

Meeting note—IFRS[®] Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) meeting was held remotely by video conference call on 16 September 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](#).

The ITCG members discussed:

- a review of common reporting practice related to earnings per share and Other Comprehensive Income (paragraphs 1–10);
- digital reporting implications for the Exposure Draft *Management Commentary* (paragraphs 11–30); and
- general technology update (paragraphs 31–39).

Review of common reporting practice related to earnings per share and Other Comprehensive Income

Earnings Per Share

Reconciliation of the denominators used in calculating basic and diluted earnings per share

- 1 Many ITCG members agreed with the staff proposal to deprecate the text element and add new elements together with calculations for the reconciliation of the denominators used in calculating basic and diluted earnings per share.
- 2 One ITCG member asked if the staff considered not deprecating the mentioned text element for the preparers who do not wish to tag this level of detail. The staff explained that the narrative disclosure would not meet the disclosure requirement in the IAS 33 *Earnings Per Share* because the Standard requires a numeric disclosure. Therefore, it made sense to deprecate the existing text element and create numerical elements. The ITCG member agreed with the proposal.
- 3 One ITCG member commented that the proposed approach provides not only a formal calculation structure but also data in granular form for analytics.
- 4 Two ITCG members asked whether it would be more suitable for ‘calculation I’ to be included in the regular calculation linkbase rather than the proposed formula linkbase. The staff explained that the calculation linkbase may not handle this calculation well because this calculation reflects a calculation between instant and duration elements which is not allowed in the calculation linkbase.
- 5 One of the ITCG members asked whether the elements A and H are both duration elements. One ITCG member suggested to try the calculation linkbase for these elements and see if this works. Another ITCG member commented that in the US GAAP Taxonomy, these elements are duration elements because in practice, it was noticed that the earnings per share information can be reported for different periods ending on the same date and thus instant elements would not work. The staff explained that they will see if calculation linkbase could be used instead of the formula linkbase.

Disclosure of antidilutive instruments

- 6 Many ITCG members agreed with the staff proposals relating to the antidilutive instruments, to:
 - a. add a new table and new elements;

- b. deprecate the existing text block element; and
 - c. create a new text block element for the newly proposed table.
- 7 One ITCG member asked why two line items, decimal and share type numeric elements, are needed in the proposed table and commented that by nature both types are all antidilutive shares. The staff explained that one instrument might convert to multiple shares and that the two elements might not carry the same value of shares and thus, both are required to enable appropriate tagging.

General comment

- 8 One ITCG member commented that, in general, it is observed that the IFRS Taxonomy did not efficiently cater to the requirements of the reporting frameworks. For example, in some cases for numeric disclosure requirements, we initially had a text element in the IFRS Taxonomy. The staff acknowledged that there are such cases where the taxonomy does not optimally represent the requirements of the standards. However, in recent years, strong interactions between the standards writing and taxonomy teams, and a progressively increasing focus on considering the effect of taxonomy modelling and standards drafting on the usefulness of reported data has hopefully significantly reduced or eliminated such mismatches.

Other Comprehensive Income

Residual component of other comprehensive income in the Statement of Comprehensive Income

- 9 There are 3 common practice elements to tag 'other' component of other comprehensive income. Those elements are not categorised in the two categories as required in paragraph 82A of IAS 1 *Presentation of Financial Statements*.
- 10 Many ITCG members agreed with the staff proposals to deprecate 3 common practice elements and add 6 new common practice elements, with one suggesting such improvements should be made consistently every year.

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

Investors' needs for narrative reporting in a digital format

- 11 The focus of the discussion was to explore how digital reporting could support the objectives of narrative reporting in management commentary. First the group was asked to consider how the IFRS Taxonomy could support investors' needs with respect to narrative reporting.
- 12 Overall ITCG members who commented on the topic agreed that:
- a. a different level of granularity of tagging is needed for narrative disclosures compared to quantitative ones, mostly because users of digital information perform different types of analysis on it.
 - b. issues related to tagging narrative information are important and should be considered.
- 13 One ITCG member reminded everyone that the companies who are tagging information may also be considered as users of digital information. That member noted that in the US, companies often want to quickly benchmark their disclosures against their peers in the same industry. This often happens when a new accounting standard is published and companies want to find the best way to present their information. Consequently, this is an example as to how companies can benefit from tagging.
- 14 One ITCG member commented on the difference between how qualitative (narrative) information and quantitative information is utilised by users of digital information. That member

said that quantitative information is directly used in investor's models using various technologies. On the contrary, narrative information must be read in context, at least given today's technology. Consequently, more granular tagging is appropriate for quantitative information, while many discrete components are not helpful in the case of narrative information. Consequently, text block elements could be quite useful as a starting point for tagging narrative information. The member also said that narrative information may contain some quantitative information, in which case greater detailed tagging may be helpful (for example, a table with information that is expected to be provided on a regular basis or information about a particular policy election).

