

Agenda paper 2
ITCG meeting, July 2022


IFRS® Foundation

Staff draft of IFRS Sustainability Disclosure Taxonomy
Taxonomy structure

Jatin Garach

Topics

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Summary of questions for breakout sessions

Summary of questions for breakout session 1

Basic architecture

Question 1A



The same as Q1 in the staff request for feedback

Do you agree with the staff recommendation to create a distinct IFRS Sustainability Disclosure Taxonomy separate from the IFRS Accounting Taxonomy?

Why or why not? If not, what alternative approach would you suggest and why?

Question 1B



Question specific to ITCG members

What features are needed to facilitate use of the IFRS Sustainability Disclosure Taxonomy as a global common “core taxonomy” that allows for ‘top up’ jurisdiction extensions/add-ons (refer to slide 5)?

Summary of questions for breakout session 1

Taxonomy layout

Question 2A



Similar to Q2 in the staff request for feedback

Do you agree with the staff recommendation to organise the general content of the IFRS Sustainability Disclosure Taxonomy, by both IFRS Sustainability Disclosure Standard and by aspects of core content?

Do you agree with the staff recommendation to organise industry-based metrics separately in the IFRS Sustainability Disclosure Taxonomy and organised by the industry for which they are specified?

Why or why not? If not, what alternative approach would you suggest and why?

Question 2B



Question specific to ITCG members

Do you have experience with different taxonomy presentation layouts and do you have any lessons learned to share?

Summary of questions for breakout session 1

Reflecting similar disclosure requirements to IFRS Accounting Standards

Question 3A



Similar to Q9 in the staff request for feedback

Do you agree with the staff recommendation?

Why or why not? If not, what alternative approach would you suggest and why?

Question 3B



Question specific to ITCG members

Should we reconsider rejected Option 2 explained in the slides to move (some) elements from the IFRS Accounting Taxonomy and the IFRS Sustainability Disclosure Taxonomy reflecting similar disclosures into a third, shared taxonomy that could be referenced by both taxonomies?

A grayscale world map is the background. Overlaid on the left side are several concentric, semi-transparent curved lines that sweep across the map. A network of dotted lines is also visible, connecting various points across the globe.

1 Basic architecture

1. Basic architecture: The Issue

The issue



IFRS Foundation maintains the **IFRS Accounting Taxonomy** designed to tag financial information prepared using **IFRS Accounting Standards** as issued by the IASB.

Should the IFRS Sustainability Disclosure Standards be represented either as 1. a distinct taxonomy, 2. combined taxonomy, 3. distinct taxonomy with a shared component?



General purpose financial report

Financial statements -
IFRS or other GAAP

Sustainability Disclosures

Other information

Staff recommendation



Separate IFRS Taxonomies

- Allows use by preparers who use IFRS Accounting Standards and those who use other GAAP to prepare related financial statements.
- Allows jurisdictions to adopt one or both Taxonomies.
- Consistent with IFRS Foundation *Constitution* for approvals of due process documents including the taxonomies by the IASB or the ISSB

1. Basic architecture: Design aim–*Building block approach*

An entity may apply IFRS Sustainability Disclosure Standards when the entity's related financial statements are prepared in accordance with IFRS Accounting Standards **or other GAAP.**

The ISSB intends that **requirements set by others could build on the comprehensive global baseline** established by the IFRS Sustainability Disclosure Standards.

Should work with any accounting taxonomy



Should be usable as a 'core' taxonomy for 'top up' jurisdiction extensions/add-ons



Additional jurisdictional sustainability disclosures

- Disclosure requirements in addition to those required by IFRS Sustainability Disclosure Standards

'Top up' Taxonomy

IFRS Sustainability disclosures

- Jurisdiction permits or requires use of IFRS Sustainability Disclosure Standards
- Jurisdiction requires disclosures that are aligned with IFRS Sustainability Disclosure Standards (dual compliance)

IFRS Sustainability Disclosure Taxonomy ("core taxonomy")

1. Basic architecture: alternatives

Alternatives rejected



Option 1: Single IFRS Taxonomy

- Simpler to use for those who use IFRS Accounting Standards to prepare related financial statements but benefits of separate Taxonomies are greater.



Option 2: Separate IFRS Taxonomies with shared, separate Taxonomy with common elements for non-accounting concepts, for example geographic areas.

- Could increase coherence between IFRS Taxonomies and improve the ease of tagging **but**
- Would require changes to the structure of the IFRS Accounting Taxonomy in order to extract these common components.

1. Basic architecture: questions

Question 1A



The same as Q1 in the staff request for feedback

Do you agree with the staff recommendation to create a distinct IFRS Sustainability Disclosure Taxonomy separate from the IFRS Accounting Taxonomy?

Why or why not? If not, what alternative approach would you suggest and why?

