

Harmonizing the National Extensions of the IFRS–XBRL–Taxonomy in Europe–


Is an EU extension of the IFRS taxonomy the solution?

Who can take over the responsibility for Europe?

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Transforming Business Reporting



Agenda

1. Overview about the IFRS working group of XBRL Europe
2. Need for National Law Extensions of the IFRS Taxonomy
3. Types of Extensions
4. Harmonizing National Extensions – Challenges
 1. Harmonization of reporting content – EU Extension or....?
 2. Harmonization via EU–Rules for Extensions
5. Recommendation of XBRL Europe



1. XBRL Europe Working Group: IFRS for Stock Listed Companies (IFRS SLC)

- Charter finalized and approved (2008), aims are:
 - ✓ to optimize the XBRL-implementation processes of European stock listed companies and
 - ✓ to harmonize IFRS Taxonomy Extensions in Europe.
- The working group will attend to the following topics
 - ✓ getting a clearer picture of the actual projects and status in XBRL jurisdictions
 - ✓ evaluating a process to harmonize national IFRS Taxonomy Extensions
 - ✓ supporting industry-specific extensions of IFRS Taxonomy on European Level
 - ✓ clarifying whether an EU-extension of the IFRS should be developed
 - ✓ identifying European corporate requirements for SEC XBRL-filing. Facilitating the communication between the U.S. SEC and XBRL Europe.



2. National Law Extensions of IFRS Taxonomy

National Law Extensions are needed because:

- Stock listed companies are subject to national laws
- National law requires stock listed companies to disclose additional information in annual reports and quarterly reports (compared to Bound Volume)
- **If XBRL is going to replace traditional reporting mediums (paper, PDF etc), the IFRS XBRL Taxonomy Extensions must contain elements of national law**

Examples:

- National Commercial Code,
- National Corporate Governance Codex
- National Stock Corporation Law
- National Securities Trading Act
- National Accounting Standards Boards



2. National Law Extensions of IFRS Taxonomy – Examples

- **German Commercial Code (HGB), examples**
 - Disclosures of shares in subsidiaries, other shares and investments (§ 313 (2) HGB)
 - Reference to separate list of shareholdings (§ 314 (4) HGB)
 - Disclosure of the binding facts leading to consolidation of the subsidiary (§ 313 (2) HGB)
 - Disclosure of the benefits granted to the members of Executive Members by third parties with regard to their activity as a member of Executive Board: Amount and Description separated (§ 315 (2) HGB)
- **German Corporate Governance Codex (DCGK), examples**
 - Individualized disclosure of remuneration or other benefits granted to members of the supervisory board for personally rendered services, in particular consulting and arrangement/agency services, description (DCGK 5.4.5)
 - Disclosures on total shareholdings of all members of the executive board and supervisory board, description (DCGK 6.6)
- **German Stock Corporation Law (AktG), examples**
 - Corporate governance report (§ 261 AktG)
- **German Securities Trading Act (WpHG), examples**
 - Interim Reports (e.g. § 37w (2) WpHG)
 - German Interim Management Report (§ 37w (4) WpHG)



IFRS Working Groups in Europe – Example

Aims of the IFRS Working Group of XBRL Germany (Chair Kesselmeier):

- **to develop the German Extension on IFRS XBRL Taxonomy containing additional reporting requirements.**

Requirements based on:

- Commercial Code (HGB)
- Corporate Governance Codex (DCGK)
- Stock Corporation Law (AktG)
- Securities Trading Act (WpHG)
- For annual and interim XBRL reports
in order to replace the traditional reporting of stock listed companies



