

Meeting note—IFRS[®] Taxonomy Consultative Group

The IFRS Taxonomy Consultative Group (ITCG) met remotely by video conference call on 5 December 2022. This note, prepared by the Foundation staff, summarises the discussions. Related papers and recordings of the meeting are available on the [meeting page](#).

The ITCG members discussed:

- digital representation of specific proposals related to the Primary Financial Statements project (paragraphs 1–14); and
- summary of feedback on the staff draft of the IFRS Sustainability Disclosures Taxonomy (paragraphs 15–20).

Digital representation of specific proposals related to the Primary Financial Statements project

- 1 The IASB is finalising its redeliberations on the proposals in the Exposure Draft *General Presentation and Disclosures* (Primary Financial Statements (PFS) Project), which will replace IAS 1 *Presentation of Financial Statements*. At this meeting, ITCG members continued the discussion on the digital representation of the proposals in the Exposure Draft (including tentative decisions the IASB has made during its redeliberations), focusing on the proposal:
 - a. to classify income and expenses into the categories ‘operating’, ‘investing’, ‘financing’, ‘income tax’ and ‘discontinued operations’ in the statement of profit or loss;
 - b. to require presentation of the subtotals ‘operating profit or loss’ and ‘profit or loss before financing and income tax’ in the statement of profit or loss; and
 - c. to require an entity to disclose in the notes to the financial statements, the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss.

Subtotals/categories in the statement of profit or loss

Location of items in the statement of profit or loss

- 2 Staff asked ITCG members whether the use of category metadata would achieve the objective of providing users with information on the location of items in the statement of profit or loss (categories) and whether there were any risks with regards to such an approach. Staff also asked ITCG members whether line item or dimensional modelling would still achieve the objective if the risks of using category metadata were too high (or whether they would suggest a different tool to achieve the objective that has less risks).

Use of category metadata

- 3 ITCG members disagreed with the staff recommendation to use category metadata to show the components of subtotals and the location of items in the statement of profit or loss. Members cited a few reasons for disagreeing with the recommendation:
 - a. use of category metadata is a relatively new approach, and staff should be cautious about introducing new mechanisms into the IFRS Accounting Taxonomy (in addition, any approach would need to be tested before being implemented).

- b. a consistent modelling approach across jurisdictions (for similar proposals) would be beneficial and category metadata was currently not used in other jurisdictions (for example, in the FASB Taxonomy).
- c. the approach suggested by staff might lead to more variations of how companies would tag information.

Line-item modelling

- 4 Some members were supportive of using a line-item modelling approach, rather than a dimensional modelling approach, to show the components of subtotals and the location of items in the statement of profit or loss. Members cited a few reasons for supporting a line-item modelling approach:
- a. in general, a line-item approach was felt to be better for primary financial statements (except for the statement of changes in equity) because it would be simpler to apply than dimensional modelling (which would be better for information that is disclosed in the notes).
 - b. dimensions should ideally only be used for the disaggregation of line items because users would find it confusing if dimensions were used for other purposes (such as providing metadata on the location of a line item in the statement of profit or loss).
- 5 Some members acknowledged that a line-item modelling approach would lead to more entity-specific extensions being necessary and thus put more burden on the developers of the IFRS Taxonomy (to either pre-emptively add line items to the taxonomy or to monitor and reflect common practice disclosures) than a dimensional modelling approach. However, these members were not particularly concerned about the ongoing need to analyse common practice. One member questioned whether the number of line items would significantly increase as a result of the PFS proposals on subtotals and categories (and if not, a line-item modelling approach would be a reasonable solution).

Dimensional modelling

- 6 Some members, in contrast, were supportive of using a dimensional modelling approach—because they felt dimensions would provide a better solution if they were used consistently for a given category (that is, if all items in a given category would be tagged with the same member). Members cited a few reasons for supporting a dimensional modelling approach:
- a. having additional metadata is always beneficial and using dimensions for both disaggregation and to provide additional metadata information would not be confusing because the axes and members are not used as a way to determine mathematical calculations (that is, for validation purposes).
 - b. dimensions are already used to tag information in the primary financial statements under the IFRS Accounting Taxonomy (statement of changes in equity) and the FASB Taxonomy and calculations have improved over time. Some members also said that more work could be undertaken together with XBRL International to further improve calculations.
 - c. it would be hard to anticipate exactly which line items would be needed with regard to the PFS proposals on subtotals and categories—hence, a line-item modelling approach would be challenging.
 - d. maintaining the IFRS Accounting Taxonomy would be easier under a dimensional modelling approach and users prefer dimensions compared to a repetitive list of similar line items.