Question 1B



Question specific to ITCG members

What features are needed to facilitate use of the IFRS Sustainability Disclosure Taxonomy as a global common “core taxonomy” that allows for ‘top up’ jurisdiction extensions/add-ons (refer to slide 5)?



2 Taxonomy layout

2. Taxonomy layout

The issue



Elements within a taxonomy should be organised (**grouped**) to help preparers and primary users to **navigate, understand and use the taxonomy**. Helping preparers easily find the elements they need would facilitate consistent tagging and thus aid digital consumption of financial reporting.

The way taxonomy elements are grouped within a taxonomy **does not dictate**:

- how preparers should organise their human-readable reports.
- how data resulting from the tagging of those reports can be viewed or analysed by users.

2. Taxonomy layout

Two groupings, each containing all the elements derived from the body of the exposure drafts, excluding industry-based metrics in the appendix



- **based on the IFRS Standard** they are derived from



- **based on the aspects of core content**—governance, strategy, risk management and metrics and targets

Industry-based metrics, included in the Appendix of the exposure draft



The staff recommends **grouping industry-based metrics separately, by industry** rather than by the Standard or by aspects of core content

Just like a **table of contents** and an **index** provide **different routes to the same content**

Consistent with layout for **IFRS Accounting Taxonomy** - helps find elements based on the requirements in the Standards

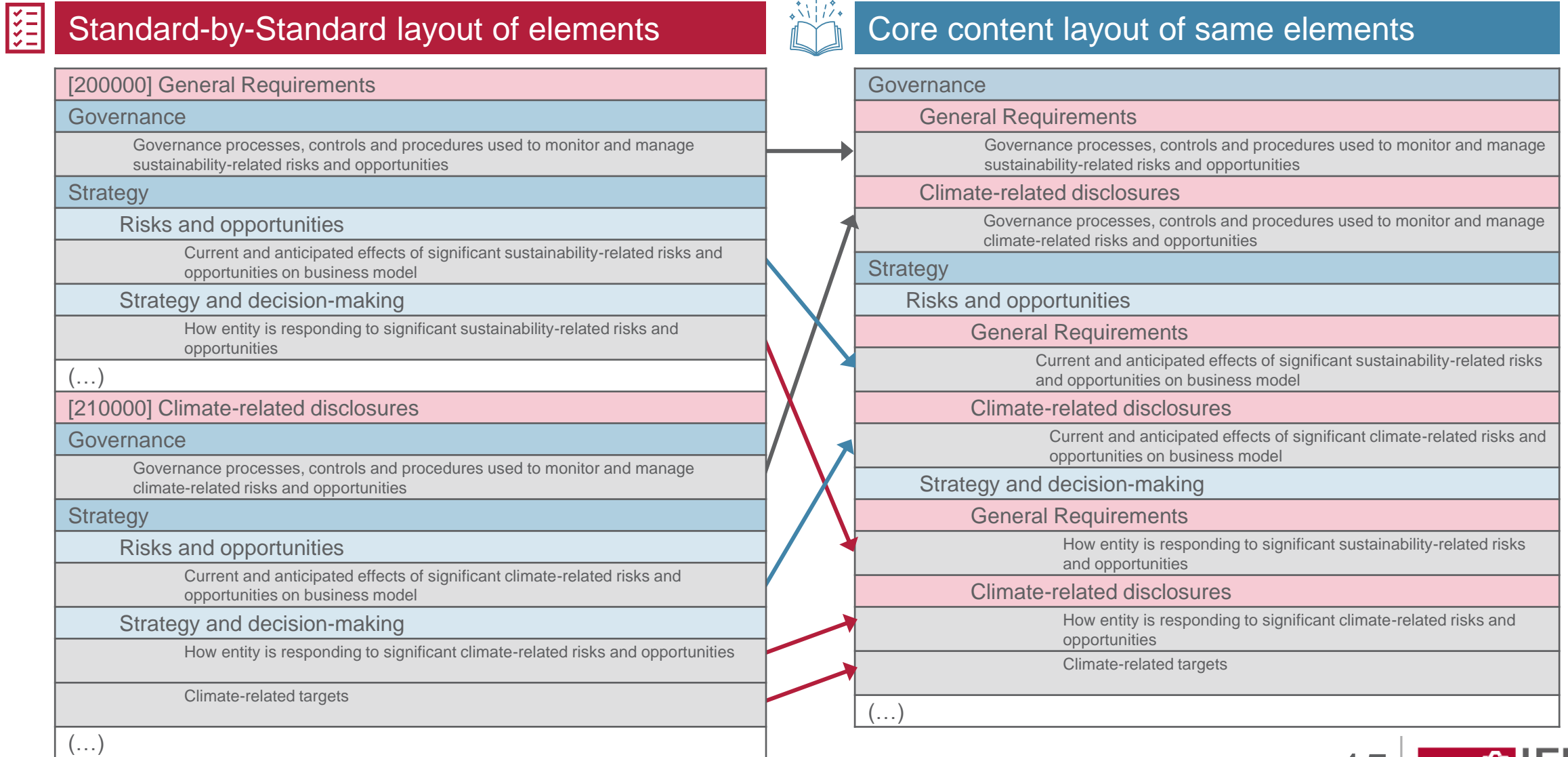
May better reflect **reporting presentation practice** for some/many preparers – helping to find elements when tagging

