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ary 2016

Dear Mr Chairman, dear Michel,

Re: IFRS Taxonomy™ Due Process

On behalf of the Accounting Standards Committee of Germany (ASCG) I am writing to comment on your *Invitation to Comment on the IFRS Taxonomy Due Process* (herein referred to as 'ItC'). We appreciate the opportunity to comment on the ItC.

In our comment letter dated 27 November 2015 on the *Request for Views for the Trustees' Review of Structure and Effectiveness* (herein referred to as 'RfV comment letter') we pointed out that the proliferation of financial reports through electronic filing is likely to gain more traction in the future. In that letter our Administrative Board stated that issuers in the European Union will be required to file their financial information electronically from 2020 onwards. Hence, the initiative of the Due Process Oversight Committee (DPOC) is timely and well grounded.

We acknowledge that the DPOC introduces a significant rewrite of the IFRS Taxonomy due process whilst keeping largely intact some of the main features of the Due Process Handbook for XBRL Activities (XBRL Handbook). As the XBRL Handbook has not been updated since 2009, it is sensible and necessary to codify the amendments to the IFRS Taxonomy due process approved by the DPOC in January 2014 and already implemented as well as to codify procedures that are already being followed but are not directly covered by the XBRL Handbook.

In our view, it is also consistent to propose that the XBRL Handbook be withdrawn and that the IASB and IFRS Interpretations Committee Due Process Handbook be extended to incorporate the IFRS Taxonomy due process in the form of a separate appendix or section. Merging the two handbooks is consistent with the current organisational structure of the IFRS Foundation as there will be a single handbook covering the due process for all operations of the IASB, including IFRS Taxonomy-related activities.

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We note that the DPOC is also proposing other changes to the IFRS Taxonomy due process, on which we would like to comment on as follows:

We have mixed views on the way how the new due process requirements provide for a specific role for the IASB. As a taxonomy model and structure will provide more details than disclosure requirements in a principled-based accounting standards environment, it is inherent that the IFRS Taxonomy does stray into interpretation. We think that an evaluation about the DPOC's proposal is dependent on the (changing) role above described that taxonomies will play in financial reporting in general. In our view, at least the following two directions can be taken:

- a) If the IFRS Taxonomy shall only guide reporting practice, one might argue that it should be developed separately to protect the integrity of the Standards. Under this view, it is reasonable that the IASB does not have any formal responsibility for taxonomy-related matters.
- b) If the IFRS Taxonomy was to become a standard-setting instrument to authoritatively illustrate presentation and disclosure requirements for new or amended IFRSs, it should be approved by members of the IASB.

Regarding the timing of the IFRS Taxonomy due process we agree that the existing consultation process of seeking comments on proposed taxonomy amendments should largely be maintained. As the Proposed IFRS Taxonomy Update document reflects the presentation and disclosure requirements of the *final* Standard, the public consultation rightfully takes place *after* the final Standard has been released.

We also support the proposed changes to the IFRS Taxonomy due process with regard to reflecting the different types of steps necessary to provide assurance about the quality of the IFRS Taxonomy, depending on whether the matter relates to the content or technology of the IFRS Taxonomy (separating content from technology). We fully agree with the DPOC's strategy to concentrate on the taxonomy rather than the technology XBRL, as had been the case in the past.

For more details on the analysis we refer to our responses to the ItC's questions in the Appendix of this letter. If you would like to discuss our comments further, please do not hesitate to contact Sven Morich or me.

Yours sincerely,

Andreas Barckow

President

Appendix – Answers to the questions of the Invitation to Comment

Question 1

The role of the IASB and the IFRS Taxonomy Review Panel within the review and approval of the content of the IFRS Taxonomy is described. Do you agree with the way in which the IASB and the IFRS Taxonomy Review Panel will be engaged and the degree of its involvement? Why or why not? If not, please state the reasons why you do not agree and any alternatives you would like us to consider.

Overall Conclusion

We agree with the DPOC's general proposal to strengthen the role of the IASB within the development of the content of the IFRS Taxonomy. However, we think that the appropriate degree of its involvement (review vs. approval) is dependent on the intended role that the IFRS Taxonomy will play in financial reporting in the future.

Comments on the DPOC's proposals

As described in our RfV comment letter, the ASCG's Administrative Board strongly believes that the development of the IFRS taxonomy should be kept in-house and should not be subcontracted to third parties. The translation process from the written text into the tags that will be attached to financial information is key to the electronic proliferation of financial information, and only the IFRS Foundation can safeguard that the requirements of IFRS principles and concepts are faithfully digitally represented by the tags.

In that comment letter they also said that "[...] we do not believe that the taxonomy should become an integral part of the IASB's standard-setting activity. Whilst we acknowledge that standard-setting and taxonomy development can and should inform each other, we are concerned that mandatorily bearing taxonomy constraints and limitations in mind when developing standards bears the risk of the standards themselves becoming more rules- and less principles-based. We certainly agree that the pronouncements must be articulated clearly enough to enable appropriate representation through the taxonomy; however, a taxonomy's requirements should not be the key driver for developing standards and interpretations."

