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*Via Email*

Dear Aida

**STAFF REQUEST FOR FEEDBACK ON THE STAFF DRAFT OF THE IFRS SUSTAINABILITY DISCLOSURE TAXONOMY MAY 2022**

Thank you for the opportunity to comment on the initial work of the Foundation on the ISSB taxonomy. It comes at a time when comparable, high quality, audited, and *digital* disclosures in this field are essential for investors, regulators and policy makers, together with a wide range of other stakeholders. The importance of ensuring that these digital disclosures are suitable for global consumption, for both upstream and downstream use, cannot be overstated and we commend the work of the staff, including your open approach to this technical consultation.

We are the global not-for-profit standards development organization behind the XBRL standard. Our standards are open and freely licensed and are used across the world<sup>1</sup> to facilitate digital business reporting in a wide range of reporting domains. We have a specific public interest purpose: to improve the accountability and transparency of business performance globally, by providing an open data exchange standard for business reporting. We are supported by 20 independent chapters around the world that focus on digital reporting in their own countries and regions.

The annexure sets out our response to your questions.

Our comments are fundamentally concerned with maximising the utility of these digital disclosures at a time when Europe, the UK, US, Japan, China and numerous other jurisdictions seek to introduce mandatory climate and other sustainability disclosures. They will do so utilising tightly connected but not yet identical

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<sup>1</sup> See the XBRL International [Project Directory](#) for a list of current regulatory mandates.

sustainability disclosure standards being issued by Europe's EFRAG SRB, the SEC and/or the ISSB. The majority of these jurisdictions have indicated, formally or informally, their intention to also ensure that their mandates oblige issuers to publish their disclosures primarily in Inline XBRL format. We expect that there will be very significant uptake of the ISSB taxonomy around the world.

Unless regulators and standards setters implementing the *digital* disclosures work to co-ordinate their activities, the ability to compare disclosures across borders, even where the underlying standards/rules align, will be badly impaired.

We would like to take this opportunity to thank the Foundation for its ongoing collaboration within the XBRL International Digital Sustainability Disclosure Special Interest Group (or SIG). This dialogue will, we trust, continue to support the overall goal of improving technical interoperability and help facilitate technical comparability.

We are very happy to provide additional information or answer any questions that you might have. You can reach me at +44 1865 594 750 or the email address above.

Thank you for your time and the opportunity to comment.

Sincerely



John Turner  
CEO

Cc: Nili Shah  
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## Annexure: XBRL International Response to May 2022 Staff Request for Comment on ISSB Taxonomy Draft.

### Question 1—Distinct taxonomy

Do you agree with the staff recommendation to create a distinct IFRS Sustainability Disclosure Taxonomy separate from the IFRS Accounting Taxonomy? (Paragraphs 1–10)

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

We agree with the proposal to create a distinct IFRS sustainability disclosure taxonomy. We would make the following points in support of your proposals:

- In our view there will be numerous jurisdictions that may choose to utilise the ISSB taxonomy either without the IFRS accounting taxonomy, or as a precursor to the digitisation of accounting disclosures. Numerous emerging and frontier markets are likely to use the ISSB taxonomy as their starting point for digitisation.
- We agree with your points about the likelihood that countries will decide to use local or alternative GAAP or sustainability disclosure arrangements (including alternative taxonomies) in whole or in part, at least in the short term. Distinct taxonomies are much clearer and a more efficient mechanism for facilitating this diversity.
- We also agree that distinct arrangements will be simpler to manage from a due process perspective.

Next we would emphasise the need for modularity:

- It is clear that the ISSB taxonomy is likely to be used in different ways in different jurisdictions. The “building block” approach to taxonomy implementation, with national requirements either being defined on top of, or via the selection of different components of the ISSB taxonomy by using different entry points is likely to result in significantly more diverse data collection arrangements than those which exist with today’s IFRS accounting taxonomy implementations.
- Therefore the ISSB taxonomy needs to be appropriately modular to facilitate reuse and thereby enhance international comparability.
- While it may well be that the best way to implement modularity features is to do so gradually, over time and in particular as different ISSB standards

are developed, we would encourage the staff to do as much upfront planning as possible in this field.

