided an overview of ESMA's planned next steps, including a field test that will take place over the summer of 2017. He invited ITCG members to comment on ESMA's working drafts of the regulatory extension taxonomy and filing rules.

One ITCG member asked how the European Single Electronic Format would affect non-European companies listed in Europe. Mr. Komarek explained that such third-country issuers would have to prepare their annual financial report in XHTML. In addition, consolidated IFRS financial statements would be subject to the XBRL tagging requirements. Such tagging requirements would not apply to financial statements prepared in accordance with any GAAP deemed equivalent to IFRS Standards, however.

### **Update by US SEC staff**

Mike Willis, a US SEC assistant director, provided an update on the use of the IFRS Taxonomy in the US. He explained that:

- with the 1 March 2017 publication of the *IFRS Taxonomy 2016* on the US SEC website, the US XBRL filing requirements issued in 2009 will now become effective for foreign private issuers applying IFRS Standards.
- foreign private issuers must file their financial statements in XBRL with the US SEC for the first time for the fiscal periods ending on or after 15 December 2017.
- foreign private issuers may use some US GAAP Financial Reporting Taxonomy elements for tagging specific regulatory disclosures required by regulation S-X. In the long term, the US SEC is considering moving such elements into a separate regulatory taxonomy.

Mr. Willis emphasised that XBRL filings are used extensively by the US SEC and are downloaded frequently from the US SEC website by data aggregators, analysts, academics and others.

In response to questions, Mr. Willis also clarified that:

- the US SEC is planning to use only the annual versions of the IFRS Taxonomy;
- the approval of the IFRS Taxonomy will be similar to the existing process for the US GAAP Financial Reporting Taxonomy;
- the XBRL filing requirements are applicable to several types of forms, including 6-K forms; and
- the US SEC has yet to decide whether it will require rather than allow Inline XBRL.

## Using the IFRS Taxonomy—a preparer's guide

The staff sought ITCG members' views on the content and structure of a draft of *Using the IFRS Taxonomy—a preparer's guide* (the preparer's guide). The aim of the preparer's guide is to help preparers understand the IFRS Taxonomy content, which in turn should support accurate tagging of IFRS financial statements.

Many ITCG members expressed their support for the preparer's guide. ITCG members made the following suggestions:

- one member suggested the preparer's guide should be provided in an interactive format, rather than as a PDF file. This member also suggested including a 'user perspective' in the guide, by explaining throughout the guide how preparers' tagging decisions affect the ability of users to analyse the data. Another ITCG member supported this suggestion.
- one member suggested including additional information on IFRS Taxonomy text blocks and how they can be used for block tagging.
- one member encouraged the staff to identify any potential conflicts that may exist between the preparer's guide and existing regulatory guidance. This member also recommended including guidance in the preparer's guide for cases in which a local regulator is not using the most recent version of the IFRS Taxonomy. However, another member said that the guide should remain globally applicable, ie it should not be designed around the filing rules of particular regulatory authorities.
- one member commented that extensions could be discussed in more detail in the preparer's guide.
- one member suggested that the preparer's guide could include more visual aids and/or flow charts that provide a high-level decision tree for preparers to follow when tagging information using the IFRS Taxonomy.

## Proposed IFRS Taxonomy content changes

The purpose of this session was to seek ITCG members' views about:

- proposed taxonomy improvements for tagging IFRS disclosures relating to continuing and discontinued operations;
- specific data modelling choices in the proposed IFRS Taxonomy update for IFRS 17 *Insurance Contracts*; and
- how to encourage a broad public response to proposed IFRS Taxonomy updates.

ITCG members first discussed these topics in three break-out groups and then reported back to the whole group.

### ***Proposed taxonomy amendments for continuing and discontinued operations***

Members of the three break-out groups supported the staff proposal to change the default member of the 'continuing and discontinued operations' axis to the 'continuing operations' member. One group stated that a change of a default member may cause issues when tagging is rolled forward automatically from one financial reporting year to the next. In the view of this group, the preparer's guide should advise preparers that automated roll-forwards may not always work correctly when changes to the IFRS Taxonomy have occurred.

Break-out group A discussed the staff proposals related to the statement of profit or loss. Members of this group expressed their support for the proposals:

- to deprecate the existing IFRS Taxonomy line items relating to the 'analysis of the single amount for discontinued operations' and instead model the disclosure as a new IFRS Taxonomy table;
- to add an IFRS Taxonomy implementation note stating that use of the member 'aggregate of continuing and discontinued operations' is not required when an entity does not report discontinued operations;
- to change documentation labels for some elements; and
- not to deprecate existing equivalent line items used for the presentation of the profit or loss from discontinued operations and the profit or loss from the aggregate of continuing and discontinued operations.

