
IASB meeting

Date	December 2022
Project	Digital Financial Reporting
Topic	Priority digital financial reporting activities
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Purpose of this paper

- This paper outlines the priority digital financial reporting activities that staff think the IASB should undertake
- At this meeting, the IASB is asked to provide feedback on the possible priority digital financial reporting activities to undertake
- This paper does not ask the IASB to make any decisions
- It is noted that the considerations in here are likely to also be relevant to the ISSB. It is intended that the input of the ISSB will be sought separately including confirming whether this work falls within the foundational activities that the ISSB agreed to undertake at its October 2022 meeting.

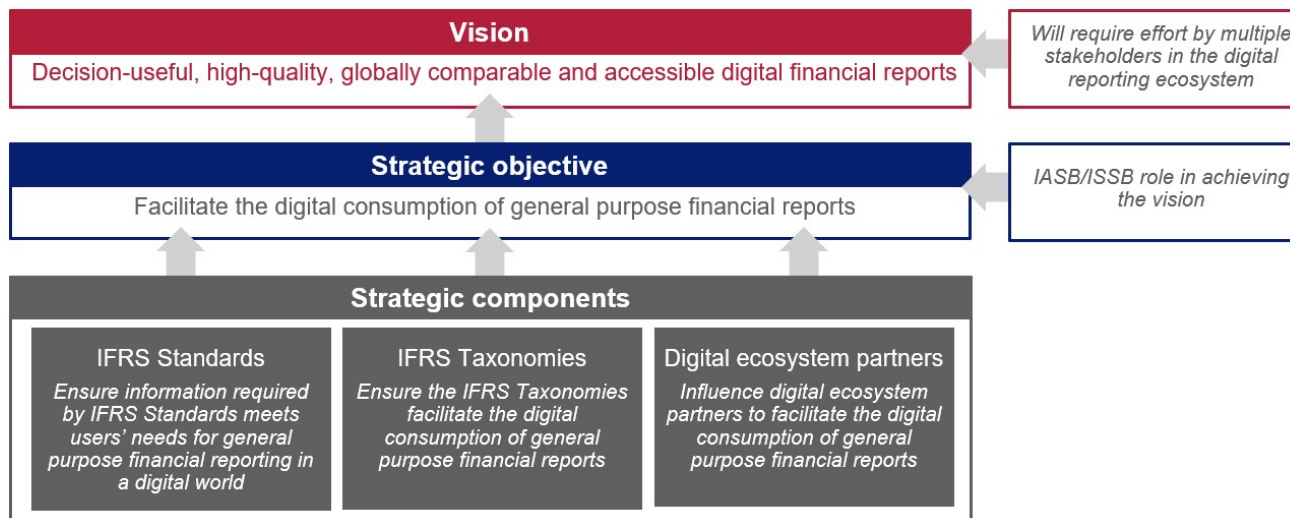
Structure of this paper

- This paper is structured as follows:
 - identifying the population of possible activities
 - considerations in prioritising activities
 - priority digital financial reporting activities
 - question for the IASB
 - Appendix A: Summary of feedback from the IFRS Advisory Council on possible digital financial reporting activities
 - Appendix B: Digital financial reporting extracts from the Feedback Statement on the IASB's Third Agenda Consultation

Identifying the population of possible activities (1/2)

In order to determine the priority digital financial reporting activities, staff first sought to identify the population of possible activities that the IASB, and potentially the ISSB, could undertake. To do so, staff:

1. **Considered the benefits and current challenges** of digital financial reporting outlined in Agenda paper 25A
2. **Considered the strategic direction and boundaries provided by the digital financial reporting strategic framework** set out in Agenda paper 25A



Identifying the population of possible activities (2/2)

