
IASB meeting

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Project	Digital Financial Reporting
Topic	Digital financial reporting update
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This paper has been prepared for discussion at a public meeting of the International Accounting Standards Board (IASB). This paper does not represent the views of the IASB or any individual IASB member. Any comments in the paper do not purport to set out what would be an acceptable or unacceptable application of IFRS® Accounting Standards. The IASB's technical decisions are made in public and are reported in the IASB *Update*®.

Purpose of this paper

- This paper provides a summary of the IASB's recent digital financial reporting activities
- This paper does not ask the IASB to make any decisions

Structure of this paper

- This paper is structured as follows:
 - Connectivity between the IASB and International Sustainability Standards Board (ISSB)
 - Background—the IASB's digital financial reporting strategic framework and priorities through to 2026
 - Update on recent digital financial reporting activities
 - Future digital financial reporting activities

Connectivity between the IASB and ISSB



Connectivity between the IASB and the ISSB

Facilitating digital financial reporting is a priority 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 IFRS Taxonomy Consultative Group) 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 8](#)) consideration was given to possible synergies with the ISSB



Background—the IASB’s digital financial reporting strategic framework and priorities through to 2026



IASB's level of focus on digital financial reporting



In 2021 the IASB consulted on its priorities for 2022 through to 2026. Many respondents said the IASB **should increase its level of focus** on digital financial reporting

- The IASB's historical focus was primarily on updating the IFRS Accounting Taxonomy for changes to IFRS Accounting Standards



In response to feedback, the IASB agreed to **slightly increase** its level of focus on digital financial reporting with the aim of improving the usefulness, quality, accessibility, and comparability of digital financial information

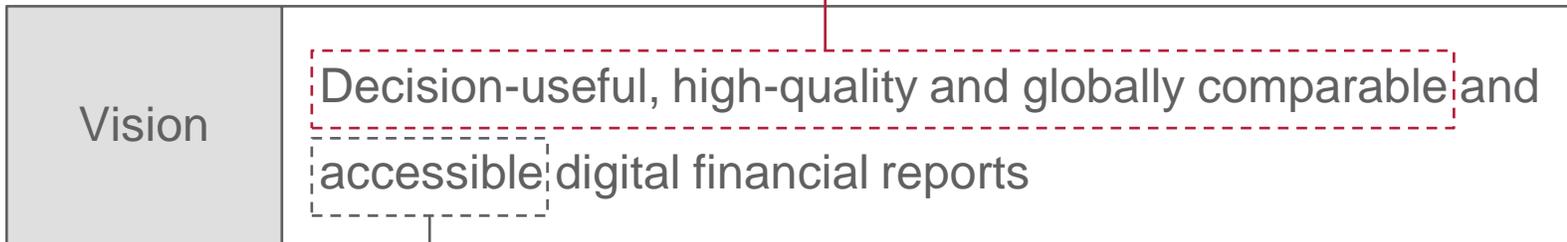


At its [December 2022 meeting](#), the IASB discussed

- A vision (where the world needs to be) for digital financial reporting ([slide 7](#))
- A strategic framework to help guide its digital financial reporting activities ([slide 8](#))
- Activities that the IASB could prioritise through to 2026 as part of its slightly increased focus on digital financial reporting ([slide 9](#))

