International Accounting Standards Board
Columbus Building
7 Westferry Circus
London E14 4HD

5th January 2024

Subject: Comment letter on the Proposed IFRS Taxonomy Update – IFRS Accounting Taxonomy 2023 Update 2 – Common Practice for Financial Instruments, General Improvements and Technology Update

Dear Madam, dear Sir,

We appreciate the opportunity to comment on the International Accounting Standards Board's (IASB) Proposed IFRS Taxonomy Update – IFRS Accounting Taxonomy 2023 Update 2, published in November 2023. We have consulted with, and this letter represents the views of, selected members of the ESEF Mapping working group of XBRL France. This working group is composed of XBRL and ESEF experts, software vendors, auditors as well as preparers.

We welcome the IASB's efforts to conduct common reporting practice reviews and enhance the IFRS Accounting Taxonomy so as to reduce the need for extensions and thereby improve quality and comparability of tagged financial statements.

We broadly agree with the proposals. However, in respect of question 2, based on our experience with ESEF tagging during the last two years, we think further additions could be made in respect of tags for financial instruments, to improve comparability. As for question 4, while agreeing with the introduction of categorical elements, we would not encourage to supplement some categorical elements (the "true-only" Booleans) with a narrative element when the value of the categorical element is false. Finally, in respect of question 6, although we agree that tagging fair value of investment properties is a key concern, we would favour a different approach. The appendix to this letter contains our detailed responses to these questions.

Please contact us at gilles.maguet@xbrl-eu.org if you wish to discuss any of the issues raised in this letter.

Yours sincerely,

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Appendix

Question 2 – Proposed common practice elements for the statement of financial position

Do you agree with the proposed changes to the IFRS Accounting Taxonomy relating to financial instruments presented in the statement of financial position (paragraphs 4-37)? Specifically:

(a) Do you agree with the proposal to use existing terminology for debt instruments and equity instruments, and to update the documentation labels of those elements, instead of creating elements using the terminology 'debt securities' and 'equity securities' (paragraphs 13–18)?

(b) Do you agree with the proposed use of line-item modelling to reflect commonly reported combinations of shared characteristics that describe financial assets (paragraphs 8–25) and financial liabilities (paragraphs 31–32)?

If you disagree with the proposed changes, please explain why, and specify what alternative (if any) you would suggest and why.

We generally welcome the proposed changes related to financial instruments presented in the statement of financial position. We have observed many cases in which financial institutions are using extensions because the level of disaggregation in their primary financial statements is more granular than permitted by the elements in the IFRS Accounting Taxonomy, and therefore believe that the proposed more granular approach will be beneficial.

We also believe that the disaggregation approach that is being proposed will accommodate many cases.

Limited additional disaggregation would most be useful for some common cases

We appreciate that, as observed in paragraphs 21-22 of the proposed taxonomy update, there are many combinations that do exist to disaggregate the presentation of financial assets and liabilities, and that the taxonomy cannot accommodate all of the combinations.

However, in our experience, there is a limited number of common combinations that would warrant considering adding some common practice tags:

- "Financial assets at fair value through profit or loss excluding derivatives" could be proposed as a variant of FinancialAssetsAtFairValueThroughProfitOrLoss; indeed, financial institutions usually present non hedging derivatives (DerivativeFinancialAssetsHeldForTrading) on a separate caption to the other financial assets at fair value; additionally, "Financial liabilities at fair value through profit or loss excluding derivatives" could then be added in the liabilities presentation linkbase.
- Similarly, "Financial liabilities at amortised cost excluding subordinated liabilities", as a breakdown of FinancialLiabilitiesAtAmortisedCost, would allow using a standard concept while simultaneously presenting the existing concept SubordinatedLiabilities.
- Adding "Financial assets at fair value through profit or loss excluding insurance portfolio" would allow banking institutions to separately present their investments kept for the

insurance business, as requested by various prudential regulations or in common templates for banks recommended by the French standard setter (please refer to ANC recommendation 2022-01).

- "Financial assets at fair value through other comprehensive income excluding insurance portfolio", and "Financial assets at amortised cost excluding insurance portfolio" are similarly proposed to the Board as generally used concepts.
- The Board could then explore the opportunity of creating variants of the following concepts: LoansAndAdvancesToBanks, LoansAndAdvancesToCustomers and DebtSecurities, when presented at amortised cost (additions proposed by the Board in sections 22 and 32) and excluding insurance portfolio, as the financial statements for French banks usually apply this breakdown.

While we understand that further changes will later be implemented for concepts in the statement of profit or loss, the Board could consider making immediately available standard tags for usual concepts in the net banking income. This would avoid creating extensions under the ESEF regulation, increase common understanding and comparability, especially for "Gains (losses) on financial instruments at fair value through profit or loss" (as a most used addition to GainsLossesOnFinancialAssetsAtFairValueThroughProfitOrLoss and GainsLossesOnFinancialLiabilitiesAtFairValueThroughProfitOrLoss) and for "Gains (losses) on financial instruments at fair value through other comprehensive income recognised in profit or loss", which is today tagged by an unqualified extension of ProfitLossFromOperatingActivies by many institutions.