3. Considered stakeholder feedback

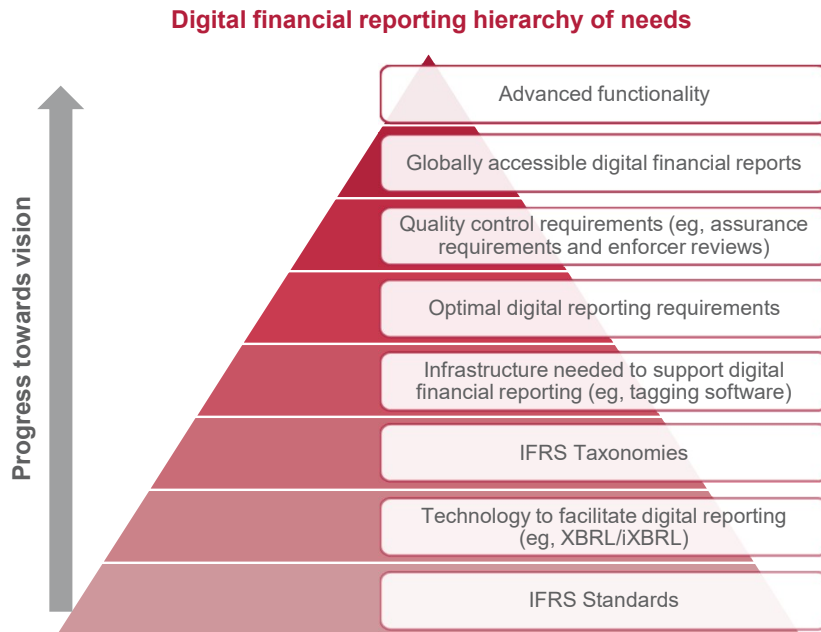
	Multiple IFRS Advisory Council meetings 2017-2022 <i>(See Appendix A for summary of feedback from the Oct 2022 meeting)</i>	General outreach	IASB’s Third Agenda Consultation feedback <i>(See Appendix B for extract from Feedback Statement)</i>	Feedback on the staff draft of the IFRS Sustainability Disclosure Taxonomy and S1 / S2 EDs ¹
Key messages	<ul style="list-style-type: none"> Updating and maintaining the IFRS Accounting Taxonomy is important Centralised accessibility to digital data considered important Need for tools to access and process digital financial reports Data quality issues need to be resolved Educational materials would be helpful Consider what ‘compliance’ with the IFRS Taxonomies would mean Important to preserve contextual information in a digital format Interoperability needed between an IFRS Sustainability Disclosure Taxonomy and digital taxonomies for other sustainability standards Horizon scan for technological disrupters 	<ul style="list-style-type: none"> Drafting in IFRS Standards could be improved to facilitate digital consumption Important to ensure IFRS Accounting Taxonomy is maintained, including: <ul style="list-style-type: none"> Robust (due) process Common practice updates Adoption/application guidance Capacity building and educational materials needed Some suggest we enhance data validation functionality in the IFRS Taxonomies to help with data quality Evidence to support benefits of digital financial reporting exceeding costs considered helpful We have a role to play in promoting a global approach to digital financial reporting—need to work with other digital ecosystem stakeholders 	<ul style="list-style-type: none"> Ensure IFRS Standards meet the digital reporting needs of users Continue to improve the IFRS Accounting Taxonomy, including: <ul style="list-style-type: none"> Improvements to meet users’ needs better Illustrative examples to support application Common practice updates Work with regulators and standard-setters to increase adoption of the IFRS Accounting Taxonomy Identify partners and work jointly with them to achieve high-quality, comparable and accessible digital financial reports 	<ul style="list-style-type: none"> Support for the development of an IFRS Sustainability Disclosure Taxonomy Improving an IFRS Sustainability Disclosure Taxonomy considered important, including: <ul style="list-style-type: none"> Updates for common practice Mechanism to address implementation issues Educational or supporting materials would help with consistent application Interoperability with digital taxonomies for other sustainability standards considered important Field testing suggested to help develop the IFRS Sustainability Disclosure Taxonomy

¹ Exposure drafts (EDs) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (S1), and IFRS S2 Climate-related Disclosures (S2).

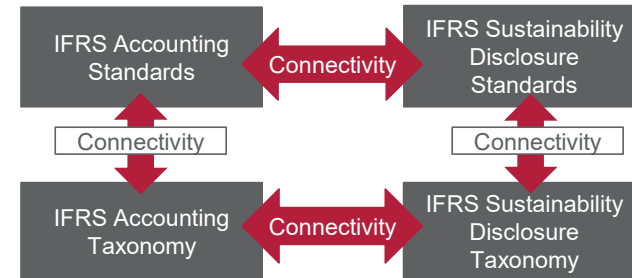
Considerations in prioritising activities

Staff have identified a wide range of possible digital financial reporting activities that the IASB, and possibly the ISSB, could undertake. To ensure the effectiveness of the IASB’s efforts to improve the usefulness, quality, accessibility and global comparability of digital financial information, staff have sought to prioritise those activities that maximise each of the following four considerations:

1. Activities that are foundational to the digital financial reporting vision



2. Activities that leverage synergies between the IASB and ISSB



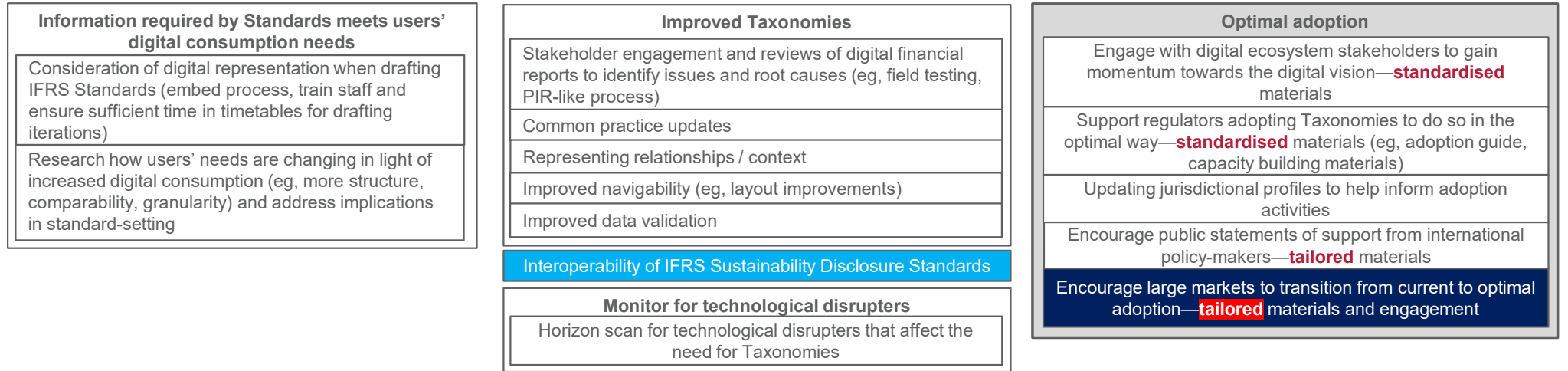
3. Activities where the intended outcome is within our control

4. Activities that offer the most impact for effort—given our expertise and resources such as opportunities that utilise the multiplier effect (eg, top-down multi-lateral engagement, broad-based engagement / support, train the trainer opportunities)

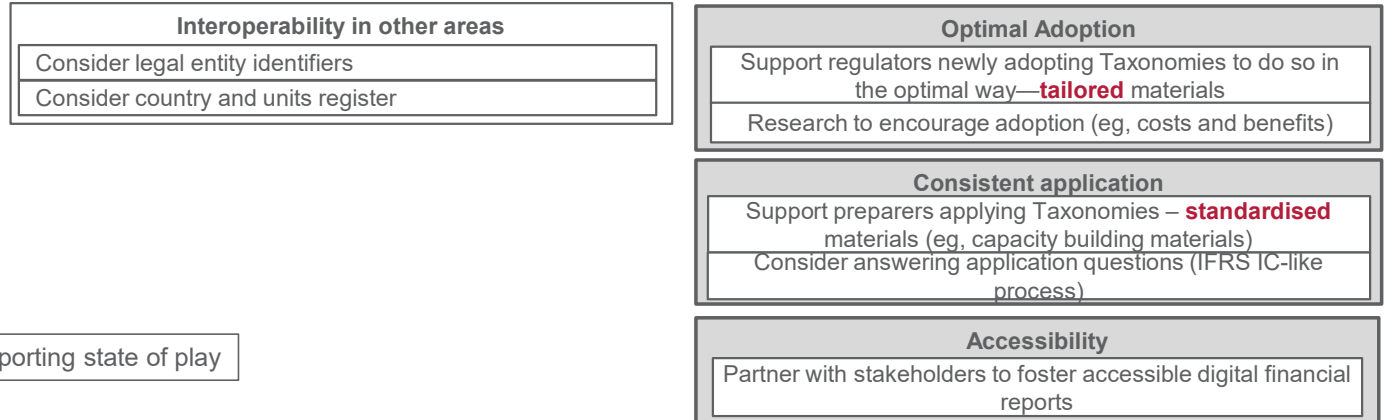
Priority digital financial reporting activities*



First wave (priority) activities to progress strategy (in no particular order)



Second wave of digital financial reporting activities to progress strategy (in no particular order)



Key	
Joint	ISSB
IASB	
Intended outcome in our control	Intended outcome out of our control

* Based on available resources and current digital financial reporting state of play

Question for IASB

1. Does the IASB have any questions or comments relating to the priority digital financial reporting activities?

Appendix A

Appendix A: Summary of feedback from the IFRS Advisory Council on possible digital financial reporting activities

Updating and maintaining the IFRS Accounting Taxonomy

- One member said it was important to continue developing the IFRS Accounting Taxonomy, including updates for common practice elements—to reduce the use of extensions

Accessibility

- Several members emphasised the importance of centralised accessibility of digital financial reports and commented that the IFRS Foundation has a role to play in facilitating global accessibility
- One member suggested partnering or collaborating with a platform provider
- Two members stressed the need for tools to allow investors to easily access and process machine-readable/XBRL files

Data quality and assurance

- A few members mentioned data quality as a current challenge

Education and awareness

- Several members commented that educational initiatives would be helpful, including materials on the use of extensions, and how analysts can access and use digital information
- One member said it would be helpful to understand the digital financial reporting approach taken in each jurisdiction, including information about the taxonomies used