National Law Extension of IFRS Taxonomy

Challenges

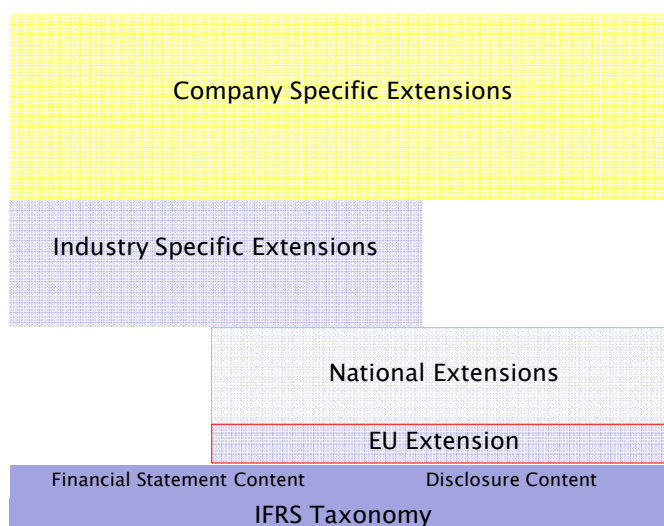
- National Law Reporting Requirements overlap with IAS/IFRS
- National Law Reporting Requirements differ from Country to Country

Risks:

- If Preparers extend IFRS Taxonomy themselves on National Law Reporting Requirements there will be a **disorder of extensions**.
- If National XBRL Jurisdictions extend IFRS Taxonomy on National Law but not harmonized between each other we also have a **disorder of extensions**
- **number of extension's concepts will result in a very huge number of new concepts in Europe**
 - Example: XBRL Germany will generate 300 up to 400 new concepts in the German Extension. This would equal 10.800 new concepts for the 26 member states of the EU (several hundred percent more additional concepts than the Original IFRS Taxonomy!).
- **XBRL advantages will be lost (comparability, data quality, speed of analysis..)**
- **users/investment professionals get a disaster in reality if they compare stock listed companies of different European Countries**



3. Types of Extensions



Aim: To increase comparability by minimizing Company Specific Extensions and by minimizing National Extensions



4. EU–National Extensions of the IFRS taxonomy

4.1. Harmonization of reporting content

Think tank

Alternatives about taxonomy's content

- Harmonizing the legal reporting standards within the EU member states
- Definition of common content by an EU organization
 - EU directives (as far as being relevant for listed companies using IFRS):
 - FOURTH COUNCIL DIRECTIVE of 25 July 1978 based on Article 54 (3) (g) of the Treaty on the annual accounts of certain types of companies (78/660/EEC)
 - SEVENTH COUNCIL DIRECTIVE of 13 June 1983 based on the Article 54 (3) (g) of the Treaty on consolidated accounts (83/349/EEC)
 -
 - Development of an EU Extension of the IFRS Taxonomy (1st priority) OR
 - Development and managing a central European Database about national taxonomy extensions and it's concepts
 - Mandatory reuse of EU–common content for National Extensions

Harmonization task 1: Setup procedures and responsibilities to develop common content within the EU



4. EU–National Extensions of the IFRS taxonomy

4.2. Harmonization via EU Rules for Extensions

1st Example „Interim Reporting“

- Looking at the IFRS Taxonomy
- Looking at the German Extension of the IFRS Taxonomy

2nd Example Share–based payment arrangements/ Executive remuneration

- Looking at the IFRS Taxonomy (Share–based payment arrangements)
- Looking at the German Extension of the IFRS Taxonomy (Executive remuneration)



IFRS 2010 Taxonomy – Name of IFRS or IAS component

[810000] Notes – Corporate information and statement of IFRS compliance
 [811000] Notes – Accounting policies, changes in accounting estimates and errors
[813000] Notes – Interim financial reporting
 [815000] Notes – Events after reporting period
 [816000] Notes – Hyperinflationary reporting
 [817000] Notes – Business combinations
 [818000] Notes – Related party
 [819100] Notes – First time adoption
 [822100] Notes – Property, plant and equipment
 [822200] Notes – Exploration and evaluation assets
 [822390] Notes – Financial instruments
 [823180] Notes – Intangible assets
 [824180] Notes – Biological assets and government grants for agricultural activity
 [825100] Notes – Investment property
 [825480] Notes – Consolidated and separate financial statements
 [825500] Notes – Interests in joint ventures
 [825600] Notes – Investments in associates
 [825900] Notes – Non-current asset held for sale and discontinued operations
 [826380] Notes – Inventories
 [827570] Notes – Other provisions, contingent liabilities and contingent assets
 [831110] Notes – Revenue
 [831400] Notes – Government grants
 [831710] Notes – Contracts in progress
 [832000] Notes – Analysis of income and expense
 [832100] Notes – Subclassifications of assets, liabilities and equities
 [832410] Notes – Impairment loss and reversal
 [832600] Notes – Leases
 [832800] Notes – Transactions involving legal form of lease
 [832900] Notes – Service concession arrangements
 [834120] Notes – Share-based payment arrangements