Expected to reflect reporting practice and is **consistent with SASB Taxonomy**



See next slide for illustration of the two groupings

2. Illustration - same content, different groupings



2. Taxonomy layout

Alternatives rejected



Option 1: Single grouping for all elements – only by Standards

- Rejected as the only presentation for aspects of content, because **reporting practice is expected to vary** and an additional presentation layout may help find appropriate elements to tag or query information, for example for all strategy content, regardless of the Standard it relates to.
- Rejected for industry metrics because staff recommendation better reflects reporting practice and **expected repetition of metrics within Standards** would make such presentation difficult to navigate.

Question 2A



Similar to Q2 in the staff request for feedback

Do you agree with the staff recommendation to organise the general content of the IFRS Sustainability Disclosure Taxonomy, by both IFRS Sustainability Disclosure Standard and by aspects of core content?

Do you agree with the staff recommendation to organise industry-based metrics separately in the IFRS Sustainability Disclosure Taxonomy and organised by the industry for which they are specified?


Why or why not? If not, what alternative approach would you suggest and why?

Question 2B



Question specific to ITCG members

Do you have experience with different taxonomy layouts and do you have any lessons learned to share?



3 Reflecting similar disclosures in the IFRS Accounting Standards and in the [draft] IFRS Sustainability Disclosure Standards

3. Reflecting similar disclosure requirements to IFRS Accounting Standards

The issue



- Some proposed requirements in exposure drafts are similar to the requirements in IFRS Accounting Standards.
- **Similar modelling** for similar disclosures would make it easier for preparers to apply tagging practice and for users and providers of relevant software to understand disclosures **by analogy**.
- As the IFRS Sustainability Disclosure Taxonomy would be a new taxonomy, the staff also considered whether there is **scope for better taxonomy modelling** of some requirements.

Staff recommendation



- The staff recommended the use of **similar modelling** in both the IFRS Accounting Taxonomy and the IFRS Sustainability Disclosure Taxonomy for similar disclosure requirements (apart from categorical elements, not used in the IFRS Accounting Taxonomy).
- The staff recommended creating elements with the **same labels** as the elements used in the IFRS Accounting Taxonomy, which facilitate identification of these elements in the IFRS Sustainability Disclosure Taxonomy. However, the 'ownership identifier' (**namespace**) in the element name **will be different** making them technically different elements (please refer to next slide for an illustration).

3. Illustration of modelling of similar disclosures



Both IFRS Accounting (IAS 8.49(d)) and IFRS Sustainability Disclosure (IFRS S1.90(c)) Standards require disclosure of the explanation of reasons why it is impracticable to determine amounts for corrections relating to prior period errors. This would be reflected in each taxonomy as follows:

	IFRS Accounting Taxonomy	IFRS Sustainability Disclosure Taxonomy
Element label	Explanation of reason it is impracticable to determine amounts for correction related to prior period errors	Explanation of reason it is impracticable to determine amounts for correction related to prior period errors
Element name	ifrs-full: ExplanationOfReasonWhyItIsImpracticableToDetermineAmountsForCorrectionRelatedToPriorPeriodErrors	ifrs-sds: ExplanationOfReasonWhyItIsImpracticableToDetermineAmountsForCorrectionRelatedToPriorPeriodErrors
Element type	text	text block



A full list of examples of similar disclosure requirements is included within Appendix G of the staff request for feedback.

3. Reflecting similar disclosure requirements to IFRS Accounting Standards

Alternatives rejected



Option 1: reusing elements from the IFRS Accounting Taxonomy. Rejected because IFRS Sustainability Disclosure Standards are intended to be ‘GAAP-neutral’, and the staff recommends the Sustainability Taxonomy be separate from the IFRS Accounting Taxonomy – see topic 1.

Option 2: moving the elements into a third, shared taxonomy that could be referenced by IFRS Accounting and Sustainability Disclosure taxonomies – see topic 1.

Question 3A



Similar to Q9 in the staff request for feedback

Do you agree with the staff recommendation?

Why or why not? If not, what alternative approach would you suggest and why?

Question 3B



Question specific to ITCG members

Should we reconsider rejected Option 2 explained above to move (some) elements from the IFRS Accounting Taxonomy and the IFRS Sustainability Disclosure Taxonomy reflecting similar disclosures into a third, shared taxonomy that could be referenced by both taxonomies?

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