xBRL EUROPE

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23-24 June 2021

A Collaborative Approach to Digitization of Sustainability Standards

Presented by:

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IMPACT MANAGEMENT PROJECT

DISCLAIMER

The views expressed in this presentation are those of the authors, in their personal capacity, and do not necessarily reflect the views of the Impact Management Project.

The purpose of the presentation is to promote dialogue with a view to reaching a multi-stakeholder global consensus position on an ESG sustainability digitization strategy.

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ANSWERING THE "WHY DIGITIZE" QUESTI ON

Fragmented & Un-discoverable Information

Regulated entities, wherever they are in the world, have been subject to an increasing amount of fragmented regulatory regime changes, legislation, reviews, and queries. The ramifications... are costly: penalties, undesirable news coverage, the cloud of operating under an MRIA...or suspension of operating licenses.

About the Impact Management Project (IMP)

A forum for building global consensus on measuring, managing and reporting impacts on sustainability.

A time-bound global public interest project, funded by a diverse group of donors from Europe, the US and Asia.

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The IMP Non-Financial Digitization Working Group (NDWG)

TELOS Assessment.

Introduction to the NDWG

The Non-financial Digitisation Working Group (NDWG) was established in 2020 to **assess the feasibility of establishing a public good registry of digital taxonomies**, as a mechanism to develop and maintain digitised versions of sustainability standards and – by consequence – to achieve greater flows of sustainability information between preparer and users.

The NDWG consists of three sub-groups:

Steering Committee

The CEOs (or equivalents) from Members of the IMP Structured Network, who were interested to take part in the NDWG and have provided strategic guidance to the Project Team. The Steering Committee is chaired by Jane Diplock, AO.

Review Advisory Group

An extended group of experts who are providing detailed feedback on the report. This group is chaired by Richard Soley, Chairman and CEO of the Object Management Group, Inc.

Project Team

A team of technical experts who conducted the feasibility study. The Project Team is led by Liv Watson, Chair of the NDWG.

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The Non-Financial Digitization Working Group (NDWG)

What the draft report is telling us

Workstream	Conclusions
Technology	• A registry of taxonomies is **technically feasible**. • Several technologies could form the basis of a registry (in-house build would likely involve a hybrid of options).
Economic	• The potential **savings related to reduced compliance costs and improved quality of sustainability information** far outweigh the build and maintenance costs. • Engaging a servicer provider for the build is significantly cheaper. However, this may limit functionality and ability to maintain the registry as a public good.
Legal	• **No existing legislation or regulation would prevent creation of a registry**. • Legal structure would most likely be some form of public-private partnership • Taxonomy producers using registry need their IP rights upheld • Policy and regulatory developments (EU and IFRS Foundation) create **urgency to digitise quickly yet consistently.**
Operational	• Significant **collaboration between technology experts and sustainability standard-setting is required.** • Digital tagging is a new process for most organisations; training will be therefore required.
Scheduling	• A registry could be built (in-house) in 24 months. • This is dependent on human agreement on regarding how to develop interoperable digital taxonomies for sustainability standards.

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A summary of the ecosystem required for taxonomy registry development

Layer 1:

A registry would be a technological reflection of a human agreement on how to best develop and maintain interoperable digital taxonomies for sustainability standards. A critical mass of sustainability standard-setters would therefore need to reach conceptual agreement on this before developing the registry, likely with input from other experts in taxonomy development.