 [871100] Notes – Operating segments



IFRS 2010 Taxonomy – [813000] Notes – Interim financial reporting

- **Disclosure of interim financial reporting text block IAS 34 –
Content of an interim financial report (15 reporting concepts)**
 - Explanation of accounting policies and methods of computation followed in interim financial statements [text IAS 34.16 a](#)
 - Explanation of seasonality or cyclicity of interim operations [text IAS 34.16 b](#)
 - Explanation of nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature size or incidence [text IAS 34.16 c](#)
 - Explanation of nature and amount of changes in estimates of amounts reported in prior interim periods or prior financial years [text IAS 34.16 d](#)
 - Explanation of issuances, repurchases and repayments of debt and equity [securities text IAS 34.16 e](#)
 - Dividends paid, ordinary shares [X IAS 34.16 f](#)
 - Dividends paid, other shares [X IAS 34.16 f](#)
 - Dividends paid, ordinary shares per share [X.XX IAS 34.16 f](#)
 - Dividends paid, other shares per share [X.XX IAS 34.16 f](#)
 - Explanation of material events subsequent to end of interim period that have not been reflected [text IAS 34.16 h](#)
 - Explanation of effect of changes in composition of entity during interim period [text IAS 34.16 i](#)
 - Explanation of changes in contingent liabilities or contingent assets [text IAS 34.16 j](#)
 - Description of compliance with IFRSs if applied for interim financial report [text IAS 34.19](#)
 - Description of nature and amount of change in estimate during final interim period [text IAS 34.26](#)



[Web: IFRS2010_Taxonomy](#)

IASCF, The IFRS Taxonomy Illustrated, April 2010
 disclosure format: X: monetary value; X.XX decimalized value; text: text



German Extension on IFRS 2010 Taxonomy – Working Draft Interim Reporting

Interim financial reporting based on DRS 16 (German Accounting Standards)

- About 50 additional reporting concepts
- Examples:

Related party transactions not at arm's length	DRS 16.52
Description deferred tax rate	DRS 16.26
Changes in estimates	DRS 16.30
Statement of consistent application of accounting methods and principles	DRS 16.31
Effect of changes in accounting methods and principles	DRS 16.31
Description of major changes in companies to be consolidated	DRS 16.31
Description of major estimates made in the course of the first-time consolidation of a subsidiary	DRS 16.31
Major changes in forecasts and predictions	DRS 16.35b
Future rewards beyond the following 3 or 6 month	DRS 16.36
Future risks beyond the following 3 or 6 month	DRS 16.36

Interim financial reporting based on § 37 w WpHG (German Securities Trading Act)

- About XX additional reporting concepts

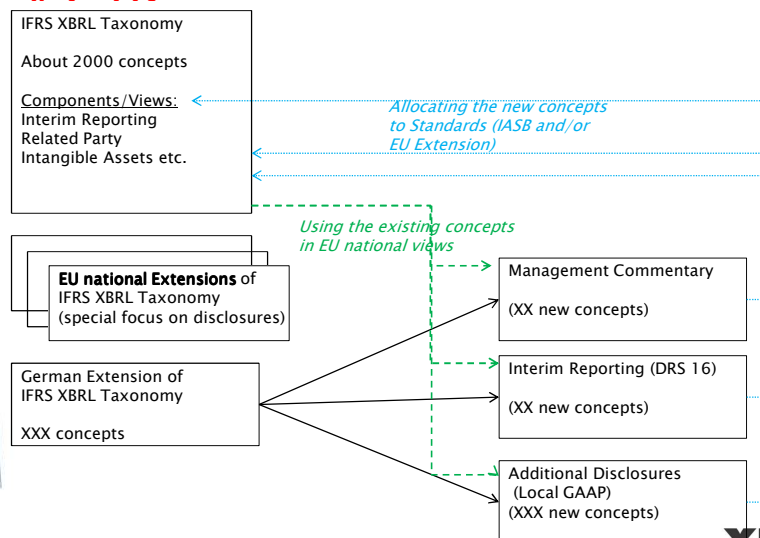
Interim financial reporting based on § 37 x WpHG (German Securities Trading Act)

