

IFRS Taxonomy Strategy — Update

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Background and aims of today's session

In June 2019, the ITCG members provided feedback on four topics relating to the IFRS Taxonomy strategy. This included:



- Whether there are more effective alternatives than the Taxonomy to support electronic reporting?
- What unique value the IFRS Foundation brings to the development and maintenance of the IFRS Taxonomy?
- What opportunities and risks there are of relying on XBRL to support the IFRS Taxonomy?
- What success in electronic reporting looks like?

The **purpose of today** is to update the ITCG members on our initial thoughts about the IFRS Foundation's Taxonomy strategy, inform you about current work and seek ITCG members' feedback.



Please provide any advice, observations or information on:

- the process (slide 4)
- principles (slides 5–11)
- data needs (12–15)

Process for Taxonomy strategy

Draft principles for the Taxonomy strategy

- Gather evidence to support proposal for low, medium or high level of strategic engagement in electronic reporting

Consult and finalise

- Consult and finalise strategy through to 2021

Execute

- Preliminary high priority activities executed during development of Taxonomy strategy
- Upon finalisation of Taxonomy strategy, execution through 2026 (consistent with the Board's work plan)



Principles for the Taxonomy strategy

Principles for the Taxonomy strategy

The IFRS Foundation mission

Our vision for global electronic reporting

Conditions for success

Our role in electronic reporting

Our objective

Activity to support objective

Principles for the Taxonomy strategy

IFRS
Foundation
mission

- Our mission is to develop IFRS Standards that bring transparency, accountability and efficiency to financial markets around the world.

Our vision
for global
electronic
reporting

- With the growing impact of technology, investors are increasingly consuming financial reports prepared in accordance with IFRS Standards electronically.
- Electronic reporting has the potential to further our mission by increasing the economic efficiency of global capital markets. To maximise that potential, all investors would need electronic access to all aspects of financial reporting for all companies.

Principles for the Taxonomy strategy

Conditions for success

- To realise this vision, the following conditions must be present:
 - Consistent global adoption and application including a single set of financial reporting Standards and their electronic representation (or structure)
 - Quality electronic data
 - Accessibility of electronic data
 - Stakeholder buy-in of the vision for global electronic reporting

Our role in electronic reporting

- The Foundation does not have complete control over these conditions for success. Moreover, market players (e.g. data aggregators) have developed strategies to compensate for the absence of these conditions.
- Nonetheless, the Foundation has unique attributes that would contribute towards this vision:
 - specialised accounting knowledge
 - trusted organisation
 - public interest focus
 - international network to influence change

Our objective

- Applying our mission and our role to an electronic reporting environment, our objective is to facilitate the electronic consumption of financial reports prepared in accordance with IFRS Standards.

Activity to
support
objective

- The activities to support our objective fall into four main categories:
 - **Maintenance and development** –
 - research and outreach to improve the Taxonomy to better meet investor needs
 - maintenance of high-quality Taxonomy (e.g. amendments, standards, common practice elements)
 - **Board and staff processes** –
 - consider implications of electronic reporting when setting standards
 - use of Taxonomy in evidence-based standard setting
 - **Education and influence** –
 - preparers and investors on benefits of electronic reporting
 - regulators to support consistent adoption of IFRS Taxonomy
 - parties in the financial reporting ecosystem on their role in improving the data quality
 - **Electronic consumption and other technological developments** –
 - monitor to determine how developments affect activities

Above activities represent a full portfolio of possible activities. The selection of activities will be determined based on the level of strategic engagement chosen (See slide 13)

Activity to
support
objective

In executing the objective, there are risks to be monitored and managed when possible:

1. There is a risk that technological progress does not improve the users (preparers or investors) experience. Alternatively, it may progress to a point of rendering the IFRS Taxonomy obsolete.
2. Poor global adoption may reduce the benefits and thereby support for electronic reporting.
3. Lack of skilled resources may make it difficult to achieve this objective overall.