We would make the following additional points for your consideration:

- It may be advantageous to consider the creation of additional specialist supporting taxonomies to capture code lists and extensible enumerations. Please note that XBRL International (finally) expects to be able to publish certain international code lists, leveraging the ISO improvements in this area. We would be happy to discuss and co-ordinate.
- Along similar lines, it may be possible to propose an IFRS versions of a “DEI” taxonomy to simplify, co-ordinate and improve the capture of a range of cover page information that can enhance comparability and utilisation. Again, we would be happy to discuss and co-ordinate.

#### Question 2—Taxonomy grouping

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
- aspects of core content?

Do you agree with the staff recommendation to organise the content in the IFRS Sustainability Disclosure Taxonomy related to industry-based metrics separately and organised by the industry for which they are specified? (Paragraphs 11–30) Why or why not? If not, what alternative approach would you suggest and why?

We agree that it is important to simplify understanding and enhance clarity for issuers and users alike by organising the taxonomy in such a fashion as to permit multiple approaches to identifying elements. The approach being used seems logical. We would make the following points:

- Given that a number of headings within the ISSB disclosures are consistent (and somewhat repetitive), but captured either within an industry or within a core concept, please consider adding metadata to capture, for example, “governance”, “strategy”, “risk management” through the use of the new property role. Without this kind of additional information, it is not necessarily clear from just the label as to which disclosure the requirement applies to.
- Please consider the use of suitable dimensionality within the industry framework. This is likely to be particularly important for reporting entities that operate across more than one industry.
- Some normalisation between industries should likely be considered. For example, “fuel consumption” and “energy consumption” are captured in different industries. They both are measurements of energy (as shown by their data-type) and there is an implication either that one is a super-set of

the other or that they are different labels for the same thing, even though they are currently two separate, disconnected concepts. Changing them so that they are either the same concept (with a different label for particular industries) or showing how one aggregates to another will assist both those preparing filings that are multi-industry and those doing analysis.

- Including a presentation (or table) linkbase that shows how an analyst might look at data across industries would illustrate how the ISSB expects the taxonomy to be used, which might help both analysts and preparers.

Question 3—Relationship between the *General Requirements* Exposure Draft and *Climate* Exposure Draft in the Taxonomy

Do you agree with the staff recommendation to reflect the proposed disclosure requirements related to each aspect of core content as a separate list of distinct elements (line items) for each of the [draft] IFRS Sustainability Disclosure Standards?

(Paragraphs 31–53)

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

This is not a simple issue.

- We agree that the use of different line items to identify the various aspects of these kinds of core content disclosures is straightforward. On the other hand, unless there is very clear labelling and element naming conventions<sup>2</sup>, it is almost certain that this will be an area in which there will be significant confusion for preparers and will result in incorrect tags being frequently applied.
- The repetition sought in the standards for these core content disclosures, specialised by different sustainability topic, are *extremely likely* to attract boilerplate and/or repetitive responses against this pattern of repetition. It is very likely that the simple “line item” approach will exacerbate this tendency.
- The line item approach may well lead some preparers to attempt to differentiate their responses (perhaps in a well-meaning effort to minimise repetition) to use entity-specific extensions in areas where comparability is really sought by the standards setters, and users.
- A dimensional approach might minimise the boilerplate approach as the specialisation sought may well be clearer. This advantage would be most apparent if issuers used a tabular approach to these disclosures, but related examples we have seen often spread their responses out throughout a report, which might minimise any “specialisation” advantage that the dimensional approach could provide.

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<sup>2</sup> See also our suggestion above regarding the use of property role to clarify these concepts.

- A dimensional approach may be more challenging for some users, but equally, most analytic tools are more powerful when provided with dimensional structures to “slice and dice”.

We hate to provide a non-answer, but this is an area that, in our view, can only be determined through testing. Even quite a small A-B test of say up to 5 example disclosures prepared by a small number of issuers using a small number of vendor solutions *and resulting example analytics* would be highly informative.

#### Question 4—Granularity of narrative information

Do you agree with the staff recommendation that, as a principle, distinct taxonomy elements should be created for narrative information that is expected to be both separately understandable to primary users of sustainability-related financial information, and easily identifiable for tagging? (Paragraphs 55–68) Why or why not? If not, should taxonomy elements generally be provided to represent more detailed or less detailed narrative data sets? Why?

This principle, applied to the disclosure requirements proposed in the exposure drafts, has resulted in the staff recommending the creation of:

- narrow scope narrative elements typically corresponding to disclosures to be provided to meet proposed requirements listed in first-level subparagraphs of the exposure drafts (Paragraph 62)
- In which, if any, cases do you think the most detailed taxonomy elements that should be included in the Taxonomy correspond to a different level of the requirements proposed in the two exposure drafts?
- wider scope narrative elements corresponding to wider (paragraph level) proposed disclosure objectives and to entire aspects of proposed core content (see paragraph 64 and Appendix D)
- In which, if any, cases would additional or alternative narrative elements covering wider disclosures be beneficial?