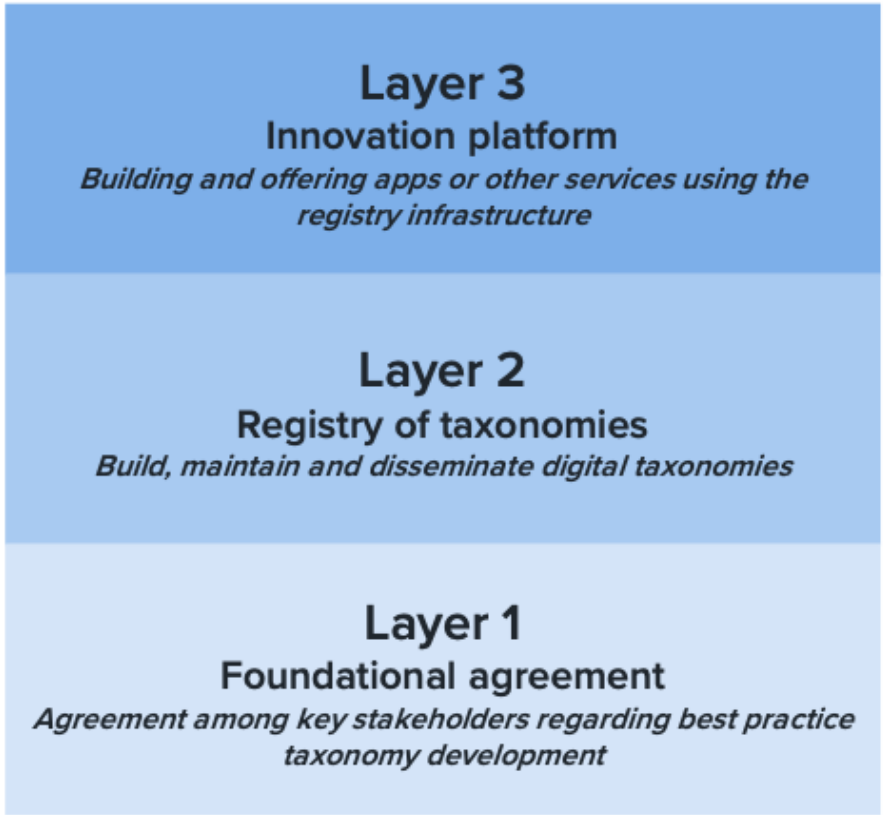
Layer 2:

The build and maintenance of the registry, and the management and dissemination of digital taxonomies.

Layer 3:

If a registry is built and taxonomies are successfully being disseminated to users, it is likely that further layer could be introduced to build on this infrastructure. This third layer would facilitate the creation of new and innovative services that use the registry.

Whilst the first two layers would need to be maintained as a public good, ensuring fair and equal access to digital taxonomies, the third layer could allow for some degree of commercialisation.



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Regulatory Requirements

EUROPEAN COMMISSION

Brussels,
21.4.2021

COM(2021) 189
final

2021/0104(COD)

Proposal for a

DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting

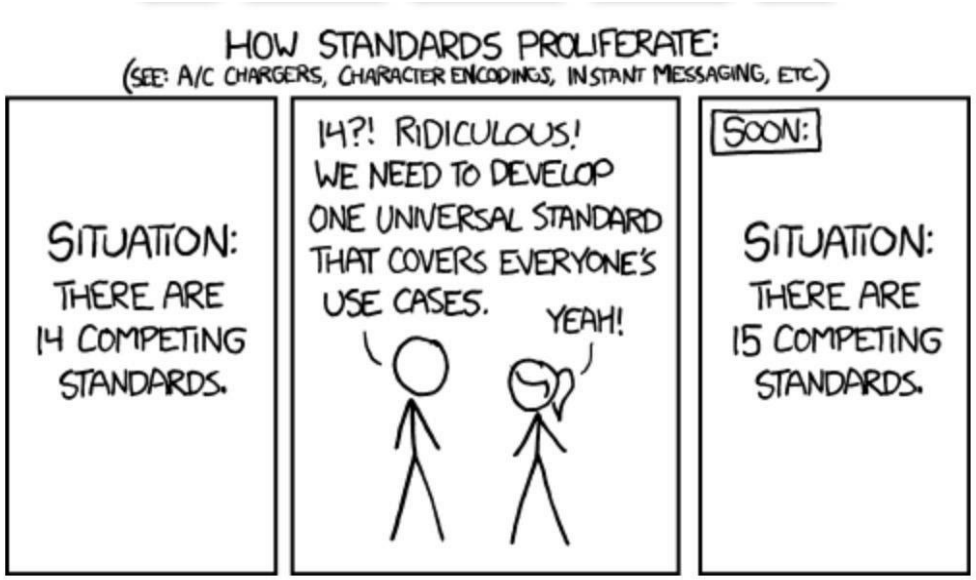
(Text with EEA relevance)