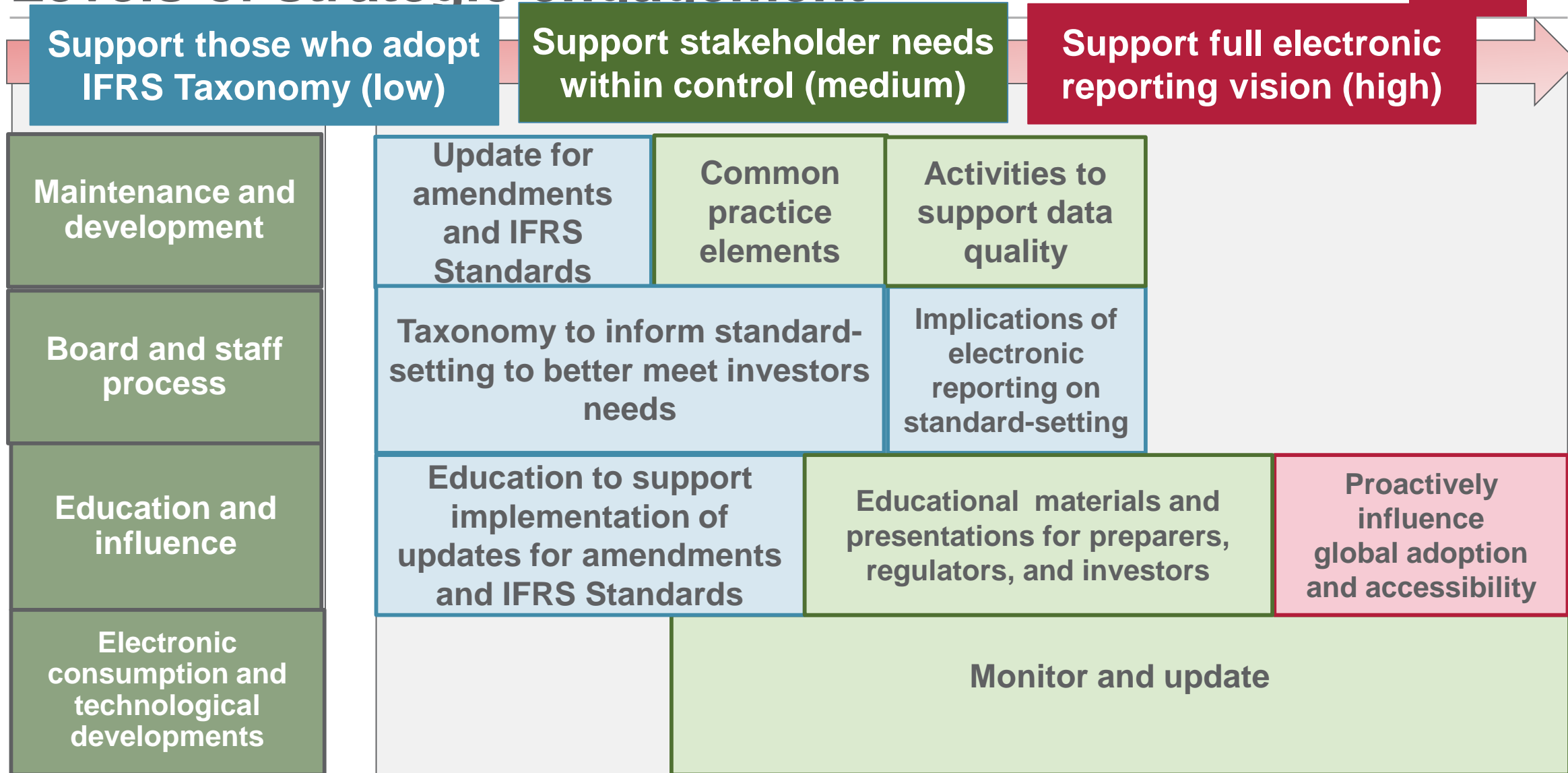
Current work -

Data gathering for proposal of low, medium or high level of strategic engagement



Levels of strategic engagement

13





1. Information about selected jurisdictions

- Mandatory versus voluntary tagging
- IFRS Taxonomy versus proprietary taxonomy
- Publicly available and centrally located financial reports



2. Assessment of regulatory support

- What are the motivations for adopting electronic reporting?
- Do current and future priorities include electronic reporting initiatives?
- Level of support for IFRS Taxonomy and audit of tagged data?



3. Investor's feedback

- Has coverage of companies increased because of access to electronic reporting?
- What would make tagged data more useful?
- Has tagged financial statement data changed the way investors/analysts work?
- What is the level of unmet demand for electronic financial data?

Hypothetical example of how the data gathered could influence level of strategic engagement.



Data gathered - scenario

1. High global interest to support requirement to adopt IFRS Taxonomy and electronic reporting, however current low levels of mandatory use.
2. Manual consumption of data by investors despite increasing amounts of electronically available data.
3. Low level of awareness with the IFRS Taxonomy by investors.



Level of engagement – potential response

A medium to high level of strategic engagement could be the response to this scenario because:

1. High global interest provides one of the four conditions for success.
2. Continued manual consumption of data by investors and their low level of awareness of the IFRS Taxonomy and its benefits, indicates a need to be filled. Education and influence could be categories of activities to pursue.

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