Reconsidering these earlier comments, the IFRS Technical Committee acknowledge that the proliferation of financial reports through structured formats is likely to gain more traction in the future. Furthermore, we note the IASB staff's experience that early consideration of the IFRS Taxonomy data model may improve the clarity and consistency of the wording of the final Standard, which in turn supports a consistent interpretation and implementation of the



Standards. For this reason, we support the proposal that the IFRS Taxonomy due process should make an explicit reference to the fact that the IFRS Taxonomy and more general technology-related matters are considered during standard-setting.

We also understand the purpose of an IASB involvement in the development of the IFRS Taxonomy content, which is to protect the integrity of the Standards by ensuring that the IFRS Taxonomy model and structure only guides reporting practice in line with IFRSs *and does not stray* into interpretation.

When weighing the various arguments for and against a higher degree of involvement of the IASB within the development of the content of the IFRS Taxonomy, we do not agree with the DPOC's proposal that IFRS Taxonomy content updates reflecting new or amended IFRSs are to be *approved* by members of the IASB. Instead, we think that all IFRS Taxonomy changes should be subject to *review* by the IFRS Taxonomy Review Panel (as proposed by the DPOC for IFRS Taxonomy content updates reflecting common practice).

Question 2

The DPOC is proposing to maintain the existing process of public consultation on taxonomy content changes after the release of a final Standard. A Proposed Taxonomy Update will normally be released at the same time (or closely after) a final Standard is published and will normally have a comment period of 60 days.

Do you agree with this? Why or why not?

Overall Conclusion

We agree with the DPOC's proposals to maintain the existing process of public consultation on taxonomy content changes after the release of a final Standard. However, we think that the period to comment on a Proposed Taxonomy Update should be extended.

Comments on the DPOC's proposals

The ASCG supports the proposal that the drafting, approval and publication of the Proposed IFRS Taxonomy Update document should normally happen at the same time as the drafting, approval and publication of the final Standard. We share your view that concurrent approval and publication is the most efficient way to involve external stakeholders. Regarding the proposed comment period we think that – depending on the complexity of the amendments – a significantly longer period than 60 days might be needed to evaluate the effects of the Proposed IFRS Taxonomy Update. We therefore encourage the DPOC to give constituents more time to



comment on taxonomy changes as they would usually need to consider the accounting impact from the corresponding new or amended Standard, too. The comment period that had been allocated to the underlying Exposure Draft of these amendments might serve as an appropriate (minimum) measure for that period.

Also, we do understand your reasoning for proposing a change to the timing at which the ITCG review of the proposed IFRS Taxonomy content takes place, e.g. that it should be aligned with the related external fatal flaw review of a final Standard. Concurrent reviews supplement the staff interaction and thereby bring further opportunities to improve and enhance standard-setting and the quality of the IFRS Taxonomy.

Furthermore, we agree with the proposal that the IFRS Taxonomy Update document should be given the status of accompanying material to a Standard, even though it may be published at a later time than the final Standard and in the form of a separate document. This is because it illustrates how the IFRS disclosure and presentation requirements are modelled to support structured tagging within an electronic report. We support the DPOC's view that in addition, it emphasises the presentation and disclosure requirements and it also aids the understanding of those requirements. We also support the suggestion that the IFRS Taxonomy Update document should be published as a separate document, to minimise any risk of it being considered an integral part of the Standard.

Question 3

The DPOC is proposing that the publication of the IFRS Taxonomy Files should be an optional step for proposed content updates. This is a mandatory step under the current process. Publication of the IFRS Taxonomy Files will remain a mandated step for proposed technology updates and for the publication of the final IFRS Taxonomy update.

Do you agree with these changes? Why or why not?

Overall Conclusion

We agree with the DPOC's proposals that the publication of the IFRS Taxonomy Files will remain a mandated step for proposed technology updates and for the publication of the final IFRS Taxonomy update, but should only be an optional step for proposed content updates.

Comments on the DPOC's proposals

We strongly agree that the proposed changes to the IFRS Taxonomy due process also reflect the different types of steps necessary to provide assurance about the quality of the IFRS



Taxonomy. We share your approach that the type of step depends on whether the matter relates to the content or technology of the IFRS Taxonomy.

When separating content from technology, the main document used to consult on proposed amendments to the content of the IFRS Taxonomy is the Proposed IFRS Taxonomy Update document that describes, in human readable form, the amendments that are being made to the IFRS Taxonomy and the reasons for these changes. No public consultation on the technology is required because the updated files are simply capturing the changes set out in the consultation document. The publication of IFRS Taxonomy Files, using syntax such as the XBRL standard, to expose content changes should therefore be optional.

Question 4

Are there any other matters relating to our proposals for the IFRS Taxonomy due process that you wish to comment on, including matters that are not covered but that you think should be?

There are no other matters relating to your proposals for the IFRS Taxonomy due process that we wish to comment on.