- 15 One ITCG member commented that the presence or absence of a particular disclosure could be useful information therefore such information should be provided in a structured way. For example, some companies may disclose, as part of human capital disclosures, information about a recruiting programme that focuses on diversity and inclusion. The fact that they have such a programme is an important indicator for investors who focus on this type of information. The member reiterated that the IFRS Taxonomy team should not focus on providing all elements for all anticipated possibilities, for example related to detailed programs for diversity and inclusion. Instead, a structure of elements that would allow for example capturing the human capital disclosure in its entirety would be helpful for users of digital information.
- 16 Another member commented that there must be an optimal size for text blocks. On one hand, if text blocks are too granular, then users of digital information would need to query too many elements to receive the information they need. On the other hand, if text blocks are too wide in scope, then users of digital information will receive too much information which cannot be processed efficiently. Furthermore, this member noted that:
 - a. research done on the text blocks is almost always accompanied with proximate text search and key word searches. It takes less time to search for appropriate information if text is standardised.
 - b. when investors conduct comparative work on narrative reporting, they focus on differences and changes. Thus, it may help to breakdown the narrative information in a way that will facilitate comparison of text from one period to the next.
- 17 One member suggested it might be useful to consider tagging narrative information in a similar way to tagging images or articles on the internet and social media by using hashtags with a variety of different keywords. Following that approach, companies could identify various sections of the report and apply appropriate hashtags. Furthermore, the member suggested that this approach could solve the preparers' dilemma relating to creation of extensions when information covers a variety of topics and appropriate elements do not exist in the taxonomy. However, another member was concerned about whether companies will be able to apply the hashtags correctly because such an approach would require judgement. That member supported the use of text blocks and mentioned an example on structuring boilerplate disclosures developed by the FASB that makes such information easily accessible through algorithms. The member reiterated the usefulness of such a tagging approach for users and the convenience for issuers.
- 18 The member further commented that it is useful when companies tag sections of the document using text blocks. Without such tagging, data aggregators and investors need to apply algorithms to the entire document which could provide information that is too broad to be used. Thus, tagging particular sections within the document using given text blocks could significantly simplify analysis of narrative information. However, there is a delicate balance related to creating text blocks with multiple themes. For example, within human capital disclosure, different companies will have different types of human capital programs and it would be excessive to have elements for all the different types of initiatives. The member also highlighted

the usefulness of natural language processing tools that are currently used in practice to analyse text. In addition, investors may only need information about whole disclosures, for example on pension and human capital, as text blocks to be able to decide what to do with them.

- 19 Another member said that the paper presented by the staff is a useful basis for discussion. That member thought that, relative to quantitative disclosures, finding a way to identify how people are using information provided in text blocks for analytic purposes is more important and more difficult. They further said that it is unclear to which extent particular narrative information is used therefore staff and ITCG members need to consider it more. That member said that some testing might be needed to see how companies disclose and investors use narrative information. However, the member also highlighted that some work has already been done on narrative information, for example in academic research on sentiment analysis or by sophisticated analysts using text block information for specific purposes.

Proposals in the Exposure Draft

Disclosure objectives

- 20 Some ITCG members agreed with the proposals related to granularity of elements for disclosure objectives and suggested to avoid elements that are too granular at first. They further noted that the key to creating more detailed elements is understanding how narrative information in a digital format will be used. For example, if that information used as input into a model or as a trigger for looking for other information in the filing.
- a. Two members reiterated the previous suggestion that detailed elements are helpful if they relate to information that is numerical or can be represented as one of a limited number of values, for example as a 'yes' or 'no' using Booleans. This might allow Taxonomy owners to create linkages between the taxonomy elements that reflect particular disclosures, which in turn can have many benefits for preparers and users of digital reporting. For example, when a new accounting standard is issued, those linkages can help explain which element needs to change for tagging and help avoid preparers using the wrong elements.
 - b. Another member suggested to wait and see how advancements in technology will help with the use of narrative information and what the demand from users of digital information will be.
- 21 One member expressed preference for the dimensional approach because of the flexibility it provides for tagging information. The member further suggested to review the taxonomy developed by Financial Accounting Standards Board (FASB) or Financial Reporting Council (FRC). The member was not concerned about the potential difficulty of using the complex structure that would result from applying the dimensional approach to the Board's proposals. This is because complex dimensional structures are already used in digital reporting and could be handled by current technology.
- 22 Another ITCG member suggested exploring various ways of tagging examples of the disclosures to see how easy it is to tag information and which way would produce most useful information for users of digital reporting. The member also highlighted the importance of the interaction of this project with the work of the proposed International Sustainability Standards Board, and suggested coordination of digital considerations.