Break-out group B discussed the staff proposals related to the statement of cash flows to:

- recommend entities use the existing taxonomy elements without using the 'continuing and discontinued operations' axis to tag the section line items, regardless of whether the reported amounts relate to continuing operations or the aggregate of continuing and discontinued operations; and
- add an IFRS Taxonomy implementation note containing the above recommendation for preparers.

Break-out group B agreed with the staff proposals, but with one exception. Group members expressed the view that the 'continuing and discontinued operations' axis should be used when entities present a breakdown into continuing and discontinued operations for all line items in the statement of cash flows. Group B added that IFRS Taxonomy implementation notes should not only be viewable by preparers but should also be easy to consume by users of the data, as they need these notes to interpret the data correctly.

Break-out group C discussed staff proposals related to other comprehensive income to:

- recommend entities use the existing taxonomy elements without using the 'continuing and discontinued operations' axis to tag the components of other comprehensive income; and
- add an IFRS Taxonomy implementation note containing the above recommendation for preparers.

Group C argued that using the 'continuing and discontinued operations' axis for elements of other comprehensive income is useful; therefore, group members did not agree with the staff proposals. In their view, the existing issues with the XBRL calculation mechanisms should not drive the modelling choices, because XBRL International is likely to address these issues in the future.

### ***IFRS 17 Insurance Contracts data modelling choices***

Break-out group B discussed the proposed text/text block approach to general disclosure requirements in IFRS 17. The group agreed that the text/text block approach is appropriate in this case—when a proposed IFRS taxonomy update accompanies the publication of a new IFRS Standard—because no common reporting practice exists yet. However, the group said the text/text block approach needs to be reassessed once reporting practice is available. Group B added that in general, a balance needs to be struck when determining the granularity of IFRS Taxonomy elements. In some cases, the presence of individual elements—for example, separate elements for individual accounting policies—permits detailed tagging, which, in turn, can facilitate comparisons among companies. In other cases, tagging narrative disclosures at a very detailed level can make them more difficult to consume and query, in which case the use of a high-level text block/text element is more appropriate.

Group C discussed the proposed modelling for a yield curve disclosure required by IFRS 17. The group agreed with the proposal to provide both a text block (to cover a graphical disclosure) as well as a table (to cover a numerical disclosure) in the IFRS Taxonomy.

### ***Public response to proposed IFRS Taxonomy updates***

Group A discussed how to encourage a broader public response to proposed IFRS Taxonomy updates. The group said that once the IFRS Taxonomy is used more widely, stakeholders' interest in, and feedback on, the IFRS Taxonomy will increase automatically, without any additional staff effort. In group A's view, sufficient supporting materials are provided already. Nevertheless, group A recommended the staff to:

- organise outreach targeted at IFRS first-time XBRL filers in the US in 2018; and
- develop a process to encourage stakeholders to provide feedback on the IFRS Taxonomy at any time, rather than only at the time of proposed IFRS Taxonomy updates.

## IFRS Taxonomy tables

The staff sought ITCG members' views on how IFRS Taxonomy tables are used and whether any improvements can be made to how tables are currently modelled in the IFRS Taxonomy.

The staff explained that the existing IFRS Taxonomy tables are largely based on the presentation and disclosure requirements in IFRS Standards. The IFRS Taxonomy content includes line items, axes and members that reflect common reporting practice. These common practice elements are usually added to existing tables or, when an appropriate table does not exist, a new common practice table is added. The current policy is not to add to the IFRS Taxonomy tables to model commonly reported disclosures which can be fully tagged using combinations of existing IFRS Taxonomy line items, axes and members. It is assumed that preparers can add such tables in their extension taxonomy if needed. The staff explained that the rationale for the current approach is that:

- the staff wants to avoid using the IFRS Taxonomy to drive practice; and
- some software tools cannot display large tables with many axes.

The staff also said that the current IFRS Taxonomy model takes into account that some regulators might not permit the use of axes for tagging the primary financial statements.

One ITCG member expressed his support for the current approach. Other ITCG members preferred the approach taken by the US Financial Accounting Standards Board (FASB)—ie to add tables, include additional axes in tables and provide templates for commonly reported disclosures—to guide preparers and to promote consistent tagging across companies.

