

This paper provides the technical advice from EFRAG TEG to the EFRAG Board, following EFRAG TEG's public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG Board. This paper is made available to enable the public to follow the EFRAG's due process. Tentative decisions are reported in EFRAG Update. EFRAG positions as approved by the EFRAG Board are published as comment letters, discussion or position papers or in any other form considered appropriate in the circumstances.

Better information on intangibles

Cover Note

Objective and structure of the session

- 1 The objective of this session is to discuss and consider for approval EFRAG's discussion paper on *Better information on intangibles* for publication. EFRAG TEG agreed to recommend on a consensus basis the discussion paper for the EFRAG Board's approval at its June 2021 meeting.
- 2 The discussion of the EFRAG Board at the July 2021 EFRAG Board meeting will be facilitated by a presentation of the discussion paper, providing a high-level summary of the various chapters of the discussion paper. This session is not intended to be a drafting session, accordingly EFRAG secretariat would welcome comments on the contents rather than the wording. Eventual editorial comments would be welcomed by email. The EFRAG Board will be asked for comments on:
 - (a) Chapters 1 and 2 – on the background of the discussion paper, the scope and issues with the current information;
 - (b) Chapter 3 – on possible approaches to improve the information on intangibles by recognition and measurement of intangibles in the financial statements;
 - (c) Chapter 4 – on a possible approach to improve disclosures about specific intangibles that are important for an entity's business model;
 - (d) Chapter 5 – on possible approaches to improve information on intangibles by providing information on future-oriented expenses and risk/opportunity factors;
 - (e) Chapter 6 – on issues to consider when discussing how to provide better information on intangibles.
- 3 EFRAG Board members will then be asked for comments on the proposed questions included in the discussion paper, the executive summary and the comment period.
- 4 To facilitate the preparation of the EFRAG Board, the version of the discussion paper provided for the June 2021 EFRAG TEG meeting at which EFRAG TEG agreed to recommend the discussion paper for approval by the EFRAG Board, was circulated to EFRAG Board members by email. A paper showing the changes made to that version of the discussion paper, following the comments of EFRAG TEG, has been made available for this session.

Project history

- 5 In 2018, following the input received from the EFRAG research agenda consultation, EFRAG decided to add a research project on better information on intangibles to its agenda.

- 6 The first part of the project was to commission an academic literature review. This literature review was published in February 2020.
- 7 Since then, EFRAG TEG has been working on a discussion paper. This Discussion Paper considers information to be provided in the financial statements (including the notes) and in the management report.
- 8 The Discussion Paper considers potential approaches to provide better information on intangibles and in particular how information on creating, maintaining and/or improving value can be provided in financial reports in a manner that is useful for decisions on providing resources to the entity.
- 9 In its work on the discussion paper, EFRAG TEG was assisted by the EFRAG Advisory Panel on Intangibles (EFRAG API), which was formed in March 2020 and was chaired by EFRAG TEG Chairwoman. The EFRAG API consists of users, valuers and preparers from three intangible intensive sectors:
 - (a) Pharmaceuticals and biotech;
 - (b) IT, media and entertainment; and
 - (c) Consumer goods.
- 10 The API held seven meetings from its establishment in March 2020 until June 2021. At the meetings, also other initiatives on intangibles were considered.
- 11 In addition to the discussion paper, the EFRAG Secretariat expects to publish in 2021 two sponsored academic studies related to the project:
 - (a) *Do companies disclose relevant information about intangibles? Insights from business model reporting and risk reporting* (co-sponsored with ICAS);
 - (b) *The production and consumption of information on intangibles: An empirical investigation of CFOs and investors* (co-sponsored with ICAS and EFFAS).

Consultation period and next steps

- 12 The IASB is consulting on its future agenda for the period 2022/2026 and the topic of Intangibles is one of the possible future projects; the agenda consultation will close at the end of September and the IASB expect to start its deliberations leading to the selection of the new projects in the last quarter of 2021, with a feedback statement expected to be issued in the second quarter of 2022. This Discussion Paper, once issued, may be influential in supporting the definition of scope and approach of the IASB possible future project.
- 13 When discussing the comment period related to the discussion paper, EFRAG TEG suggested a comment period of between 6 and 12 months, taking into account other consultations, the 'busy period' in the beginning of 2022 and how much EFRAG wants to promote the discussion paper through presentations and other outreach activities.

Questions for the EFRAG Board

- 14 Does the EFRAG Board have any comments to: Chapters 1 and 2, Chapter 3, Chapter 4, Chapter 5 and Chapter 6 of the discussion paper?
- 15 Does the EFRAG Board have any comments to the questions for constituents included in the discussion paper?
- 16 Does the EFRAG Board have any comments to the executive summary of the discussion paper?
- 17 Can the EFRAG Board approve the discussion paper for publication?
- 18 What does the EFRAG Board consider should be the comment period of the discussion paper?
- 19 Does EFRAG Board members have suggestions on possible outreach activities during the consultation period?

Agenda Papers

- 20 In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 05-02 – Presentation of EFRAG’s discussion paper;
 - (b) Agenda paper 05-03 – The discussion paper; and
 - (c) Agenda paper 05-04 – The discussion paper showing the changes made to the version prepared for the June 2021 EFRAG TEG meeting (previously circulated to EFRAG Board members).