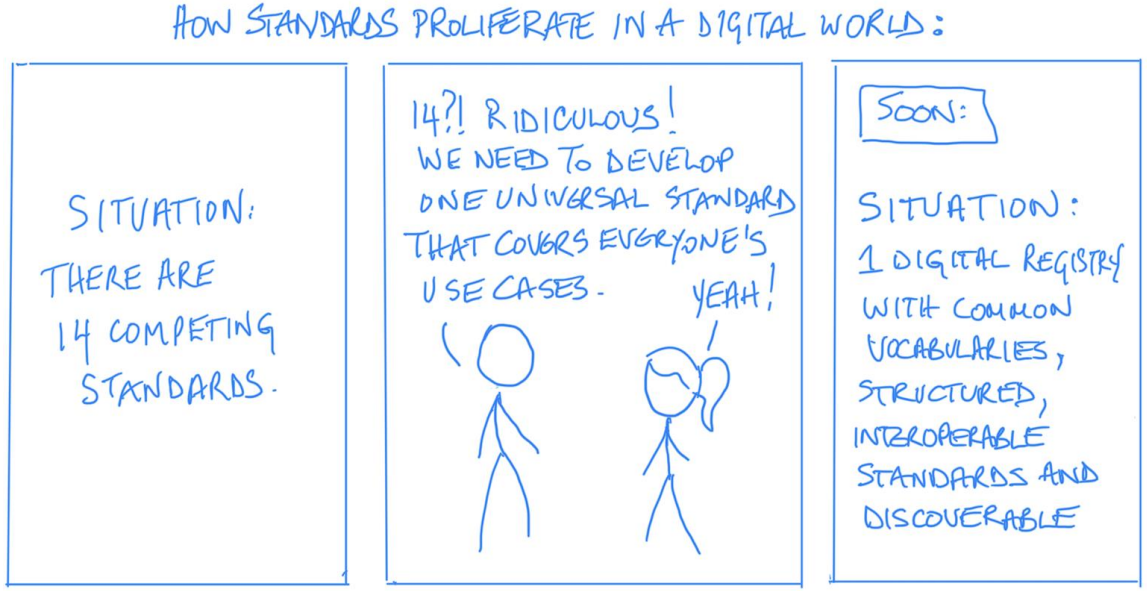
{SEC(2021) 164 final} - {SWD(2021) 150 final} - {SWD(2021) 151 final}

…..requires companies to digitally ‘tag’ the reported information, so it is machine readable and feeds into the European single access point envisaged in the capital markets union action plan

Source: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189

Key Takeaway





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About the Speaker:

Liv Watson

Senior Advisor and Digitisation Lead

Liv is on secondment to the IMP, leading the IMP's facilitation on digitisation. She also chairs the IMP's Non-financial Digital Transformation Working Group, an initiative aiming to determine if and how non-financial reporting lends itself to structured data using the open international standard for digital business reporting, XBRL.

As the co-founder of XBRL and the XBRL International consortium, Liv works globally with leading market regulators, accounting associations and institutions. She has held several speaking engagements on financial and business reporting standards, its benefits, potential applications and adoption in corporate governance and social responsibility reporting. Liv has also held several leadership positions related to XBRL, including as a member of the IFRS XBRL Advisory Committee, the XBRL International Steering Committee and the XBRL Standing Committee.

Liv has authored one of the Institute of Management Accountants (IMA)'s most successful professional courses, "Accounting System Technology for the 21st Century", and published numerous articles for international publications and journals. She is an editorial board member of the "International Journal of Disclosure and Governance", as well as the co- and contributing author to several books, including "XBRL for Dummies", and the "Governance, Risk and Compliance Handbook", "The Landscape of Integrated Reporting," and "Effective Auditing for Corporations".

For the past 10 years, Liv has also been the Senior Director of Strategic Customer Initiatives at Workiva Inc., which has served over 70% of fortune 500 companies and more than 200 EU companies with their statutory reporting requirements.

Liv is a long-standing member of the IMA and is an Advisory Board Member to the University of Southern Indiana and the University of Albany. She is Norwegian and currently based in Amsterdam.

Talk to me about: How we can make nonfinancial data fit for purpose in the digital age