Current vs non-current variants could be considered for some elements

Various existing concepts have Current and Non-current variants.

While we understand that many proposed additional concepts are specific to banking institutions that present their assets and liabilities in order of liquidity, we believe that these variants could be useful for at least some of the proposed concepts.

For instance, SubordinatedLiabilities, EquityInstrumentsHeld and DebtInstrumentsHeld could be used by many non financial entities, and the Board could consider adding their current and non-current variants.

Expected content could be clarified in some cases

We believe that the expected content for some of the existing or new elements could be clarified in order to permit more consistent use amongst preparers, hence improving comparability.

This is particularly the case for the "subordinated liabilities" element (and its "dated" and "undated" variants). In the absence of a clear documentation, mixed practice has been developed in this area. Some preparers consider that the tag SubordinatedLiabilities only encompasses subordinated instruments that are classified as liabilities whereas others consider that it may also encompass subordinated instruments that are classified as equity.

It would therefore be much helpful if the Board could consider clarifying the expected content for this element as part of this proposed update.

Whatever the conclusion as to the expected content for the existing tag, it would also be helpful to provide additional elements in the taxonomy that would permit to tag easily both of these instruments (those classified as equity and those classified as liabilities) and distinguish them, as they are different in nature. The Board may also consider adding a member for those classified as equity.

We appreciate that the disclosures for subordinated instruments may be enhanced in the near future when the exposure draft Financial Instruments with Characteristics of Equity is finalised. However, it is our understanding that this project is not expected to change the classification principle for such instruments. Therefore, it appears that an addition of elements in the taxonomy to distinguish between instruments classified as equity and instruments classified as liabilities could be considered before the exposure draft is finalised.

Additional elements would be needed for financial liabilities

We believe that in addition to the disaggregation proposed as part of the taxonomy update, there are two areas in respect of financial liabilities for which additional elements would be helpful so as to improve comparability.

Liabilities related to put options granted to non-controlling interests

The first area relates to liabilities related to put options granted to non-controlling interests. In France, these liabilities are frequent, and often presented in a separate line of the statement of financial position. Adding an element to the IFRS Accounting Taxonomy would therefore permit better identification and comparison of these liabilities. This is important, as there currently exist diverse accounting policies for these specific liabilities. Here again, we appreciate that the exposure draft Financial Instruments with Characteristics of Equity deals with the accounting for such liabilities but it appears that this project will not change their presentation in the statement of financial position.

Financial debt

The second area relates to the presentation of “financial debt” for entities outside of the banking industry. Comparability is very difficult in this area because of the diversity in the disaggregation approaches elected by preparers and also because the IFRS accounting taxonomy could be completed in this area (there are few available elements to appropriately tag “financial debt” and the available elements are not clearly defined).

In effect, in the statement of financial position, depending on their definition of “financial debt”, preparers use multiple combinations to aggregate information related to loans received, debts issued, lease liabilities, contingent consideration related to business combinations, put option liabilities, derivatives, etc.

Available elements in the IFRS accounting taxonomy include Borrowings, which is not defined but generally understood as encompassing only loans received and debts issued.

As a result, we observe the use of many extensions, or of the tag OtherNonCurrentFinancialLiabilities.

While this issue might warrant a specific standalone analysis, we believe that some narrow changes could be a first step to improve comparability in this area.

First, a definition of the expected content of Borrowings would help harmonize the use of this concept.

Also, another element exists in the IFRS Accounting Taxonomy that could be appropriate, that has an IFRS definition and that is broader than Borrowings, which is LiabilitiesArisingFromFinancingActivities. Currently this tag is not used in the statement of financial position because it has no current vs non-current variant. Adding current and non current variants to that element would help preparers tag their "financial debt" when their aggregation approach in the statement of financial position is consistent with their cash flow statement disclosure as per IAS 7.44D.

Additional parents for elements that are not financial instruments would be helpful

We observe that there are no generic tags for elements that are not financial instruments in the statement of financial position, e.g. NonFinancialAssets or NonFinancialLiabilities.

Existing tag in the IFRS Accounting Taxonomy	Total	Current	Non current
Financial Assets	yes	yes	yes
Financial Liabilities	yes	yes	yes
Non financial assets	no(1)	no(1)	no(1)
Non financial liabilities	no(1)	no(1)	no(1)

(1) There are only "other" non financial assets and non financial liabilities

The lack of these elements is an issue for anchoring in the banking industry under the ESEF regulation. In effect, when banks use extensions, identifying the anchor with the closest accounting meaning is difficult as they do not use a current vs non current presentation in the statement of financial position. As a consequence, they regularly use "Assets" as a wider anchor, which does not provide any information to users. Using NonFinancialAssets anchor instead for e.g. a line item encompassing tangible and intangible assets would provide much more appropriate information.

Question 4—Introduction of categorical elements

Do you agree with the proposal to introduce two types of categorical elements, Booleans and extensible enumerations, to the IFRS Accounting Taxonomy (paragraphs 71–92)?