Digital financial reporting vision

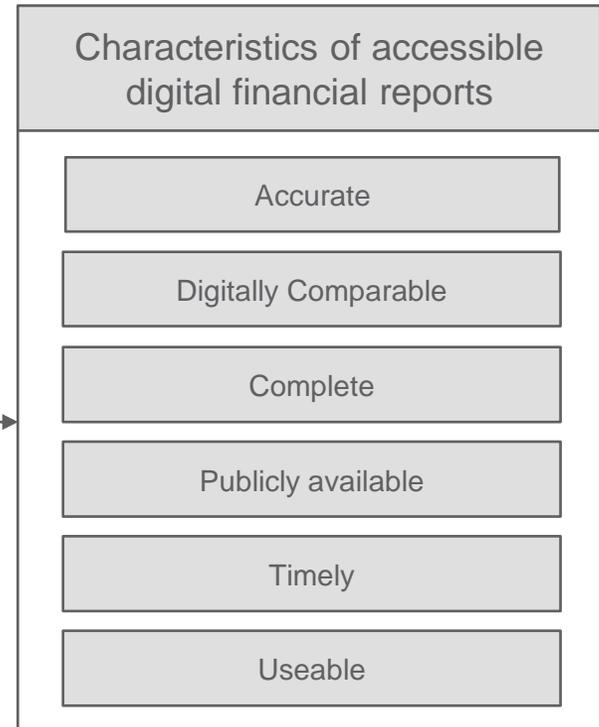
Qualities of general purpose financial reports prepared in accordance with IFRS Standards. At a minimum, digital financial reports need to reflect these qualities in a digital format



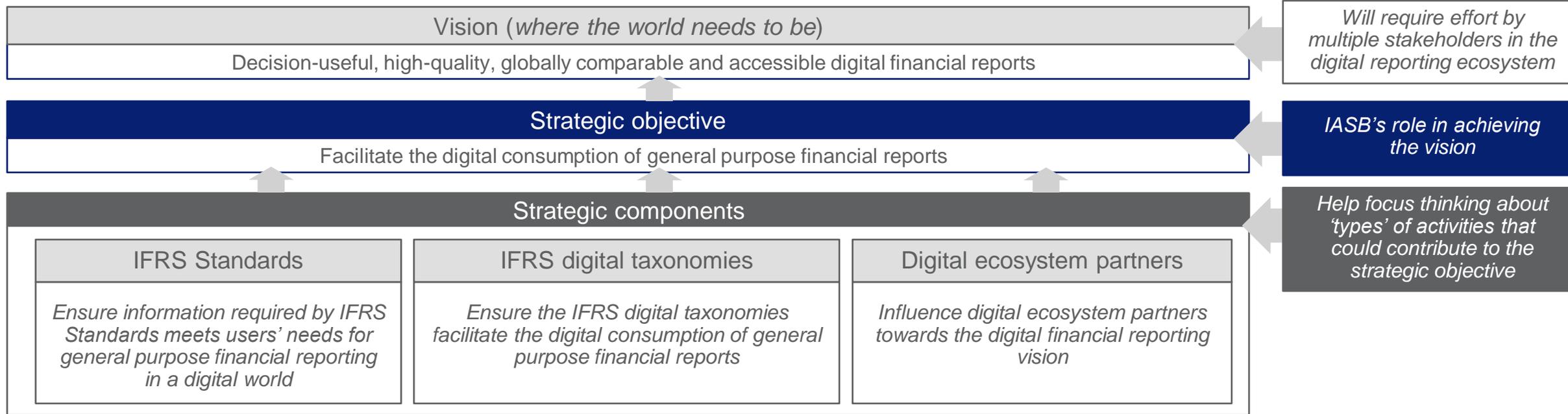
Accessible refers to the ability to *accurately* access in a *digitally comparable* format *all* the information in an entity's general purpose financial reports

Information is inaccessible if the digital financial reports themselves are not:

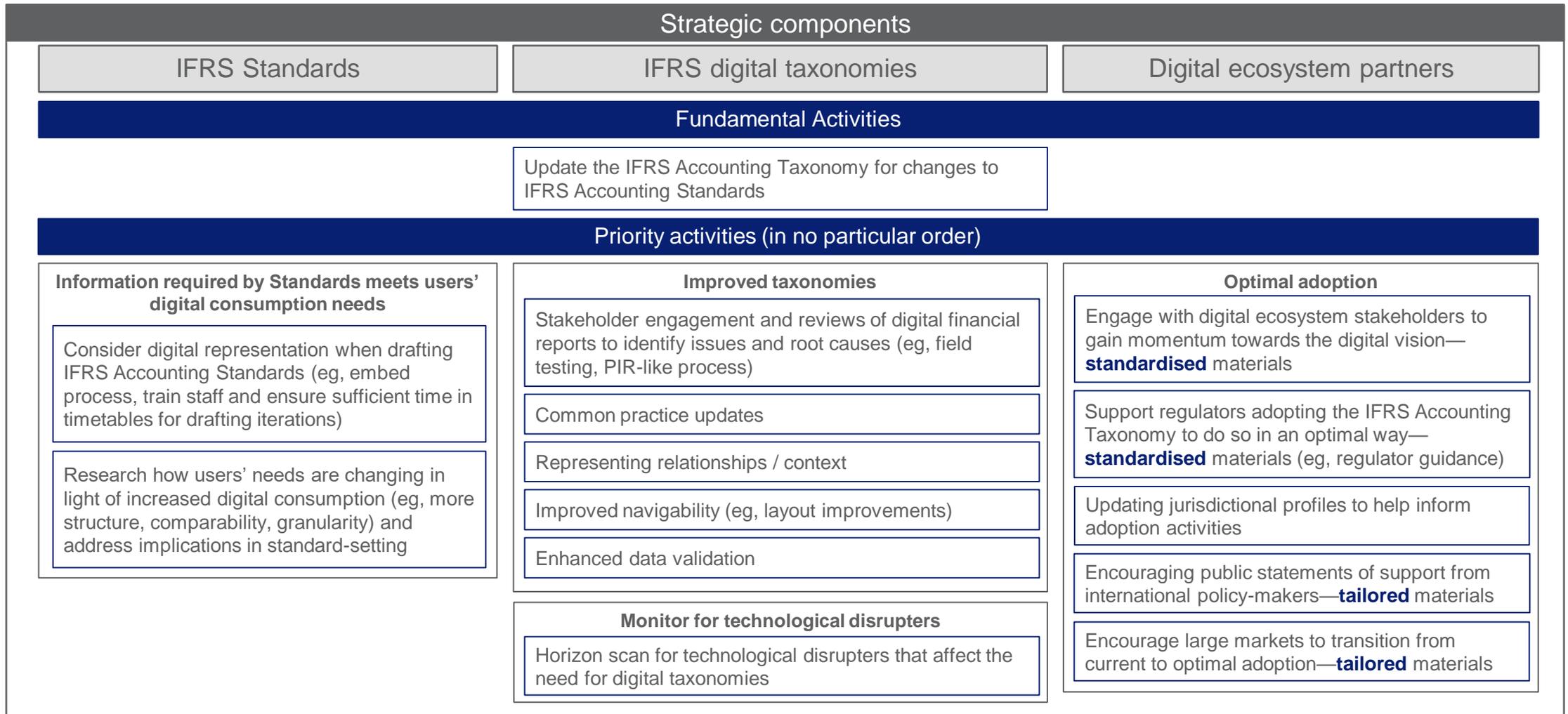
- digitally accessible to the public
- available at the same time as general purpose financial reports
- centrally accessible in a format that is easy for investors to use



