

## Meeting note—IFRS® Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) meeting was held remotely by video conference call on 29 November 2021. This note has been prepared by the staff and summarises the discussions. Related papers and recordings of the meeting are available on the [meeting page](#).

### Digital reporting implications of the proposals in Exposure Draft *Management Commentary*

- 1 The ITCG members discussed one topic related to digital reporting implications for the Exposure Draft *Management Commentary*. The focus of the discussion was on proposals for including information in management commentary by cross-reference to another report, especially when that report is provided in a separate file.
- 2 At the meeting members were asked to:
  - a. share their experience with handling disclosures that include information provided by cross-reference to another file in a digital format; and
  - b. consider potential solutions to the issue.

### Members' experience with the issue

- 3 One member shared the experience of tagging information that is included in a separate report but in the same file. That member noted that they tagged the information in a separate report as if it was part of the main document.
- 4 One member said they had not seen many examples of cross-referencing in European financial reporting. However, they noted that some insurance companies include cross-reference to information in the sustainability report. Currently, those companies tag only information about the cross-reference to the sustainability report but not the information included in the sustainability report.
- 5 One member said it is not clear how to tag cross-references from financial statements to other reports that are currently not required to be tagged, for example, a risk report. They said it is not helpful for users if the information required to comply with IFRS Accounting Standards is not tagged only because it's included by cross-reference to a report that is not tagged. They further said that finding a solution that would require tagging information provided in reports by means of cross-references would be helpful.
- 6 Two members were wondering whether the discussion about various implication of requirements related to cross-referencing requirements, for example tagging information in various documents, audit and legal requirements may lead to preparers avoiding the use of cross-references. An IASB member agreed with that statement. One member further said that issues related to the limited use of cross-references should be considered in standard-setting rather than taxonomy work. One member noted that the objective of using cross-referencing in paper reporting is to avoid duplication which is irrelevant for the digital reporting.
- 7 Two members wondered if the objective of the requirement related to cross-references is clear and whether constituents would also conclude that information provided by cross-reference should be audited and tagged.

## Potential solutions

- 8 The staff analysed in the agenda paper potential approaches to addressing this issue:
  - a. Option 1: tag the text that indicates the cross-reference with a hyperlink (URL) to the referenced file (the default option that does not provide user with complete, tagged information);
  - b. Option 2: include tagged, specified information from the referenced file as hidden content in the tagged report (main file);
  - c. Option 3: tag the specified information in the referenced file;
  - d. Option 4: tag the referenced file and include a structured link in the main file that would allow access to the information in the referenced file.
- 9 The staff asked for any comments on the Options discussed in the agenda paper, including benefits and technical and regulatory issues that might need to be resolved in order to implement them. The staff also asked which was considered the preferable solution and for any other solutions that should be considered.
- 10 A few members thought that Option 2 may create some complexities and confusion.
  - a. One member wondered about the effect of an extensive use of hidden data on auditing the digital version of the report. They were also not sure if it would be helpful for users for there to be apparently different content in a digital report compared to the paper report.
  - b. One member said hidden data may not be visible to some users if their system does not currently use or reveal such information.
  - c. One member said that a hidden section in XBRL was not designed to be used this way. It was designed to store machine-readable only information, rather than a substantive piece of disclosure. Consequently, XBRL guidance suggests the use of hidden tags should be limited, to ensure that the machine-readable report provides the same information as human-readable report.
- 11 Some members discussed the difference between option 3 and 4 and concluded that Option 4 is aiming to provide guidance for users of the digital information on how to identify files where cross-referenced information may be included. Members considered whether new technology would be needed or if some existing technology could be utilised, for example a schema reference to another document. IASB staff replied that possibly some current technology solutions could be used though some additional work is needed on them (even if it is just additional guidance on the use of them). It does not seem that there is a fully ready technical solution at the moment. Some members agreed it may be helpful to explore whether existing technical solutions may help.
- 12 Another member mentioned that some features exist in the XBRL specification that could be considered as additional options, but those features have not been used this way so far. The example provided was the ability to treat a set of reports in separate files as one document for the purposes of Inline XBRL. However, they thought this solution might not deal very well with situations when some reports using cross-references are provided at different times. Another member wondered if a current application of a similar solution used in Denmark may be helpful to consider. In this solution a preparer needs to file reports according to various reporting requirements (such as local GAAP, IFRS and ESEF) only once. This reporting is separated into three documents and shared with regulators in Denmark.
- 13 One member asked when the solution is needed. They thought that clearer timing could make it easier to motivate the relevant stakeholders to contribute to developing the solution, as well as for

other stakeholders to implement it. The staff responded that the solution does not depend on finalisation of work regarding management commentary because it is not only needed for cross-references from management commentary reports but may also be currently needed for cross-references from financial statements to other statements. As noted in the agenda paper, currently cross-referencing is allowed in IFRS Standards in limited circumstances, for example by IFRS 7 *Financial instruments*.

- 14 Another member said that solving this issue would be helpful for users of digital information, especially if the solution is relatively simple and would not take a long time to develop.

#### **Next steps**

- 15 IASB staff thanked members for the discussion. The staff further noted that members thought the issue is important and should be considered and hoped that stakeholders will continue considering potential solutions, including technical issues related to option 4, and any other XBRL mechanisms that could potentially be utilised.