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## IFRS Taxonomy Consultative Group (ITCG) meeting

Date           **2 July 2024**

Project       **Digital Financial Reporting**

Topic         **Update on digital reporting activities**

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This paper has been prepared for discussion at a public meeting of the ITCG. This paper does not represent the views of the International Accounting Standards Board (IASB), the International Sustainability Standards Board (ISSB), or any individual IASB or ISSB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS<sup>®</sup> Accounting Standards or IFRS Sustainability Disclosure Standards.

## Connectivity between the IASB and the ISSB

Supporting digital financial reporting is a main activity for both the IASB and the ISSB

The following examples of connectivity allow the boards to maximise synergies:

- A **shared staff team** that supports both the IASB and the ISSB on their taxonomy related activities
- A **shared advisory group** (the ITCG) that advises both the IASB and ISSB on their taxonomy related activities
- Common **taxonomy design** that is consistently applied in both IFRS digital taxonomies
- Common **educational materials** that support the use of both IFRS digital taxonomies
- In developing the IASB's digital financial reporting strategic framework ([slide 4](#)) consideration was given to possible synergies with the ISSB

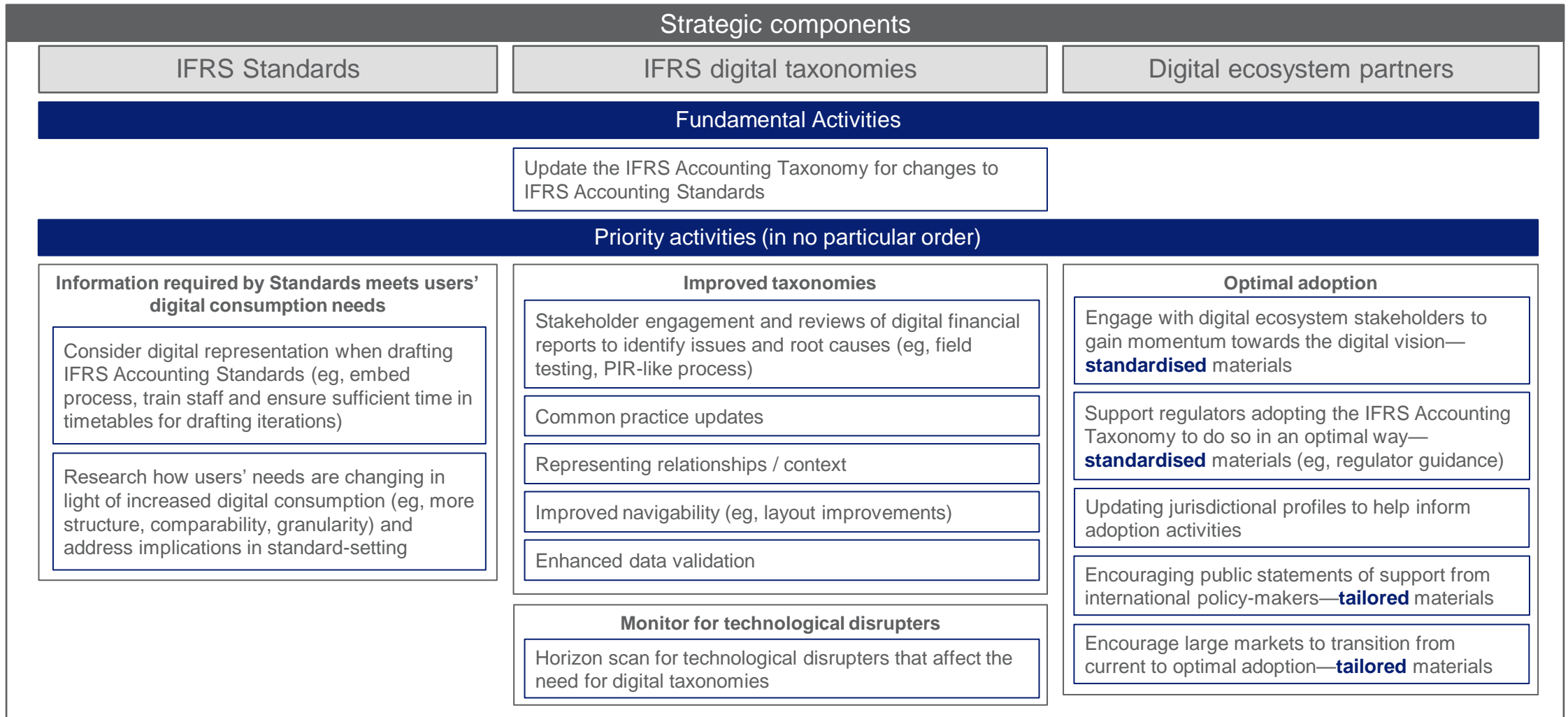


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# Update on the IASB's digital financial reporting activities