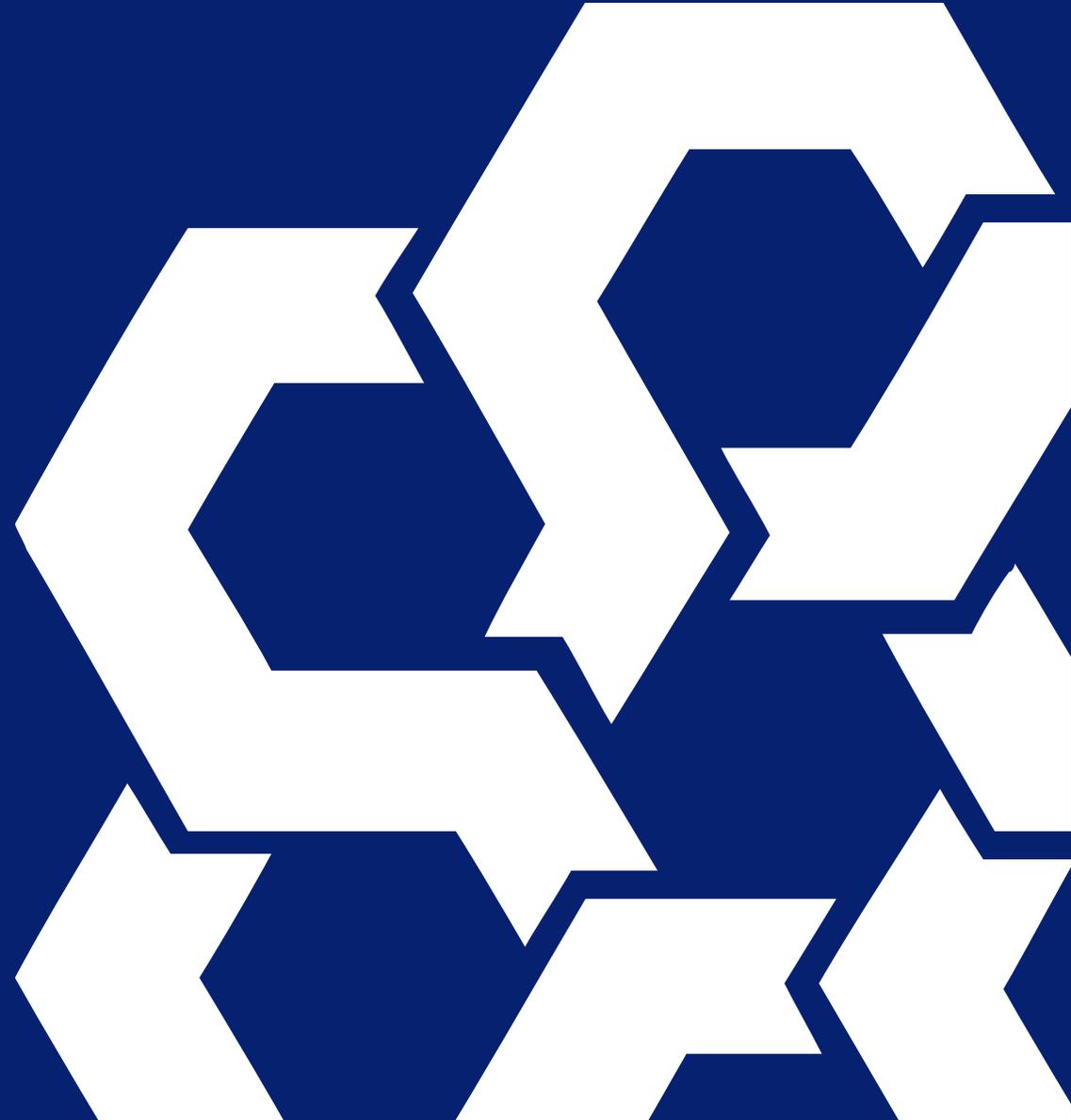
IASB's digital financial reporting strategic framework



IASB's digital financial reporting priorities*



Update on recent digital financial reporting (DFR) activities





Update on DFR activities

Considering digital representation when drafting IFRS Accounting Standards



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. DFR 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

Researching how users' needs are changing in light of increased digital consumption and addressing implications in standard-setting

1. IASB members and staff continue outreach with users about the impact of technology on their needs
2. Further internal discussions planned in 2024 to discuss possible implications on standard-setting and next steps



Update on DFR activities

Updating the IFRS Accounting Taxonomy for changes to IFRS Accounting Standards and common practice

1. The IFRS Accounting Taxonomy 2024 was published in March 2024
 - The 2024 Taxonomy includes updates to reflect new or amended presentation and disclosure requirements arising from *International Tax Reform—Pillar Two Model Rules* (Amendments to IAS 12), *Supplier Finance Arrangements* (Amendments to IAS 7 and IFRS 7) and *Lack of Exchangeability* (Amendments to IAS 21)
 - Also includes changes to reflect common reporting practice (financial instruments), general taxonomy improvements and technology updates
2. Proposed Taxonomy Update 1—IFRS 18 *Presentation and Disclosure in Financial Statements* was published in May 2024. These proposals reflect the requirements of IFRS 18 and help to realise the benefits of IFRS 18 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
3. Proposed Taxonomy Updates are expected to be published in H2 2024 for:
 - IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, Amendments to IFRS 7 and 9, and Annual Improvements
 - Power Purchase Agreements
4. Planning has commenced for future Proposed Taxonomy Updates based on the IASB's workplan
5. Staff are building on existing common practice review of financial instruments—with a focus on common reporting practice for financial instrument note disclosures



