

Our Ref: 2020-SSB/C

Directorate Office

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Mr Erkki Liikanen
Chair of the Trustees
IFRS Foundation
Columbus Building
7 Westferry Circus
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London E14 4HD
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Dear Mr Liikanen

RE: Consultation Paper on Sustainability Reporting

This submission is being provided by XBRL International on behalf of the entire XBRL community, including our 19 national jurisdictions, or chapters, that exist around the world. Our purpose is to enhance transparency and accountability in business performance globally by providing open data exchange standards for business reporting. Our community supports the creation of the SSB.

Our submission is in response to Question 11 and is focussed on the necessary digitisation of reporting, and reporting standards in this field.

We write to:

- Make the Trustees aware of the problems caused to comparability and utility when there are multiple digital taxonomies that represent the same reporting concepts.
- Underscore the importance of integrating taxonomy development into the governance of standards setting work by the SSB.

We support the creation of the SSB and appreciate the difficulties faced by users, including investors, regulators, policy makers and a much broader set of stakeholders when trying to compare reports prepared in accordance

with more than one of the many divergent standards and frameworks that exist today. This is a real and increasing global problem and the SSB is the right global solution.

We agree with the requirements for success that the IFRS Trustees have set out in paragraph 31 of the paper. We are optimistic that the Trustees will have more than enough information and support to weigh these factors up given the substantial number of responses that the consultation is likely to receive and the attention that this topic has received from around the world.

In particular, we understand all too well the funding complexities faced by a private sector entity operating to create a public good. The Trustees are unable to levy regulated companies or their investors in the way that a public sector national standards setter might be able to.

Nevertheless, demand for higher quality, more accurate and highly comparable sustainability data is pervasive and there appears to be a clear understanding about the importance of an international standards setter in this context. This demand should translate into a long term, broad based, significant and successful funding model for the SSB that does not impinge on the IASB's important work.

Digital Transformation

We write to address the question of the digitisation of reporting. The pandemic has accelerated the digitisation of almost every aspect of society in ways that could not have been foreseen twelve months ago. Every facet of working life is increasingly dependent on digital technologies and standards.

Facing up to the climate and environmental challenges, societal challenges and governance challenges the world confronts today requires vastly better information than that which is currently available. Information needs data. Data needs standards. Old models of intermediation, manual interpretation, rekeying and other data management functions must quickly give way to a "digital first" mentality in reporting.

Whether decision-useful reporting data is being consumed by a pension fund, an asset manager, a statistical agency, a think tank, a commercial data provider or any other kind of user, it is most efficient and accurate for the raw digital data to be provided by management directly. It needs to come "from the horse's mouth". It needs to be reported in adherence with accepted standards, there need to be effective policies, systems, procedures and controls for acquisition, and, finally, the data should then be subject to independent assurance where necessary.

Encouragingly, the vast majority of financial reporting is moving along this path. Japan, the US and the EU have all chosen to oblige public company financial digital disclosure using Inline XBRL¹, a human and machine-readable format.

Much of that information is prepared, of course, in accordance with the existing IFRS financial taxonomy. These are just some of the more prominent of the 150+ digital reporting mandates that exist across more than 50 countries, requiring more than 10 million companies to report digitally using XBRL by using taxonomies relevant to their reporting domains.

Sustainability reporting must follow suit. This may seem obvious and we are grateful for and encouraged by, inter alia, statements of support to this effect from the [European Parliament](#), [ESMA](#), the [AICPA](#), and [Accountancy Europe](#), and also by the work of the SASB, which has recently publicised a draft XBRL taxonomy that digitises its sustainability standards².

We would like to ensure that the Trustees are aware of two very important issues in this area. First, computers are dumb. Second, governance is vital.

1. Computers are Dumb

A huge amount of work is already going into reshaping the standards setting landscape in the sustainability space. The SSB initiative is clearly vital. As is the work of the “Group of Five”³, as well as myriad regional efforts, not least those of the EFRAG PTF.⁴

Let us suppose, for a moment, that these consolidation efforts are successful and that they greatly reduce the number of overlapping sustainability standards. Let us further suppose, for example, that both the SSB and a regional effort decide to utilise one of the existing carbon reporting concepts, such as those articulated by TCFD. Both the SSB and the regional effort will publish their standards and their own corresponding XBRL taxonomy that enable digital reporting. A human reading reports that conform to those different standards will rapidly understand that the data is comparable. Computers are much more literal. Machines will not automatically connect two ideas just because they appear to be similar.

¹ For a description from XBRL International see [here](#). For an example, see [here](#).

² A recent end-to-end demonstration of digital ESG standardisation, from taxonomy, to issuer, to investor analytics, all within the SASB project is available [here](#).

³ [Statement of intent](#) to work together towards comprehensive corporate reporting.

⁴ EFRAG European Lab [Project Task Force](#).

For example

Let's assume that there is an identical reporting concept, such as:

"Direct GHG emissions from sources owned or controlled by the entity".

Computers don't deal with spaces very well, so that reporting concept might be called:
"directGhgEmissions" in both taxonomies.

However, there will be two taxonomies, each uniquely identified by a suitable prefix. Perhaps "ifrs-ssb" and "regional-esg".

Two reporting organisations will duly prepare their disclosures, faithfully capturing their level 1 emissions and disclosing them in their digital reports.

Organisation A will report something like this:

```
{ "value" = "100000",  
  "concept" = "ifrs-ssb:directGhgEmissions" }
```

Organisation B will report something like this:

```
{ "value" = "210000",  
  "concept" = "regional-esg:directGhgEmissions" }
```



The *difference in the prefixes* is all that a computer needs to decide that these are quite different concepts and that they are *not at all comparable*.

