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IFRS Taxonomy Due Process: update on progress

Purpose of this paper

1. The purpose of this paper is to update you on the progress we have made on the IFRS Taxonomy due process review and to present our next planned steps and anticipated timeline for the completion of the review.

Background

2. The integration of the taxonomy-related activities within the standard-setting function of the IFRS Foundation triggered a review of the IFRS Taxonomy due process. This project started in mid-2013 and identified the following topics as the main focus areas for review:

    (a) the IFRS Taxonomy advisory structure;

    (b) the alignment of the standard-setting and IFRS Taxonomy due process;

    (c) the content transparency of the IFRS Taxonomy, ensuring that the due process documents used make its content accessible and understandable to all its intended users; and

    (d) the role of the IASB, specifically with regards to whether its members should approve the content of the IFRS Taxonomy.

3. In January 2014, you approved the first phase of the project, namely the creation of the IFRS Taxonomy Consultative Group (ITCG) and a change to the timing of the public consultation, which made taxonomy Interim Releases (instead of the annual IFRS Taxonomy) the publications on which public feedback is sought.[1] Other aspects of the existing IFRS Taxonomy due process would continue to apply. These changes were implemented with immediate effect. Taxonomy Interim Releases are now being published soon after a final Standard is issued.

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[1] Agenda Paper 3D, January 2014 DPOC meeting.

4. The staff completed the second step of the review in March 2014, proposing to the Due Process Oversight Committee (DPOC) at its April 2014 meeting that:

    (a) the IASB should approve the content of the IFRS Taxonomy;

    (b) a new due process document, the *[Proposed] IFRS Taxonomy Update*, would serve as a basis to obtain the approval of the IASB and would become the primary (and mandatory) document to consult on the content of the IFRS Taxonomy; and

    (c) the IFRS Taxonomy and standard-setting due process should be more closely aligned. The *[Proposed] IFRS Taxonomy Updates* would be given the status of accompanying materials to the Standards and would be published at the same time as the Exposure Drafts and final Standards.

5. These proposals were subsequently discussed with members of the IASB, the ITCG and the IFRS Advisory Council. In July 2014, we informed you that some members of the IASB had expressed concerns. Those concerns mainly related to:

    (a) the publication of the *[Proposed] IFRS Taxonomy Updates* for Exposure Drafts, because this would require additional resources and may not result in significant benefits;

    (b) the timing of the publication of the *[Proposed] IFRS Taxonomy Updates* at the same time as an Exposure Draft or a final Standard is issued, because this may delay and complicate the standard-setting process; and

    (c) the approval by the IASB of IFRS Taxonomy common practice elements.[2]

6. The staff recommended, and the DPOC agreed at that meeting, that the IASB should hold two trials to better assess the staff proposals. The first trial relates to IFRS Taxonomy due process for content reflecting new or amended Standards. The second trial relates to the IFRS Taxonomy due process for content reflecting common practice.

7. Since July 2014, we have provided the DPOC with regular updates on the trials and other aspects of the IFRS Taxonomy due process. What follows provides a brief summary of progress to date and the planned next steps.

Evaluation of the January 2014 IFRS Taxonomy due process changes

8. The ITCG was set up in April 2014 and has been meeting regularly since then. The staff's view is that this group is operating effectively and should be retained in its current form.

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[2] Common practice IFRS Taxonomy elements are disclosures that entities provide when applying IFRS. They are usually identified by the staff following empirical research on existing IFRS financial statements. They can be compared to additional Illustrative Examples.

9. We also hold the view that public consultation on taxonomy Interim Releases should be retained. Users of the IFRS Taxonomy have, in general, either expressed a positive view on this change or are neutral. We think that taxonomy Interim Releases facilitate a more focused and targeted review process. Additionally, our experience of the last two years has demonstrated that it permits an early release of the annual IFRS Taxonomy and that it provides greater flexibility to regulators with regards to the timing at which they update the IFRS Taxonomy. Timing of the publication of the annual IFRS Taxonomy was raised as a concern by some regulators, and this change in the due process addressed those concerns.

Trial 1: IFRS Taxonomy content reflecting new or amended Standards

10. This trial is near completion.

11. The Exposure Draft *Disclosure Initiative* (Amendments to IAS 7) was used to trial the process. It includes the *Proposed IFRS Taxonomy Update* as accompanying material that has been reviewed and approved by the IASB. The Invitation to Comment to the Exposure Draft incorporated the following IFRS Taxonomy due process-related questions:

> Although not constituting a formal public consultation of the IFRS Taxonomy due process, views are sought on the following:
>
> (a) do you agree with the publication of the proposed IFRS Taxonomy Update at the same time that an Exposure Draft is issued?
>
> (b) do you find the form and content of the proposed IFRS Taxonomy Update useful?