- About XX additional reporting concepts

Source: Internal Working Draft of XBRL Germany, IFRS Working Group (2009)



EU national extensions on IFRS Taxonomy – one solution – XBRL.eu IFRS Working Group Discussion in Paris 2009



Two Types of users / views on XBRL-data

- **Users in preparer's EU Member State**
 - **Expectation to look at XBRL-reporting data (reporting concepts) organized by national specific views (ELRs) containing**
 - Concepts of the Original IFRS Taxonomy, of the Industry Specific Extension and of the Company Specific Extension
 - Concepts of one National Extension (e.g. German Extension), of the EU-Extension.

*Harmonization Task 2:
Using concepts (of the National Extensions of EU extension)
in national extension's views*

- **European investment professionals**
 - **Expectation to look at XBRL-reporting data (reporting concepts) organized by the IASCF view and by an additional EU-supra national view (ELRs) containing**
 - Concepts of the Original IFRS Taxonomy, of the Industry Specific Extension and of the Company Specific Extension
 - Concepts of the EU Extension and of all National Extensions

*Harmonization Task 3:
Setting up EU-supra national views and prescribe how concepts
should be allocated to these views*



Harmonization Tasks 2 and 3 – IASCF – Three official approaches for extending an IFRS Taxonomy

Reuse approach

Extension consists of IFRS Taxonomy structures extended for entity-specific disclosures. No entity-specific ELRs are added.

Clean approach

Extensions consists of entity-specific ELRs only

Mixes approach

Extension consists of a mix of IFRS Taxonomy ELRs and entity-specific ELRs. This approach often applies the reuse approach for the IFRS Taxonomy statements and the clean approach for the Taxonomy notes.

- **Practical Instructions at EU-level is needed**
– much more detailed than the IFRS Taxonomy Guide

IASCF, The IFRS Taxonomy Guide, 2009, p. 38-40



IFRS 2010 Taxonomy – [834120] Notes – Share-based payment arrangements

- **Disclosure of share-based payment arrangements text block IFRS 2.44 (about 29 reporting concepts)**
 - Explanation of share options in share-based payment arrangement text IFRS 2.45 a
 - Disclosure of number and weighted average exercise prices of share options text block IFRS 2.45 b.....more concepts
 - Weighted average exercise price of share options in share-based payment arrangement X.XX IFRS 2.45 b, IFRS 2.45 c
 - Weighted average exercise price of share options in share-based payment arrangement exercised during period at date of exercise X.XX IFRS 2.45 c
 - Description of range of exercise prices of share options outstanding, share-based payment arrangement text IFRS 2.45 d
 - Description of weighted average remaining contractual life of share options outstanding text IFRS 2.45 d
 - Determination of fair value of goods or services received or fair value of equity instruments granted on share-based payments text IFRS 2.46
 - Disclosure of indirect measurement of fair value of goods or services received, share options granted during period text block IFRS 2.47 a
 - Disclosure of indirect measurement of fair value of goods or services received, other equity instruments granted during period text block IFRS 2.47 b
 - Disclosure of indirect measurement of fair value of goods or services received, share-based payment arrangements modified during period text block IFRS 2.47 c
 - Explanation of direct measurement of fair value of goods or services received text IFRS 2.48
 - Description of reason why fair value of goods or services received cannot be reliably estimated text IFRS 2.49
 - Explanation of effect of share-based payments on entity's profit or loss text IFRS 2.50
 - Share-based payment transactions X IFRS 2.51 a
 - Explanation of effect of share-based payments on entity's financial position text IFRS 2.50
 - Liabilities from share-based payment transactions X IFRS 2.51 b (i)
 - Intrinsic value of liabilities from share-based payment transactions for which counterparty's right to cash or other assets vested X IFRS 2.51 b (ii)
 - Additional information about share-based payment arrangements text IFRS 2.52