Now, of course, this is a simple and trivial example and in the real world there may be many other minor issues that prove, once again, that computers are dumb. The two different taxonomies might use slightly different names for the reporting concept, or one might use a slightly different reporting unit, or there may be many other small, painful differences that a human can work out very quickly, but will stop a computer in its tracks.

In other words, it's not enough to have a single standard. There also needs to be a single taxonomy to ensure the comparability and the utility of these disclosures. If, as seems likely, getting the entire world to use *just* a single standard takes time, then it will be important to design the digital representation of the SSB's standards in such a way as they can be used as "building blocks" for national or regional implementation, and so that parts can be easily re-used.

The Trustees are therefore urged to incorporate this memorable, true and increasingly important maxim into their design thinking: Computers are Dumb!

Practically, what we are suggesting is that the SSB taxonomy must be designed in such a manner as to ensure that regional differences and different regional or national adoption appetites for sustainability reporting

are considered. It must be easy to use all, or some, or just parts of the SSB standards via the SSB taxonomy. This will require significant co-operation with national and regional standards setters.

Equally, the SSB taxonomy likely needs to be licensed in a way that makes it vastly easier to use rather than to copy or recreate.

2. Taxonomy Governance is Important

We are greatly encouraged by the governance arrangements put in place by the IFRS Trustees over the existing IFRS taxonomy. Its due process⁵ requires that:

- the Board will review and approve IFRS Taxonomy content where it reflects new or amended IFRS Standards;
- a newly established IFRS Taxonomy Review Panel of three-to-five Board members will review the IFRS Taxonomy common practice content;
- the drafting and approval of each *Proposed IFRS Taxonomy Update* will take place at the same time that the related IFRS Standard is finalised; and

We consider this to be taxonomy best practice and urge the Trustees to use the same arrangements from the outset of the SSB's standards setting life.

⁵ See the announcement about amendments made in 2016 [here](#), including links to the revised due process [handbook](#).

Conclusion

We recognise that these might seem rather low-level issues for this consultation. Nevertheless, the work of the Trustees can be greatly diminished by relatively simple mistakes. We trust that the key points are helpful –

1. Digitisation is now a central part of corporate reporting.
2. It is not enough to have a consistent standard. Digital reporting concepts need to be identical. Comparability is achieved best by having a single standard and a single taxonomy. Where this is impossible, design principles are needed that provide a building block approach and which simplify taxonomy reuse.
3. Taxonomy governance is important.

We are happy to discuss any aspect of this with relevant stakeholders as needed and are available at your convenience to discuss.

Yours sincerely



John Turner
CEO



About XBRL International

XBRL International is the global standards development organisation that has developed, maintains and improves the XBRL specifications. Our purpose is to enhance transparency and accountability in business performance globally by providing open data exchange standards for business reporting.

We are a not-for-profit that works in the public interest, supported by more than 600 organisational members worldwide, including via 19 national chapters or jurisdictions as well as XBRL Europe, a regional body, which all, themselves, work on digitisation at a national or regional level.

Our specifications are freely available and are an important part of the fabric of reporting in more than 50 countries, in use by 179 regulatory mandates, and used by in excess of 10 million private and public companies globally.

What is XBRL?

The XBRL standards are the digital *lingua franca* used for a very wide range of financial, tax, compliance, statistical and regulatory reporting right around the world. Rather than being a reporting standard that provides specific terms that must be used in particular circumstances, XBRL is a technical standard that allows different standards setters to define their own disclosure terms in a manner that can be used and understood by different digital systems. The collection, or dictionary, of such terms are called an XBRL taxonomy. XBRL taxonomies are owned and managed by different standards setters around the world, including by the IFRS Foundation, which develops, maintains and owns the IFRS Taxonomy for the IASB's financial standards.

These dictionaries, in turn, are used to facilitate digital reporting. For corporate reporting, including sustainability reports, that typically means Inline XBRL, which combines human and machine-readable formatting and can be highly formatted to assist with corporate communications. See an example [here](#).

The tagged data contained inside these reports can be easily consumed by different systems for analysis purposes. Data can be numeric or text, or even graphics, pictures and charts. Data can be tightly constrained to help ensure comparability and can be further subject to automated data quality rules to further assist the accuracy and reliability of information being provided.

More information can be found at the XBRL International website:
<https://www.xbrl.org>

Why XBRL for ESG Disclosures?

Consistently renders data into machine-readable format.

ESG data prepared in PDF, HTML, text or other formats, is not easily consumable. XBRL data can be processed faster and less expensively than traditional datasets. By using Inline XBRL, ESG data will be both human-readable and machine-readable, and therefore more timely, consistent, and of greater value to investors and regulators. Hundreds of regulators require financial data to be reported in XBRL format; enabling ESG data to be reported in the same format places it at the same level of importance as financial content already reported in this fashion. XBRL taxonomies can include labels in as many languages as needed.

Widely used.

XBRL has been implemented in 179 programs around the world. The majority of these programs can be categorised as financial regulatory (83), capital markets (53), and business registrars (18), with the remainder including government oversight, tax authorities and economy-wide Standard Business Reporting (SBR) efforts.

Open and non-proprietary.

There are no licensing fees associated with the use of the standard which makes it easier and less costly for regulators, providers, issuers, and data consumers to adopt. The ease of adoption and the ability for XBRL data to be created, consumed and analysed in virtually any software application, also enhances its value; and encourages innovation and competitive pricing.