Update on DFR activities

Improving / enhancing the IFRS Accounting Taxonomy

1. The introduction of categorical elements

- The IFRS Accounting Taxonomy 2024 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

2. Links to freely available taxonomy views have been provided on the [ifrs.org](https://www.ifrs.org) to support browsing of the IFRS digital taxonomies

3. Staff continue to develop and refine a policy document to facilitate more efficient taxonomy development

Taxonomy translations

- Staff continue to support translations of the IFRS Accounting Taxonomy

IFRS digital taxonomies due process

- Staff completed an internal review of the taxonomy due process. No changes proposed



Update on DFR activities

Horizon scanning for technological disrupters that affect the need for digital taxonomies

- Staff continue to monitor for technological disrupters, including the increased use of AI and large language models (LLMs)
 - The quality of AI-generated output is dependent on the quality and structure of the underlying data
 - Feeding LLMs unstructured data, means that AI is forced to make educated ‘guesses’ about what the data means before it can analyse it
 - The risk of AI incorrectly structuring and identifying information prepared in accordance with IFRS Standards is mitigated by:
 - The structure provided by the IFRS digital taxonomies, which are readily available and regularly updated to reflect changes in IFRS Standards
 - Companies retaining control over their tagging decisions

An example of AI models using unstructured PDF filings



[Research](#) by Patronus AI highlighted challenges faced by LLMs in analysing financial data contained in US SEC filings. The study, found that even with access to extensive filings, the best-performing model, GPT-4-Turbo, achieved only a 79% accuracy rate using PDF versions of financial statement filings

In summary, AI benefits from the structure provided by the IFRS digital taxonomies



Update on DFR activities

Engaging with digital ecosystem stakeholders to gain momentum towards the digital vision / Encouraging large markets to transition from current to optimal adoption

1. Staff continue to engage with the increasing number of jurisdictions that are moving towards our digital vision
2. The IASB regional stakeholder engagement committees have developed and started executing on engagement strategies to progress the digital financial reporting vision within their regions
 - Strategies for some jurisdictions involve coordinating with ISSB members for opportunities to jointly engage
3. In April 2024, we released introductory materials and a new digital financial reporting webpage 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](#)



Update on DFR activities

Supporting regulators implementing the IFRS Accounting Taxonomy in an optimal way