# IASB's digital financial reporting priorities through to 2026\*





## Developing standards that improve the digital consumption of financial information

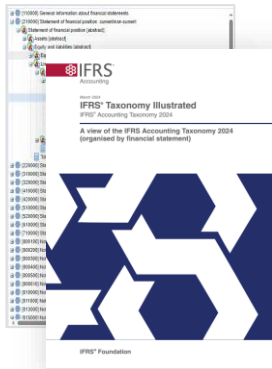


1. IFRS 18 Presentation and Disclosure in Financial Statements was published in April 2024 and is expected to improve comparability and accessibility of information, both in a paper-based and digital format, by:
  - Making income statement subtotals comparable, reducing the need for investors to rely on data providers to provide normalised data
  - Enabling disclosures, such as management-defined performance measures, to be consistently tagged and therefore computer-readable
2. Digital financial reporting implications continue to be considered as part of relevant standard setting projects
3. Staff are developing and refining a guide to help standard-setting teams consider the implications of digital representation when drafting disclosure requirements
4. IASB members and staff continue outreach with users about the impact of technology on their needs. Further internal discussions planned in 2024 to discuss possible implications on standard-setting and next steps



# Updating and enhancing the IFRS Accounting Taxonomy

## IFRS Accounting Taxonomy 2024



The IASB publishes annually a compilation of taxonomy updates

The March 2024 update included the introduction of categorical elements

- These elements enhance the Taxonomy by enabling companies to tag narrative disclosures with standard responses (such as ‘true’ or ‘false’), making it easier for investors to digitally compare some narrative disclosures
- The use of categorical elements was first explored as part of the development of the IFRS Sustainability Disclosure Taxonomy. This is an example of how our work is benefiting from connectivity between the boards

## Proposed Taxonomy Update 1—*IFRS 18 Presentation and Disclosure in Financial Statements*

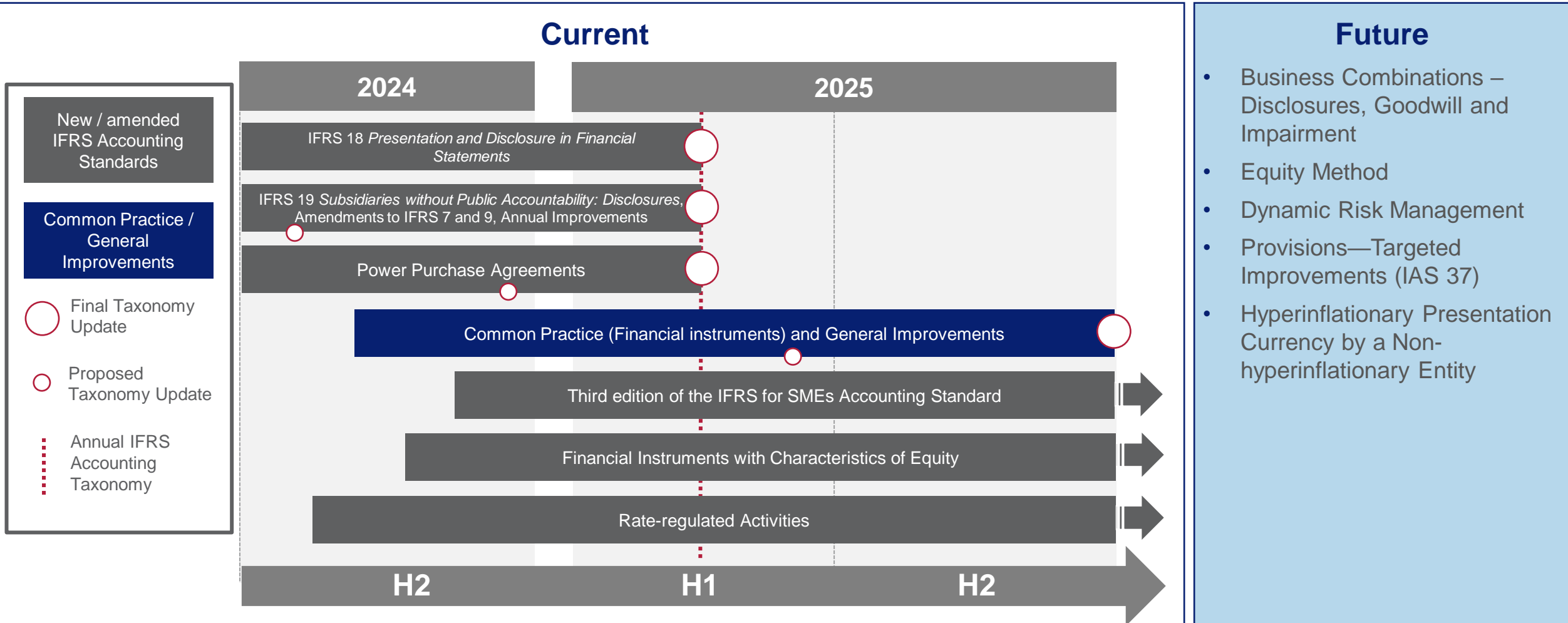
In May 2024, the IASB published for comment proposed changes to the IFRS Accounting Taxonomy to reflect the requirements in IFRS 18