12. The Invitation to Comment also asked for respondents to comment on the content of the IFRS Taxonomy, in particular whether the proposed IFRS Taxonomy changes appropriately reflect the disclosures that are set in the proposed amendments to IAS6 and the accompanying illustrative example.

13. The comment period ended on 17 April 2015. At the time of writing of this paper, the staff has nearly completed the *Analysis of Comments*. This will be presented to the IASB at its June meeting (Agenda Paper 11A of that meeting will refer).

14. The consultation succeeded in eliciting an unprecedented response on changes to the IFRS Taxonomy, including comments on:

    (a)   the IFRS Taxonomy due process (see paragraph 11 above); and

(b)   importantly, how the proposed disclosures were reflected in the IFRS Taxonomy (see paragraph 0 above).

15.   However, despite this success, the consultation highlighted limited support for the proposal to publish a *Proposed IFRS Taxonomy Update* at the same time, and in the form of accompanying material, to an Exposure Draft. The staff is currently analysing how to balance these competing outcomes. We are planning to discuss our recommendation with the IASB in July prior to bringing a formal proposal to the DPOC.

Trial 2: IFRS Taxonomy content reflecting common practice

16.   The second trial relates to the IFRS Taxonomy due process for common practice. It incorporates two parts:

(a)   the addition of new common practice content to the IFRS Taxonomy; and

(b)   the initiation of a new IFRS Taxonomy Common Practice project.

17.   The staff had proposed to the DPOC in July 2014 that the IASB should approve the common practice content of the IFRS Taxonomy. This was discussed with members of the IASB at a closed education and administrative session. The staff also sought guidance from the members of the ITCG on this topic at its December 2014 meeting.

18.   Based on those discussions, the staff amended their proposal. Instead of having IASB approval, it was agreed that all changes to common practice content should be reviewed by a selected group of IASB members. This group will be referred to as the IASB IFRS Taxonomy review panel. It was felt that this would be more appropriate because it would strike the optimal balance between:

(a)   the internal and external demand for the IASB to conduct oversight (including affirmation that common practice is consistent with IFRS); and

(b)   the risk that IASB approval could result in common practice being perceived or used by some users of the IFRS Taxonomy as an exhaustive list of elements that entities must report and/or tag within electronic filings.

Appendices A.1. and A.2. of this paper provide a visual overview of the amended proposals.

19.   The trial has been proceeding on that basis. The IFRS Taxonomy review panel was set up in March 2015. A first meeting was convened in April 2015 to discuss the staff's proposals for new element additions reflecting IFRS common practice for chemicals, information technology, utilities and the media sector. The staff also informed the ITCG of the amended proposals at its April 2015 meeting. Members of the ITCG did not raise any concerns at that meeting. Therefore, in the staff's view the trial is now complete.

The *[Proposed] IFRS Taxonomy Update* document

20.   As stated in paragraph 2, transparency of the content of the IFRS Taxonomy was another area of the due process that required review. We consider this review to be completed.

21.   The *[Proposed] IFRS Taxonomy Update* document will largely be retained in its current form. Of the respondents that commented on the Invitation to Comment referred to in paragraph 11, many agreed that the *[Proposed] IFRS Taxonomy Update* is useful and helps them to better understand the changes to the IFRS Taxonomy and the related Standards.[3]   XBRL files and other IFRS Taxonomy supporting materials will also continue to be published.