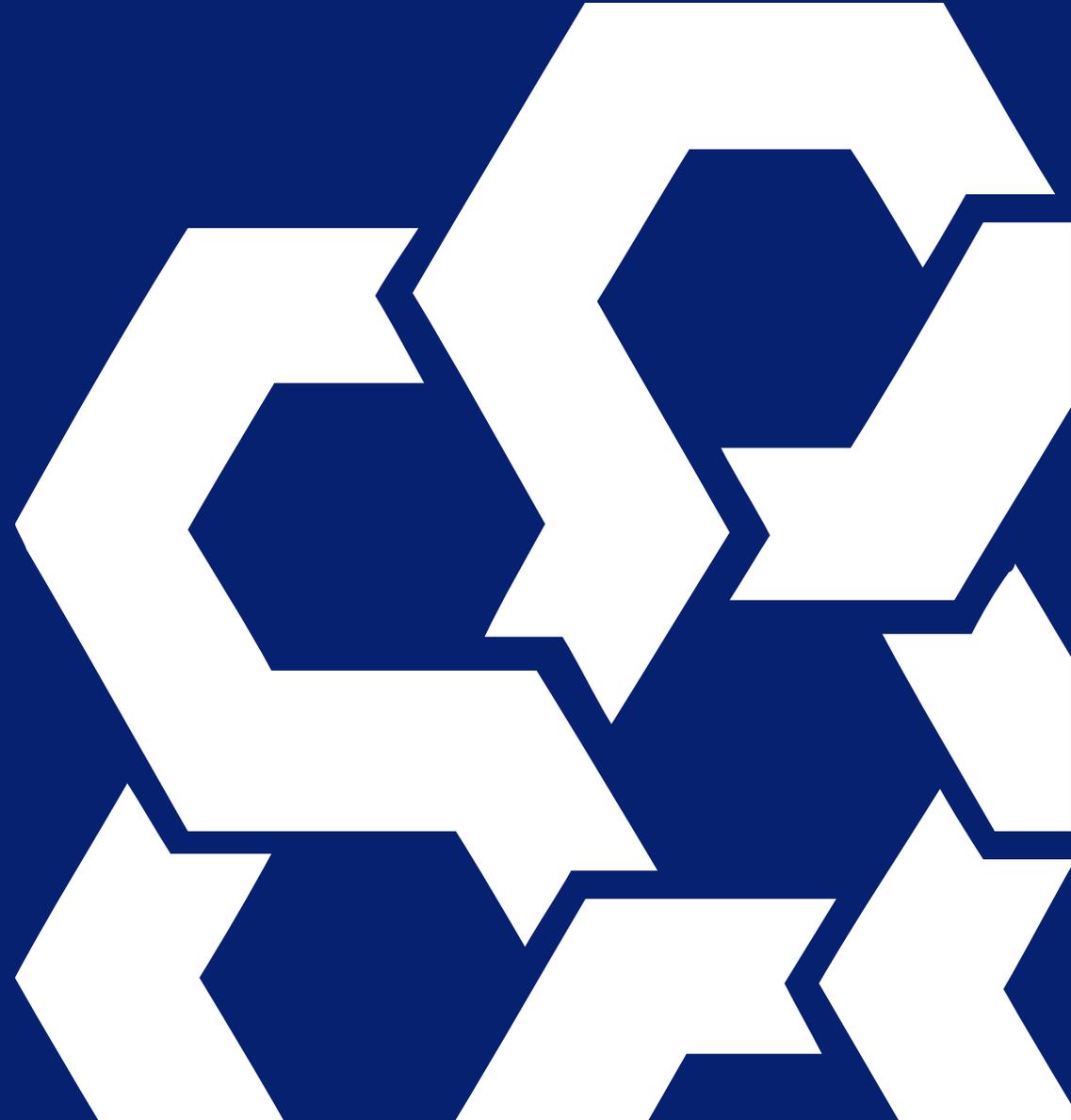
1. Later this year we expect to publish an updated guide for regulators implementing the IFRS digital taxonomies. The update guide is expected to cover:
 - An introduction to the IFRS digital taxonomies and an outline of their intended use, the need for extensions, terms and conditions of use and translation
 - 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 reports



Future digital financial reporting activities



Future activities

Planned activities	Objective	Strategic component
Review of the IFRS Accounting Taxonomy architecture including entry points (some work already started)	Enhance the representation of relationships / context in digital financial reports and improve the navigability of the IFRS Accounting Taxonomy	IFRS digital taxonomies
Update of existing IFRS digital taxonomy guides (eg preparer guide, architecture guide)	Support the use of the IFRS Accounting Taxonomy in an optimal way	Digital ecosystem partners
Consider future updates to the IFRS Accounting Taxonomy formula linkbase (the formula linkbase allows validation of specific business logic rules)	Facilitate data validation to improve quality of tagged data	IFRS digital taxonomies
Activities subject to capacity		
Review of IFRS Accounting Taxonomy common practice elements not being used	Facilitate consistent tagging by removing unnecessary elements	IFRS digital taxonomies
Identify further possible categorical elements	Enhance digital comparability of narrative disclosures	IFRS digital taxonomies
Expand/revise tagged Illustrative Examples	Facilitate consistent tagging by providing educational materials	Digital ecosystem partners
Stakeholder engagement and reviews of digital financial reports to identify issues and their root causes	Facilitate consistent tagging and other improvements in quality of tagged data	IFRS digital taxonomies

Question for IASB members

1. Do you have any questions or comments relating to the IASB's digital financial reporting activities?

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