We support the approach of tagging the widest useful block of narrative information and then additionally tagging at a narrower level within that block, where that is material and relevant -- particularly as shown in Appendix D Table 8 and Appendix D Figure 1.

We would make the following points:

- Use of Boolean and enumerated (“categorical”) narrow elements within a wider narrative element removes ambiguity and interpretation and simplifies machine-based filtering, so we encourage the staff to utilise these wherever they are relevant and may clarify disclosures.
- We encourage the use of properly nested narrative disclosures, as outlined in figure 1 in Appendix D. The example potentially provides an idealised situation and we make two further points in this regard:

1. Where there are clear delineations in the different specificities in element nesting, this approach is very much to be preferred. It clearly requires suitable mechanisms to encourage comprehensive narrative tagging that logically narrows down to quite precise disclosures which themselves are best understood in their specific environments: they form part of one or more wider narrative facts.
  2. Please consider the counterfactual. Wider/Narrower structures need to be carefully designed in order to avoid situations in which there is redundant tagging. This is evident in certain IASB disclosures in which some wider concepts are simply a concatenation of two narrower concepts. In the event that one of those concepts is empty, this just results in unnecessary double tagging of the non-empty concept. This is a simple example and this kind of tagging can become extremely complex.
- Granular narrative tagging works best when a preparer develops the narrative with the taxonomy structures in mind. Otherwise they end up using technical features such as `ix:continuation` and a single tag can be split over several paragraphs that might be dispersed through a report. Or (more likely) important aspects of the disclosure will not get tagged.
  - In this regard, please consider providing guidance that encourages issuers to structure their narrative information such that tagging feels natural (narrow tags line up with whole sentences or bullet points, wider tags line up with one or more whole paragraphs).
  - It might be worth making the related point that issuers (and auditors) will benefit from utilising granular tagging approaches in helping them understand whether, and if so to what extent, they have addressed specific narrative requirements. Disclosure checklists and other automated content management mechanisms can themselves be driven by the taxonomy.

**Question 5—Categorical elements**

Do you agree with the staff recommendation to use categorical elements for narrative disclosures that can be represented as either true or false responses or choices from lists of responses? Why or why not? (Paragraphs 69–81)

Do you agree with the staff recommendation to create specific categorical elements and their properties? (See Appendix F) Why or why not? If not, do you think any additional categorical elements are needed and, if so, which ones?

As referenced in our answers to Q4 above, we support the use of Categorical elements (using the XML Boolean datatype and the XBRL Extensible Enumerations 2.0 specification) in the ISSB taxonomy. They are of particular benefit to users of disclosures as they remove ambiguity and, as a result, accelerate and improve the quality of analysis.

The list of proposed elements in Appendix F makes sense. We hope that their presence in the ISSB taxonomy means that preparers will not need to create entity specific extensions with their own proxy boolean or extensible enumeration elements as their utility is based on their general applicability.

It might be possible to expand the use of enumeration in some other areas, such as:

- Time horizon (for example in relation to S1 para 16.
- Sustainability risk or opportunity – there are areas in the taxonomy (such as “Sustainability-related risk or opportunity [Axis]” which do not currently provide a bifurcation between the two for descendent members.

#### Question 6—Modelling metrics

Do you agree with the staff recommendation to:

- create elements, equivalent to those in the SASB Taxonomy, for defined metrics common to IFRS Sustainability Disclosure Standards and SASB Standards in the IFRS Sustainability Disclosure Taxonomy? (Paragraphs 82–94)
- model disclosures related to entity-specific metrics and targets using a dimensional approach? (Paragraphs 95–99) Why or why not? If not, what alternative approach would you suggest and why?

We appreciate the thinking that has gone into this area.