Key matters

- 23 Those ITCG members who commented agreed with the proposal to use a dimensional approach for key matters. One ITCG member reiterated previous suggestions that examples of how the approach could be implemented would be useful to help evaluating the burden on preparers and utility for users.

Metrics

- 24 Members did not raise any concerns related to the proposal to use a dimensional approach for tagging information about metrics and a text block for reconciliation to amounts in related financial statement.
- 25 Staff asked ITCG members about progress on the development of a calculation linkbase, which might affect suggestions in the slides related to the tagging reconciliation. One ITCG member responded that an update to the calculation linkbase is being developed however the complexity of the issue and the lack of available resources is slowing down progress.
- 26 One ITCG member highlighted issues related to changes of entity-specific information over time, especially in a digital format. That member thought the main issue is related to lack of discipline in using entity-specific elements (extensions) consistently. For example, this issue is often seen in reporting of segment information where entity-specific segments may be tagged differently over time even when information in the paper reports did not change. The member thought that possibly regulators might need to help with consistent tagging.
- 27 Another member agreed that one of the main issues related to entity-specific information is the different ways of tagging the same information. Consequently, users of digital information cannot use it directly and expect additional standardisation of data. Such standardisation can only be done by people who use meta data and understand tagging behaviour. The member further highlighted the pervasive nature of this problem and commented that preparers can switch tags every quarter. The member said that some solution is needed to make digital information easily accessible to a person who is not an XBRL expert.
- 28 Another ITCG member commented that there are two separate issues discussed by previous members.
- a. One is bad tagging practice, which should be solved by the appropriate regulatory enforcement, as mentioned previously. The member further said that many of the problems mentioned could be solved by an audit requirement.
 - b. The other problem is the lack of a requirement for appropriate reconciliation of changes in reports over time. Some of that problem could be attributed to bad tagging but some is related to the lack of appropriate accounting requirements. For instance, it would be helpful to have appropriate information about the change of segments from period to period, which is one of the main concerns for investors. The member stated that the preparer community is not supportive of that idea because of the difficulty in preparing the information.
- 29 One ITCG member commented that there should be a mechanism to require preparers to be consistent or explain why they are not consistent. The member said that there are some cases when reconciliation of changes between periods might be difficult for preparers to provide, however in other cases preparers limit access to information through the confusion created by the changes.
- 30 The staff thanked the members for inputs and noted that there will be a further discussion on proposals in the Exposure Draft *Management Commentary*.

General technology update

- 31 This was a continuation of a previous discussion about technology changes that the IFRS Foundation plan to include in the IFRS Taxonomy 2022 annual update.

Introduction of additional entry-points

- 32 Four ITCG members agreed with the proposal to add new entry-points to ease further extensibility of the IFRS taxonomy.
- 33 One ITCG member asked what will happen to the formula linkbases because calculation linkbases are being excluded. The staff explained that this is a separate issue, and that IFRS formulas could be provided without the relationships between linkbases.
- 34 One ITCG member questioned whether the additional entry points would lead to more confusion for new Taxonomy users. The staff explained that they did not think that having more entry points would complicate the selection of entry points. They thought that these additional entry points could result in less subsequent customisation work when preparing fillings.
- 35 The staff also explained that the addition of new entry points is being proposed in the expectation that regulators will subsequently start suggesting them as the entry points for preparing fillings. The current common practice is that preparers start their extension taxonomies from the core Taxonomy schema (with just the element definitions) and then build everything on top. Thus, there is a strong temptation to create variations on labels and structures, and to leave out the standard IFRS labels and references. Consequently, consumers looking at these fillings only receive a limited amount of information. The proposal aims to provide the option to start not from only the core schema, but instead start from a stripped-down version of the existing full schema, that contains the core schema plus the standard IFRS references and labels. Hopefully this would make it easier for filling regimes to encourage people to start from a consistent foundation of information, such as labels and references, rather than starting from only the elements.
- 36 One ITCG member questioned whether there is a plan to provide different entry points with language bundles. The staff explained that similar additional entry points can be provided for translations when they are published in future.
- 37 One ITCG member commented that, based on the SEC's experience, additional entry points are generally beneficial for the preparer and of less benefit to software vendors and filling agents who know how to organise the files. The member also highlighted that the SEC does not have the diversity of users compared to the IASB, which could lead to differences in approaches taken.

Improving titles in definition linkbases

- 38 Two ITCG members agreed with the proposal to add to titles a description that is taken from an abstract element which is an immediate child within the given ELR.

Changes to the delivery of the xIFRS content

- 39 Two ITCG members agreed with the proposal to change the IFRS content delivery platform from the eIFRS platform to the IFRS Standards Navigator at the end of 2021 and commented that the HTML approach is preferred.