IASCF, The IFRS Taxonomy Illustrated, April 2010



German Extension on IFRS 2010 Taxonomy – Working Draft Executive remuneration

German Commercial Code (HGB)

- About 50 additional reporting concepts
- Examples:
- Disclosure of material components of Executives' share-based compensation agreements, when these significantly differ from those of other staff. (§ 314 1 6a HGB)
- Composition of the Executive Board compensation (§ 314 1 6a HGB)
 - Family name of the Executive Board Member
 - First name of the Executive Board Member
 - Composition of remuneration of executive body member, if member of the executive board, **fixed salary**
 - Composition of remuneration of executive body member, if member of the executive board, **performance-related component**
 - Composition of remuneration of executive body member, if member of the executive board, **long-term incentive components**
 - Value of **total remuneration** of the executive board member
 - Disclosure of the **benefits granted** to the members of Executive Members by third parties with regard to their activity as a member of Executive Board, **Description**
 - Disclosure of the benefits granted to the members of Executive Members by third parties with regard to their activity as a member of Executive Board, **Amount**

Source: Internal Working Draft of XBRL
Germany, IFRS Working Group (2009)



4. EU-National Extensions of the IFRS taxonomy

4.2. Harmonization via EU Rules for Extensions

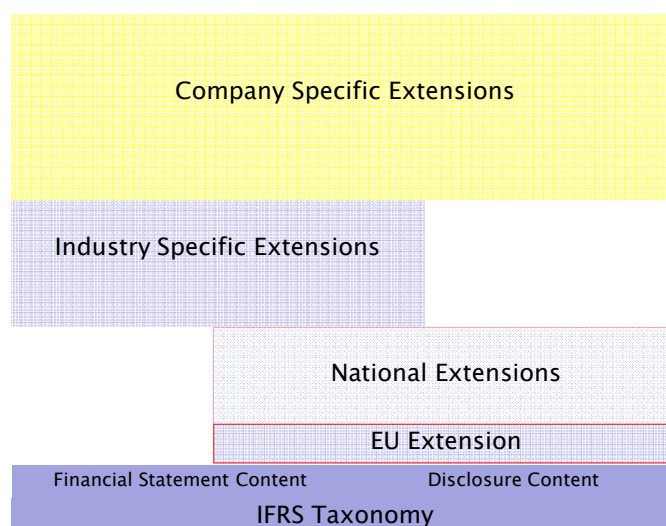
Think tank

Alternatives for EU Rules for Extensions

- The EU–XBRL–Extension for the IFRS XBRL Taxonomy is accompanied by Extension Rules (1st choice)
- NO EU–XBRL–Extension for the IFRS XBRL Taxonomy (2nd choice) but
 - Several National Extensions without “harmonized EU–Rules for Extensions”Worst case
 - Several National Extensions with „ harmonized EU–Rules for Extensions“
 - Harmonization of National Extension’s concepts and views and it’s reusage by other XBRL Jurisdictions
 - development and managing a central European Database about taxonomy extensions and additional concepts
 - National Extension, usage of Original IASCF–concepts in national views
 - National Extension, usage of National Extension’s concepts in IASCF–views
 - Etc.....



Types of Extensions



Aim: To increase comparability by minimizing Company Specific Extensions and by minimizing National Extensions



5. Recommendation of XBRL Europe, IFRS Working Group

- To identify or establish an organization which is responsible for
 - The EU Extension of the IFRS taxonomy
 - Harmonization of National Extensions
- This organization is in the interest of the European Union.
- This organization should be independent from the IASC Foundation, which is bound to the Bound Volume. However close cooperation with the IASC Foundation is key.
- XBRL Europe might be used only as an facilitator and communication platform in order to integrate European XBRL jurisdictions.
- The earlier the European Union establishes such an organization, the less harmonization is needed. It's much easier today than tomorrow.