

## Symposium hosted by EFRAG at virtual EAA congress

**Friday 28 May 9.00-10.30 CET hrs**

ABSTRACT

### **Connecting Financial and Non-Financial Reporting: Intangibles and value creation**

In an economy in which intangibles are the main components of many company's business models, it has been argued that current financial reporting requirements are insufficient in providing sufficient relevant and comparable information to the primary users of financial statements.

EFRAG's research project on *Better Information on Intangibles* investigates possible ways to improve the financial information that companies report in their financial statements, notes to financial statements and management commentary on intangibles. The project considers both those intangibles that would meet the definition of an asset as those that would not, for example, because they are not controlled by the management.

More broadly, when considering also the ESG and future-oriented perspective, intangibles encompass organisational capital, human capital and relational and reputational capital, which represent the main sources of the organisation's value creation currently and in the future, both individually and by virtue of their dynamic interrelations.

The EFRAG European Lab Project Task Force on Preparatory work for the elaboration of EU non-financial reporting standards (PTF) published its report *Proposals for a Relevant and Dynamic EU Sustainability Reporting Standard-Setting* early March 2021. It proposes as one of the building blocks acknowledging the importance of intangibles in sustainability reporting. The role of intangibles which are not reflected through financial reporting and which are key to the development of businesses and to their processes of sustainable value creation should be emphasised in sustainability reporting. The PTF proposes that the European Standard Setter should consider introducing in its standard-setting process intangibles as a key dimension of sustainable company development on the therefore sustainability reporting.

The IASB is currently consulting on projects it should include on its agenda for the coming years. One of the projects it is proposing is a project on intangible assets. Also, the IASB is revising its *Management Commentary* practice statement, aiming to provide primary users of financial reports—existing and potential investors, lenders and other creditors—with information that is useful in assessing the prospects for future net cash inflows to the entity and management's stewardship of the entity's economic resources. The revised practice statement will include a discussion of the long-term drivers of the entity's success and of its risks as well as of trends and factors in the external environment that can affect the entity.

*The symposium will discuss intangibles both from a financial reporting as a non-financial reporting perspective, their linkage and their contribution to reporting on value creation. What are the borders and how can they be bridged? What reporting needs do investors and a wider range of stakeholders*

*interested in sustainability reporting have and how can they best be met? What information needs should be dealt with in the financial statements and the management commentary and what issues should be considered in other reports or ways of providing information. How should the issues related to financial reporting be addressed (e.g. revision of IAS 38 Intangible Assets and/or the requirements related to the management commentary)? How can academics help?*

**Involving as speakers:**

- **Nick Anderson**, IASB Board member
- **Patrick de Cambourg**, Chair EFRAG European Lab Project Task Force on preparatory work for the elaboration for EU non-financial reporting standards; EFRAG Board member, President French Standard Setter ANC
- **Chiara Del Prete**, EFRAG TEG Chairwoman and Chair of the EFRAG Advisory Panel on Intangibles
- **Begoña Giner**, Professor of Accounting and Finance, University of Valencia, Chair EAA Stakeholder Reporting Committee, member EFRAG European Lab Project Task Force on preparatory work for the elaboration for EU non-financial reporting standards
- **Peter Sampers**, Professor of Financial Accounting Maastricht University, former EFRAG Board member and Chairman of the Dutch Standard Setter RJ and former Senior Accounting Officer DSM
- **Saskia Slomp**, EFRAG CEO
- **Jed Wrigley**, Senior Advisor for Eight Roads, member EFRAG User Panel, former EFRAG TEG member