Comments are due by 3 September 2024

These proposals will help to realise the benefits of IFRS 18 listed on [slide 5](#) when using digital financial reporting

Dissenting opinion—preference for metadata approach over the proposed line-item modelling approach to reflect categories of items in the statement of profit or loss. Staff are undertaking fieldwork to test the proposals, including the use of the line-item modelling approach

# IFRS Accounting Taxonomy workplan





# IFRS Accounting Taxonomy workplan

- Other work streams:
  - Development of Taxonomy modelling policies to support consistent modelling approach
  - Translations of the IFRS Accounting Taxonomy
  - Review of IFRS Accounting Taxonomy architecture including entry points
  - Considering future updates to the formula linkbase

- Update on Common practice and General improvements project

Scope of project		Priority
①	Financial instrument note disclosures	High
②	Introduction of guidance elements	Low
③	Further work on categorical elements	Medium
④	Linking concepts for various forms of connected reporting	Medium

- Plan to move publication of proposed taxonomy update to early 2025 and publish **a final update in the 2026 annual Taxonomy**





# IFRS Accounting Taxonomy workplan

- Refined the approach to adding references to disclosure requirements arising from IFRS 19 *Subsidiaries without Public Accountability: Disclosures*
- Previous approach**—to add references to all disclosure requirements in IFRS 19, irrespective of whether they were specifically included in IFRS 19 or included by cross reference
- Example (requirements extracted from IFRS 19):

**IFRS 5 Non-current Assets Held for Sale and Discontinued Operations**

38 An entity shall disclose, in the notes in the reporting period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

(a) a description of the non-current asset (or disposal group);



Preferred label	Type	References	Proposed IFRS 19 references
Description of non-current asset or disposal group held for sale which were sold or reclassified	Text	IFRS 5.41 a Disclosure	<u>IFRS 19.38 a</u> <u>Disclosure</u>

**Disclosure requirements in IFRS 5 that remain applicable**

40 An entity shall apply the disclosure requirements in paragraphs 12, 13, 33(a), 33(c) and 34 of IFRS 5. The reference to paragraph 33 in paragraph 13 of IFRS 5 shall be read by the entity as referring to paragraphs 33(a) and 33(c) of IFRS 5.



Preferred label	Type	References	Proposed IFRS 19 references
Net cash flows from (used in) operating activities, continuing operations	Monetary duration	IFRS 5.33 c Disclosure	<u>IFRS 19.40</u> <u>Disclosure</u>



# IFRS Accounting Taxonomy workplan

- Refined the approach to adding references to disclosure requirements arising from IFRS 19 *Subsidiaries without Public Accountability: Disclosures*
- Current approach**—to only add references to disclosure requirements that are specifically included in IFRS 19, and not to requirements that are included by cross-reference
- Example (requirements extracted from IFRS 19):

### IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

38 An entity shall disclose, in the notes in the reporting period in which a non-current asset (or disposal group) has been either classified as held for sale or sold:

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**No reference added to this requirement** because practically entities would need to go to the cross-referenced paragraphs in underlying IFRS Accounting Standards when applying these requirements.

Similarly, the Taxonomy elements would only reference the paragraphs of underlying Standards. This would be sufficient to facilitate the use of Taxonomy appropriately when applying IFRS 19.



# Promoting digital financial reporting and the IFRS digital taxonomies

1. Board members and staff continue to engage with the increasing number of jurisdictions that are moving towards decision-useful, high-quality, globally comparable and accessible digital financial reporting
2. In April 2024, we released introductory materials and a new digital financial reporting webpage [www.ifrs.org/digital-financial-reporting](http://www.ifrs.org/digital-financial-reporting)

## Introductory article

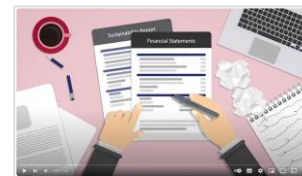


A helpful starting point for those new to digital financial reporting

The article includes spotlights on various jurisdictions to illustrate digital financial reporting developments around the world

[Click here to read the article](#)

## Explainer videos



The first video provides a general introduction to digital financial reporting, the benefits and what is needed to achieve these benefits

[Click here to watch](#)