Compliance with IFRS digital taxonomies

Some members suggested exploring the concept of compliance with IFRS digital taxonomies—for example, to assert compliance with the IFRS digital taxonomies an entity would need to apply the taxonomies in full

Preserving contextual information

- Several members commented on the importance of preserving contextual information in a digital format

ISSB related matters

- One member stated that it will be important for companies to be able to tag sustainability disclosures from when they first apply ISSB standards
- Some members commented on the need for interoperability between a future IFRS Sustainability Disclosure Taxonomy and taxonomies for other sustainability standards
- Two members suggested the IFRS Foundation perform a scan for new technology that could better facilitate the digitalisation of sustainability disclosures

Appendix B

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Appendix B: Digital financial reporting extracts from the Feedback Statement on the IASB's Third Agenda Consultation (1/2)

Feedback

Many respondents commented on the current level of focus on digital financial reporting. They said the IASB should increase its current level of focus on such reporting. Most of these respondents said that digital financial reporting is growing in importance to capital markets, not least because of the increased use of technology in general. Some respondents specified the types of work that the IASB should do more of. We have grouped these suggestions into three strategic work components:

- **the Accounting Standards**—respondents said the IASB should:
 - ensure that its approach to digital financial reporting responds to the needs of users of financial statements; and
 - research whether changes to standard-setting are needed to facilitate the reporting of financial information in a digital format;
- **the IFRS Accounting Taxonomy**—respondents said the IASB should:
 - consider improvements to the IFRS Accounting Taxonomy to meet users' needs better;
 - provide illustrative examples to support the application of the IFRS Accounting Taxonomy; and
 - include in the IFRS Accounting Taxonomy common reporting practices from a wide range of jurisdictions; and

- **digital ecosystem**—respondents said the IASB should:
 - strengthen its dialogue with regulators and standard-setters to increase the adoption of the IFRS Accounting Taxonomy; and
 - identify partners and work jointly with them to develop financial markets so that high-quality, comparable information is easily accessible in a digital format, if that is within the scope of the IASB's work.

Some respondents suggested that the IASB leave unchanged its current level of focus. They said:

- although the IASB should seek efficient solutions to improve the quality of information reported in a digital format and further support the consistent application of the IFRS Accounting Taxonomy, the IASB should not increase its current level of focus, given its other priorities;
- the IASB should seek to maximise synergies by collaborating with other organisations (or by complementing their work), rather than by duplicating any existing initiatives; and
- digitalisation is increasingly important, but it is not the IASB's main area of focus or expertise.

A few respondents said that digital financial reporting should not be a high priority for the IASB. In these respondents' view, other organisations have greater expertise in this area and the IASB should instead focus on its other activities.

Appendix B: Digital financial reporting extracts from the Feedback Statement on the IASB's Third Agenda Consultation (2/2)

The IASB's response

The IASB agreed with the many respondents who said it should focus more on digital financial reporting. The IASB decided to increase slightly its current level of focus because:

- digital consumption of financial reporting continues to increase;
- the use of the IFRS Accounting Taxonomy is increasing but challenges, including inconsistent approaches to its adoption and data-quality issues, can undermine the usefulness, quality, accessibility and comparability of the reported information; and
- some resources may be needed to support collaboration between the IASB and the ISSB on digital reporting.

By slightly increasing its current level of focus, the IASB aims to improve the usefulness, quality, accessibility and comparability of digital financial information. To do so, the IASB plans:

- to consider the implications of increased consumption of digital financial information for Accounting Standards, which have historically been based on how much information can be presented and disclosed in a paper-based or PDF-based format;
- to continue to improve the IFRS Accounting Taxonomy by, for example:
 - updating the IFRS Accounting Taxonomy to reflect new or amended requirements;

- updating the IFRS Accounting Taxonomy to reflect information (not referred to explicitly in the Accounting Standards or the accompanying materials) that is commonly disclosed in practice by companies when applying the Accounting Standards;
- publishing educational materials to help companies, regulators and others who use the IFRS Accounting Taxonomy; and
- identifying and resolving causes of errors and unnecessary extensions;
- to engage further with its partners in the digital ecosystem by, for example, working with regulators to support adoption of the IFRS Accounting Taxonomy and with preparers to support quality outcomes in applying the IFRS Accounting Taxonomy; and
- to work with the ISSB, for example:
 - to develop consistent approaches and concepts for the IFRS Accounting Taxonomy and the to-be-developed IFRS Sustainability Disclosure Taxonomy;
 - to develop technological compatibility, so companies can seamlessly use both taxonomies; and
 - to engage jointly with the digital reporting ecosystem to facilitate the consumption of digital reports.

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