Do you agree with the approach of:

(a) omitting from enumerations an option representing 'other' if no exhaustive list of options is included in the Accounting Standard and instead expecting an entity to add extension items under the extensible enumeration element?

(b) creating categorical elements in addition to the existing narrative elements instead of replacing the existing narrative elements?

Do you have any specific comments on the elements proposed in Appendix C? Do you think any elements are missing?

Do you agree that the guidance proposed would be enough to enable consistent use of the categorical and related narrative elements? If not, please explain why, and specify where or how more guidance could be provided?

What do you think about introduction of the fundamental categorical elements to the IFRS Accounting Taxonomy to capture implicit information (paragraphs 93–97)?

We mostly agree on the introduction of booleans and extensible enumerations, as they bring clear and concise information and keep the accounting taxonomy consistent with the sustainability taxonomy.

We agree with creating them as a complement to the existing narrative elements rather than as a replacement.

However, we have some issues with the proposed guidance on booleans associated with narrative elements whose meaning is always equivalent to 'true'.

In paragraph 87, the PTU justifies making the 'false' value possible for <u>all</u> boolean elements, mainly to leave room for jurisdictions to make the reporting of these elements mandatory. This would indicate that it is a scenario the Foundation considers likely enough, and does not wish to discourage.

In paragraph 85, the PTU proposes to include guidance labels indicating that when using a boolean element, entities should also use the parent narrative tag to capture the full narrative disclosure.

As a result, when using one of the 'true-only' booleans, in jurisdictions making their use mandatory (as well as in other jurisdictions for entities that would voluntarily decide to report 'false' values), the guidance labels would encourage the corresponding narrative tags to be applied in those jurisdictions even for 'false' values.

For instance, a fairly important number of reports contain statements indicating that the statements are on a going concern basis.

Accordingly, the preparer would apply the new boolean '**Entity has not prepared financial statements on a going concern basis**' with a value of **false**.

That preparer, or the reviewers of the report, would then also read the guidance label *'When using this element, the entity should also use the parent text element to capture the full disclosure provided'*, encouraging them to use the corresponding narrative element on the disclosure.

Preparers reporting that the statements are on a going concern basis would therefore tag that disclosure with the 'Explanation of fact and basis for preparation of financial statements when not going concern basis'.

We therefore believe that the proposed guidance labels should be amended (**only on 'true-only' booleans**) to explicitly encourage using the narrative tag for true values, but also to explicitly discourage using the narrative tag for false values.

Additional guidance should also be provided for the narrative elements corresponding to these 'true-only' elements, to explicitly discourage the use of that element if the value for the boolean would be 'false'.

The element **'Explanation of change in name of reporting entity or other means of identification from end of preceding reporting period'** does not seem to be in the list of text elements for which a boolean would be added. We think it could be a candidate for these changes, especially given our comments above. A significant number of uses of the tag have been observed in reports of issuers for which no change in name had occurred.

Question 6—Tagging of fair value of investment property measured at cost

Do you agree with the proposed approach of creating a new element rather than using dimensions to tag the fair value of investment property that is measured at cost (paragraphs 113–119)?

If you disagree with the proposed changes, please explain why, and specify what alternative (if any) you would suggest and why.

Disagree.

While we do agree on the idea of creating a new element, we do not agree with the proposed approach.

Take two entities A and B, where:

- A reports investment property at fair value FV_a in its statement of financial position
- B reports investment property at cost AC_b in its statement of financial position, and at fair value FV_b in its notes.

The proposed approach leads to the following tagging:

	A	**B**
Investment property	FV_a	AC_b
Fair value of investment property when entity applies cost model		FV_b

where:

- the fair value of investment property for A and B are tagged with different elements while having the best comparability, and
- the element “Investment property” makes FV_a and AC_b seem more comparable than they are.

It would seem more appropriate to instead introduce a “**Investment property at cost**” element.

The few entities applying the at cost model in their statement of financial position would be required to change their tagging to the new element to highlight this difference, but would now be able to use the “Investment property” element to tag its fair value.

With this, the figures tagged with “Investment property” in the reports of A and B would be the most directly comparable.

In addition of the new “Investment property at cost”, changing the label (not the name) of the InvestmentProperty to “Investment property measured with fair value model” would make the elements most easy to understand, and would signal the required change to entities applying the at cost model in their statement of financial position.

	A	**B**
Investment property measured with fair value model	FV_a	FV_b
Investment property at cost		AC_b

The majority of entities, those that report at fair value in the statement of financial position would not need to change their tagging.

In addition, we would also like to point out that a fairly significant number of entities in the real estate sector measure investment property with the fair value model, but disclose directly in their statement of financial position the breakdown between investment property measured at fair value and investment property exceptionally measured at cost following IAS 40.53.

These entities also end up creating extensions for both their investment property lines, or tag the investment property measured at fair value line with the “Investment property” element while the amount is not their total investment property. The ‘Measurement’ axis does have fitting members, but the use of dimensions within the statement of financial position is generally discouraged.

We believe the creation of corresponding line items “Investment property at fair value” and “Investment property at cost or in accordance with IFRS 16 within fair value model” would therefore also be justified.