- Overall we disagree that simplifying the transition for issuers that might be familiar with the SASB taxonomy to the ISSB taxonomy should be a significant consideration. The SASB taxonomy is an excellent piece of work and has informed both exemplars and important discussion. Adoption of the taxonomy, however, at this point, is relatively limited. There are very few issuers familiar with the SASB taxonomy as things stand. Having said that we agree with the approach and logic of the staff in reusing the work carried out in developing the SASB taxonomy in the way that is evident in the ISSB taxonomy.
- We agree that the generalisation/internationalisation of (in particular) industry-based conventions is necessary for the ISSB taxonomy. Overall, industry classification is a complex issue in terms of localisation and this is something that the team has clearly considered in their initial work.
- We agree with the logic evident in Table 4 and the approach proposed for dealing with entity defined climate-related targets.
- Our main concern in this area comes down to technical comparability for users that are consuming digital disclosures prepared across major markets. They will need to do so in a such a way that takes into account the different modelling approaches taken by the IFRS team, the EFRAG team and the SEC team in their different taxonomies.

- Wherever possible, it should be a primary consideration of the team to coordinate with their counterparts to try to ensure that disparate modelling decisions do not make comparison harder than it needs to be. We suspect that entity-specific metrics and targets may be one area that is of particular interest to a wide range of users, which is why we emphasise this point here.
- We note, in passing, that the existing entity-specific model might be improved with the addition of something like a “Sustainability-related risk or opportunity [Axis]” to establish an additional link between entity-specific metrics and the risk/opportunity identified.

**Question 7—Representing related information**

Should the IFRS Sustainability Disclosure Taxonomy include a specific mechanism to capture connections between related pieces of information—for example, connections between sustainability-related financial information and information in the financial statements or connections between pieces of sustainability-related financial information? If you do, are you aware of a mechanism that can be used without imposing undue costs on preparers and users of digital reporting? If so, please explain that mechanism. (Paragraphs 101–110)

Alternatively, do you think that the narrative elements in the staff draft of the IFRS Sustainability Disclosure Taxonomy would adequately capture such connections for users of the information without imposing undue costs for preparers and users of digital reporting? (Paragraph 103)

We think using the XBRL mechanism (a fact-explanatoryFact footnote arc role) specified in paragraphs 105 to 109 to represent connected information is useful, could be widely (or universally) adopted by relevant software given suitable signalling by the IFRS team and *should* be used in preference to the mechanism suggested in the staff recommendation. A few points follow on:

- We recognise that, by their nature, the utilisation of these mechanisms can't be enforced from the taxonomy.
- We agree that jurisdictional regulators would need to consider the scope of application of this mechanism carefully and we would recommend that areas of particular importance are prioritised. There may be aspects of cross-referencing that would not really benefit from digital connections, including content that is not necessarily material to specific disclosures.
- That said, we agree that this is a real issue. As the paper points out, sustainability reports tend to utilise cross references significantly more frequently than financial reports. Equally, it could be reasonably expected that many ISSB standards will explicitly require relatively extensive cross-referencing to a range of materials within corporate financial statements (and vice versa).
- In our view, the fact-explanatoryFact mechanism may be more supported (and therefore be less costly) than it might first appear:

- Any inline XBRL solution that uses footnotes in inline XBRL already supports all the mechanisms needed for representing connections between facts in this manner.
  - The main open source inline XBRL viewer already supports displaying connected facts.
  - Jurisdictional regulators already consume inline XBRL documents that use footnotes. Some oblige issuers to use them appropriately in order to comply with their filing manuals.
  - Those regulators that would like to capture fact connections using this XBRL mechanism can include that requirement in their filing manuals.
- Additionally, depending on audit requirements, the XBRL fact connection mechanism would provide a useful way of capturing which facts are audited and by which auditor.
  - The narrative element connection mechanism proposed can capture fact connection information but only in a way that is subject to a human preparer writing it correctly and another human consumer reading it correctly.
  - The comparative advantages of the XBRL fact-explanatoryFact mechanism over the narrative element mechanism are that it is machine maintainable, machine verifiable and machine readable. That allows software to guide humans in terms of creating connections and maintaining connections as a document is updated. It will also simplify the process of following, highlighting and displaying connections between facts and the digital consumption of these pairings.

We would be happy to discuss this topic further, including any suggestions that we could take up for enhancements to the XBRL specifications in this area.

<b>Question 8—Connections between reports</b>
Do you agree with the staff recommendation that requirements related to cross-references in the IFRS Sustainability Disclosure Taxonomy should not be modelled explicitly? (Paragraphs 111–123) Why or why not? If not, what alternative approach would you suggest and why?