Components of subtotals

- 7 Staff asked ITCG members whether preparer defined presentations and calculations could achieve the objective of providing users with information on the components of subtotals (for example, the line items that are included in the subtotal ‘operating profit or loss’).

Preparer defined presentations and calculations

- 8 Some members said that entity-specific information (calculation or presentation linkbase), such as that provided in the US, is useful and should be encouraged by regulators (however, they acknowledged that some regulators prohibit entities from providing entity-specific calculation links). Specifically, some members said that calculations would be useful, less from a mathematical perspective, but rather from the perspective of expressing how items relate to each other. Some members said that the usefulness of extensions without entity-specific calculations is limited and that having a mechanism to understand how an extension relates to other items was important (with anchoring being such a mechanism, and calculations being an even better mechanism).
- 9 Some members also said that new metamodels were being developed, hence the staff should be cautious with regard to relying on a calculation or presentation linkbase as a solution.

Disclosure of operating expenses by nature in the notes

- 10 Staff asked ITCG members whether ‘line items as members’ would achieve the objective of providing users with information on the amounts of depreciation, amortisation, and employee benefits included in each line item in the statement of profit or loss and whether there were any risks with regard to such an approach (other than those mentioned by staff). Staff also asked ITCG members whether current dimensional modelling would still achieve the objective if the risks were too high (or whether they would suggest a different tool to achieve the objective that has less risks).
- 11 ITCG members generally disagreed with the staff recommendation of using ‘line items as members’ as a mechanism to tag the amounts of depreciation, amortisation and employee benefits included in each line item in the statement of profit or loss. Members cited a few reasons for disagreeing with the recommendation:
- a. a different mechanism could be explored—where dimensions could be used for all properties of a fact and where there would be a mechanism on that dimension to distinguish whether it was a disaggregation or something else (such as, additional metadata).
 - b. a consistent modelling approach across jurisdictions (for similar proposals) should be used and line items as members was currently not used in other jurisdictions (for example, in the FASB Taxonomy).
- 12 Some members also said that using line items as members would be a change to how line items and dimensions were currently used and how the two types of elements would generally be bifurcated.
- 13 Staff explained that the benefit of using line items as members would be that this would provide a structural link between the amounts presented in the statement of profit or loss and the amounts disclosed in the notes. Otherwise, users might not be able to understand the connection between disaggregated amounts of depreciation, amortisation and employee benefits and line items presented in the statement of profit or loss. For example, if the member used to tag the information were labelled in a different way compared to the line item presented in the statement of profit or loss a user might not be able to understand the connection. Some members said they would generally be able to understand the link between the information disclosed in the notes (depreciation, amortisation, and employee benefits) and the presented

line item in the statement of profit or loss so long as an entity used labels that were similar to the labels used for the line items presented.

- 14 ITCG members and staff also discussed the use of extensible enumerations to convey metadata about facts—however, it was acknowledged that extensible enumerations are not likely, on their own, to be a feasible solution for a quantitative disclosure requirement (such as that required under the PFS project for operating expenses by nature).

Summary of feedback on the staff draft of the IFRS Sustainability Disclosures

- 15 The staff summarised the feedback received on the staff draft of the IFRS Sustainability Disclosures Taxonomy, and then asked the ITCG members:
- a. if they had any comments on the feedback; and
 - b. which issues they felt most required further research or consideration

Comments on feedback

- 16 Members welcomed the effort that was put into the development of the draft taxonomy, were pleased with the feedback received and thanked the staff for the summary. Members emphasised the need for co-ordination and consistency in this area, noting the difficulties observed in the accounting arena from many different approaches having emerged in different jurisdictions to what are essentially similar issues.
- 17 The ongoing efforts to support consistency via a cross regulator ‘digital sustainability disclosure special interest group’, facilitated by XBRL International, were mentioned. Members noted that some aspects of that work had just been published via the XBRL International homepage.

Issues requiring further research

- 18 Members suggested that coordination with other standard-setters, including EFRAG, the SEC and the FASB is key in further work, and the recent announcement at COP 27 that CDP would incorporate the ISSB Climate-related Disclosures Standard into its global environmental disclosure platform was welcomed.

Other comments

- 19 ITCG members asked about the thinking in the IFRS Foundation regarding a similar body to the ITCG to support the ISSB. The Chair responded that the Foundation was working on a combined group, noting that the feedback of such a group was needed. The current expectation was that, going forward, there would be a combined advisory group. This was driven by the expectation that many people are going to be involved with both financial and sustainability reporting, which would suggest a combined group would be most effective and flexible.
- 20 Staff said that, while decisions about (and the due process for) constituting an advisory body to the ISSB are worked through, they would carry on business-as-usual discussions with the ITCG.