Next steps and anticipated timeline

22.   The next steps in implementing changes to the IFRS Taxonomy due process are:

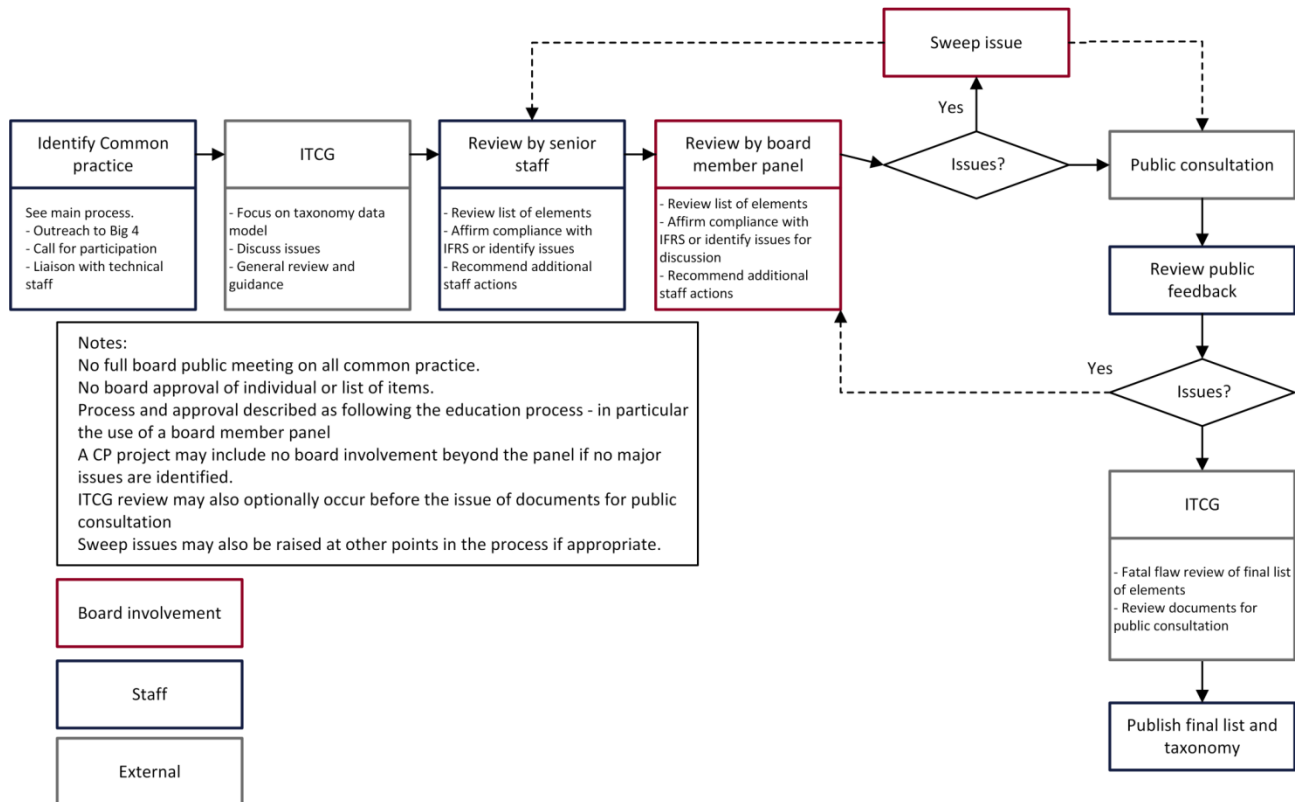| Timing	Body	IFRS Taxonomy Due Process—actions
June 2015	IASB staff	Trial 1: staff analysis and recommendation
June 2015	ITCG	Trial 1: review of the *Analysis of Comments* and guidance on the way forward
July 2015	IASB	Trial 1: review of staff analysis and recommendations
Aug–Sept 2015	IASB staff	Finalise proposal and prepare Invitation to Comment
October 2015	DPOC	Approve the Invitation to Comment for publication
Nov–Jan 2016	Public Consultation	Receive comments on the Invitation to Comment
Feb 2016	Analysis of Comments	Analyse comments and prepare final amendments to the IFRS Taxonomy due process
May 2016	DPOC	Approve publication of the final IFRS Taxonomy due process

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[3] It needs to be noted that some respondents stated that a reader needs to possess technical taxonomy knowledge to understand the Proposed IFRS Taxonomy Update. We will review whether further educational materials or training may be useful.

Appendix A.1

IFRS Taxonomy due process—common practice content:

IFRS Taxonomy - Common practice due process -
project approval

Identify Common practice

See main process.
- Outreach to Big 4
- Call for participation
- Liaison with technical staff

ITCG

- Focus on taxonomy data model
- Discuss issues
- General review and guidance

Review by senior staff

- Review list of elements
- Affirm compliance with IFRS or identify issues
- Recommend additional staff actions

Review by board member panel

- Review list of elements
- Affirm compliance with IFRS or identify issues for discussion
- Recommend additional staff actions

Sweep issue

Issues? Yes

Public consultation

Review public feedback

Issues? Yes

ITCG

- Fatal flaw review of final list of elements
- Review documents for public consultation

Publish final list and taxonomy

Notes:
No full board public meeting on all common practice.
No board approval of individual or list of items.
Process and approval described as following the education process - in particular the use of a board member panel
A CP project may include no board involvement beyond the panel if no major issues are identified.
ITCG review may also optionally occur before the issue of documents for public consultation
Sweep issues may also be raised at other points in the process if appropriate.

Board involvement

Staff

External

Appendix A.2

IFRS Taxonomy due process—initiation of a new common practice project:

IFRS Taxonomy - Common practice due process - project
initiation

Notes:
- In general this is expected to be an annual process.
- Unless a particular issues is identified requiring full board attention then the proposed projects are not taken to a public board meeting.
- Once the projects are decided up on they are however taken to a public education session to allow both the board and the public to be infromed of the common practice projects (if any) for that year.