We agree that a number of practical challenges (different formats for different reports, publication timing differences, unknown “official location” of cross-reference targets) make cross-referencing difficult or low value at present. Further:

- As different jurisdictional regulators develop implementation policies for sustainability disclosures, many of them will be faced with relatively difficult

decisions that involve balancing the pros and cons of the location of disclosures. On one hand, the utility of external document cross-referencing is undeniable. On the other, there should be improvements in disclosure brought about through enhanced quality controls and procedures that might be expected to be applied to information brought within primary reports.

- At this point we expect that the machine-readability of externally referenced materials is likely to be a secondary consideration. This may change over time.
- For now, we think it might be worth considering a set of elements to capture and tag a bibliography in a disclosure. These could contain simple information such as the title of the supporting reports and one or more URLs where they might be located (e.g. the issuer's own website and/or an official regulator depository). As this information would be tagged, the supporting reports would be, broadly speaking, machine discoverable. That would allow tooling for preparers and consumers to automatically retrieve all relevant/related documents when a given disclosure was being examined. A human would still need to manually find the right page or use specialised software tooling to extract external XBRL facts but a valuable (in its own right) part of the problem of following cross-references would have been achieved.

**Question 9—Similar disclosures in IFRS Accounting Standards and in the [draft] IFRS Sustainability Disclosure Standards**

Do you agree with the staff recommendation to, in principle, model disclosure requirements of the [draft] IFRS Sustainability Disclosure Standards in the same way similar disclosure requirements of the IFRS Accounting Standards are modelled in the IFRS Accounting Taxonomy, except for categorical information? (Paragraphs 124–132)

Do you agree with the modelling in the staff draft of the IFRS Sustainability Disclosure Taxonomy for disclosures that are similar to their counterparts in the IFRS Accounting Standards? (Appendix G) Are there any other disclosures that are sufficiently similar between those set out in the [draft] IFRS Sustainability Disclosure Standards and those in IFRS Accounting Standards, and for which consistent modelling should be considered?

Overall, in terms of the items set out in Appendix G, we agree that these areas of compatibility are sensibly identified and will certainly simplify aspects of markup for issuers that also report their financials under IFRS in digital form. Further:

- We firmly agree (see above) with the use of Boolean and Enumerations as evidenced in the ISSB taxonomy samples set out in Appendix G.
- As you know, in our view it is very important that the ISSB taxonomy be developed very much with *users* of all kinds in mind. This comes back to the points above in Q6 regarding the need to consider architectures that

simplify, to the maximum extent possible, the consumption of structured data disclosures prepared in accordance with the SEC climate and EFRAG sustainability disclosures in particular.

- These comparisons are unlikely to always be easy at a conceptual level, but users need to make them nevertheless. We encourage the Foundation to keep stylistic modelling differences to a minimum wherever possible. Significantly different modelling architectures across these taxonomies will increase the complexity of comparison of sustainability disclosures unnecessarily. We urge ongoing dialogue and technical co-operation wherever possible.

Question 10—Other comments

Do you have any other comments or suggestions on the staff draft of the IFRS Sustainability Disclosure Taxonomy?

- We think it would be helpful to include guidance information in the taxonomy indicating where preparers are expected to extend the taxonomy. It may well be that there are significant aspects of these reports where standards setters would prefer to discourage extensions, to focus on comparability. Equally, there may be areas in which the development or adoption of industry common practices might be encouraged – and in these areas entity-specific extensions would be welcome.
- Overall, we think it would be helpful for the ISSB taxonomy to be designed, where possible, in such a way that it can be used by preparers without the need to produce an entity-specific extension taxonomy. We have in mind the no-doubt significant numbers of jurisdictions that will seek to utilise relatively simple digital reporting mechanisms in order to provide certain kinds of sustainability information into markets.
- We think that the advantage of a centralised taxonomy team is something that the Foundation should take advantage. There are aspects of the taxonomies that might benefit from joined up design. For example, presumably it should be possible to genericise certain aspects of the model. Examples might include:
  - The domain head for enumeration might be generic. For example `'SustainabilityRelatedMetricAbsoluteOrExpressedInRelationToAnotherAbstract'` could instead be `'MetricAbsoluteOrExpressedInRelationToAnotherAbstract'`. This might make the hierarchy reusable in another context.
  - Similarly `'ClimateRelatedRiskOrOpportunityAbstract'` and its members could be generic and used in sustainability and financial disclosures alike.

- Finally, we have a small number of extremely specific suggestions for the taxonomy that are sufficiently technical or discrete as to be better dealt with outside of this response. We will email the team separately.

Thank you for your attention and efforts in this area!