The second video explains what the IFRS digital taxonomies are and how they facilitate the reporting of information in a computer-readable format

[Click here to watch](#)



## Developing materials to support optimal adoption of taxonomies



Later this year we expect to publish an updated guide for regulators implementing the IFRS digital taxonomies. The update guide is expected to cover:

- An introduction to the IFRS digital taxonomies and an outline of their intended use, the need for extensions, terms and conditions of use and translation
- Approaches for using the taxonomy files in a way that facilitates cross-border digital comparability of tagged information
- Best practice for creating regulator-specific taxonomies and regulator-specific extensions

## Encouraging public statements of support from international policy-makers

1. In May 2024 International Organization of Securities Commissions (IOSCO) shared their support for our work on digital financial reporting
2. We continue to engage with international policy-makers to encourage public statements of support to motivate jurisdictions towards decision-useful, high-quality, globally comparable and accessible digital financial reporting



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## Future activities and areas we will seek ITCG feedback in the future

- Update of existing guides (eg preparer guide, architecture guide)
- Review of common practice elements not being used
- Identify further possible categorical elements
- Expand/Revise tagged Illustrative Examples
- Stakeholder engagement and reviews of digital financial reports to identify issues and their root causes

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## Question for ITCG members

1. Do you have any questions or comments relating to the IASB's digital financial reporting activities? (Slides 4–13)?

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## Update on the ISSB's digital financial reporting activities



# ISSB's digital financial reporting priorities (1/2)

The ISSB's initial digital financial reporting priority was to develop the IFRS Sustainability Disclosure Taxonomy (ISSB Taxonomy)



At the end of April 2024, the ISSB published the ISSB Taxonomy, fulfilling its promise to enable investors and other capital providers to analyse sustainability-related financial information efficiently



For an introduction to the ISSB Taxonomy, its key features and benefits for investors, companies and regulators, please see our short webcast presented by Sue Lloyd (ISSB Vice-Chair) and Tim Kasim (ISSB Technical Staff)

[Click here to watch](#)



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## ISSB's digital financial reporting priorities (2/2)

The ISSB's current priorities

### Support use of the ISSB Taxonomy

The ISSB has agreed that its main focus in its 2024-2026 work plan will be supporting the implementation of IFRS S1 and IFRS S2 which specifically includes enhancing digital disclosure by supporting the use of the IFRS Sustainability Disclosure Taxonomy

### Interoperability with ESRS Digital Taxonomy

To complement the work that has been undertaken on interoperability between ESRS and ISSB Standards, the ISSB will focus on the interoperability of the ISSB and ESRS digital taxonomies to facilitate interoperable digital reporting and to ensure the ISSB's global baseline can be clearly identified and presented by those using ESRS

The ISSB is also working to enhance the SASB Standard Taxonomy making updates to reflect the improved international applicability of the SASB Standards

The ISSB will consider specific digital financial reporting activities it could undertake to support these priorities at a future date (*potential activities are set out on slide 16–18*)

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## Support use of the ISSB Taxonomy (1/2)

- **Update the ISSB Taxonomy for changes to ISSB Standards and common practice**
  - Periodical updates to the ISSB Taxonomy in accordance with Taxonomy due process
- **Supporting regulators that are considering using the ISSB Taxonomy**
  - Update to the regulator's guide is intended to support optimal adoption of both IFRS digital taxonomies (see Slide 10)
  - Consider developing other materials to support optimal adoption of the ISSB Taxonomy

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## Support use of the ISSB Taxonomy (2/2)

- **Raising awareness about digital financial reporting and the ISSB Taxonomy**
  - Digital financial reporting introductory materials are intended to raise awareness of both IFRS digital taxonomies
  - Consider how these introductory materials can be utilised to promote digital reporting of sustainability-related financial disclosures from the start
- **Collaborate with partners to develop capacity building materials**
  - Support partners in developing capacity building materials that support stakeholders in using the ISSB Taxonomy
  - XBRL International has joined the [ISSB Partnership Framework for Capacity Building](#)

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# Interoperability with ESRS Digital Taxonomy

- **Building on ESRS-ISSB Interoperability Guidance**
  - IFRS Foundation and EFRAG published [joint interoperability guidance](#) that explains how companies can efficiently comply with both ISSB and ESRS Standards
  - The ISSB will focus on the interoperability of the ISSB and ESRS digital taxonomies to facilitate interoperable digital reporting
- **Collaborate with partners to develop a mechanism to support digital interoperability**
  - XBRL International is considering developing a concordance specification that would enable more efficient use of both ISSB and ESRS taxonomies for tagging disclosures that meet both ISSB and ESRS Standards

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## Question for ITCG members

2. Do you have any questions or comments relating to the ISSB's digital financial reporting activities (Slides 16–20)?

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