One member referred to the modelling approach taken in the FINREP European Banking Authority taxonomy, which consists of a large number of tables. In this member's view, the FINREP taxonomy model has not prevented banks from reporting material information and has made it easier to use and compare the data. This member added that such a model is also often easier for preparers to extend if required.

Another ITCG member commented that a regulator may not permit entities to add extension axes or extension tables as such extensions may be difficult to render and difficult for users to understand.

Paul Warren, technical director at XBRL International, said which approach is best depends on whether local regulators allow, require or prohibit extension taxonomies. He added that some software tools' inability to display large tables should not drive the taxonomy modelling approach, because software performance has already improved significantly in response to some European projects and will continue to improve.

## Handling of entity-specific disclosures—update by XBRL International

Mr. Warren provided an update on:

- the draft recommendations of the Entity-Specific Disclosures Task Force (ESDTF), explaining the advantages and disadvantages of three high-level approaches to entity-specific disclosures identified by the ESDTF. Louis Matherne, the FASB Chief of Taxonomy Development and co-chair of the ESDTF, provided detail on the latest considerations of the ESDTF, for example, on the use of anchoring and of different taxonomy models.
- other XBRL International initiatives to improve structured reporting of entity-specific disclosures, including initiatives addressing some current limitations of XBRL calculation mechanisms.

In response to a question from an ITCG member on expected timelines:

- Mr. Matherne said that the ESDTF recommendations are close to being finalised; and
- Mr. Warren said a draft proposal on XBRL calculation mechanisms is likely to be issued within the next couple of months.

## IFRS Taxonomy implementation notes

The staff sought ITCG members' views on proposals for introducing IFRS Taxonomy implementation notes, including detailed proposals on the content and technical syntax of such notes:

- content—the implementation notes would initially only be used in specific cases, mostly to indicate whether to report the value of specific IFRS Taxonomy elements with a positive or negative sign. However, the content of the implementation notes would not be fixed and could be enhanced at any point in time.
- technical syntax—the XBRL reference linkbase specification would be used.

Many ITCG members supported the staff proposals. However, one member said that, ideally, the IFRS Taxonomy and the US GAAP Financial Reporting Taxonomy should use the same role type for implementation notes. John Turner, XBRL International CEO, said that XBRL International would be able to set best-practice guidance if the organisation received a formal request, detailing requirements. He encouraged ITCG members to submit such a request.

In response to a question from a staff member, Mr. Matherne explained that the US GAAP Financial Reporting Taxonomy does not include guidance on signs for all elements. Rather, the Data Quality Committee's work on validation checks has been useful for reducing signage errors in the US, he added.

In response to a question from an ITCG member, the staff clarified the implementation notes would not replace existing references to IFRS Standards in the IFRS Taxonomy.

## Development of an IFRS Taxonomy commenting platform

The staff are exploring the feasibility of setting up a commenting platform to:

- encourage more IFRS Taxonomy users to comment; and
- allow IFRS Taxonomy users to comment at any time, rather than only when proposed IFRS Taxonomy updates are published.

Mr. Matherne explained that the FASB has had such a platform for a number of years for the US GAAP Financial Reporting Taxonomy. However, they still tend to receive the most valuable comments from a limited group of stakeholders they interact with on a regular basis, rather than from the general public. He added that, in his experience, preparers and service providers make more useful comments on the FASB implementation guides than on the taxonomy itself, because the taxonomy is too abstract.

A few ITCG members supported setting up a commenting platform. These members expressed the following views:

- such a platform would be useful for capturing the views of IFRS foreign private issuers in the US while they are preparing their first XBRL filings;
- the platform should be simple to use and should include appropriate tracking functionalities for staff to manage the feedback; and
- the platform should permit users to add attachments to their comments.

One member encouraged the staff to use an off-the-shelf product, because a bespoke solution would take a long time to develop. Another member suggested an open-source solution.

However, other ITCG members argued that a commenting platform might not be the most effective way to collect high-quality comments. In these members' view, considering the staff's limited resources, the staff should prioritise other activities, such as targeted outreach (for example outreach aimed at IFRS foreign private issuers in the US) and developing implementation guidance.

One ITCG member suggested stakeholders would be more inclined to comment if the staff provided individual feedback on comments. The staff replied that the IFRS Taxonomy due process requires them to provide public feedback explaining how they have considered comments received at several stages in the IFRS Taxonomy development process. This feedback is always provided on a summarised basis rather than an individual basis, however.

One ITCG member also suggested requiring IFRS Taxonomy comment letters to be submitted in a structured format, like ESMA's comment letters.