EFRAG
Financial reporting

# SUMMARY REPORT

## WORKSHOP SERIES ON USERS' INFORMATION NEEDS REGARDING SPECIFIC TYPES OF INTANGIBLES

## 2025

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## Introduction

1 A research project on intangible assets was added to the IASB's research project pipeline following its Third Agenda Consultation. Stakeholders highlighted deficiencies in the reporting of intangible assets and raised matters relating to all aspects of IAS 38 *Intangible Assets*, including its scope, recognition and measurement requirements, and the adequacy of the information companies are required to disclose. The project was activated in April 2024.

2 In May 2025, the IASB tentatively decided to prioritise the intangibles-related issues raised by stakeholders and specifically to begin by assessing user needs for information about recognised and unrecognised intangible items and expenditure associated with them in the financial statements. The IASB had gathered a considerable amount of user feedback and other evidence on user information needs. This feedback and evidence indicated that users had a variety of views. The IASB considered further analysing the reasons for the diversity of users' views, including whether they stem from sector-specific perspectives or from differences in the types of intangible assets.

3 In this regard, the EFRAG Secretariat has organised a number of workshops jointly with the IASB staff. EFRAG organised the workshops by type of intangibles to better understand whether the information needs of users vary across industries and/or types of intangible items and the reasoning behind these differences. Specifically, the EFRAG Secretariat organised in November 2025 the following private workshops related to the following specific intangible items:

(a) software, AI, data resources, algorithms, digital platforms;

(b) research and development (R&D), patents and unpatented technology;

(c) marketing and customer-/supplier-related intangibles; and

(d) intellectual property (broadcast rights and copyrights).

4 Participants in the workshops covered a wide range of professional backgrounds, including analysts, investors and valuation specialists. Academics with relevant research on users' information needs on intangibles and, to a limited extend, preparers with direct contact with users also participated in the outreach activities[1].

[1] When specific views are provided in the summary by a participant with a background other than professional investor or valuation specialist, the background of the participant is indicated.

5 This summary complements the Recommendations and Feedback Statement published by EFRAG in 2023, which included EFRAG's tentative recommendations for developing IFRS requirements on intangibles used in the entity's operations. These recommendations were based on input EFRAG received from comment letters, electronic surveys, outreach activities and supported academic studies on the Discussion Paper *Better Information on Intangibles – Which is the best way to go?* (the 'DP') issued by EFRAG in 2021.

## Executive summary

6 Participants across all workshops emphasised the need for both qualitative and quantitative information. They called for a better articulation of value creation drivers, more granular information related to expenditures and assets, and clearer explanations of potential benefits and related risks, while acknowledging that some intangible-related information may not belong to the financial statements. A better understanding of value drivers would require disaggregation aligned with the business model, as well as transparency around potential impairment triggers and associated risks. For newer types of intangibles assets, information on their assessment of control was considered relevant. The workshops also revealed differences across specific types of intangibles.

7 For digital intangibles, users sought insight into how technology, data and AI contribute to value creation, the governance and legal risks associated with data usage, and clarity around control assessment criteria and capitalisation policies. For R&D, patents and unpatented technologies, they highlighted the importance of understanding how spending is split between maintaining existing assets and investing in new innovation, and requested clearer disaggregation between research and development. Users analysing marketing- and customer-related intangibles focused on behavioural metrics such as churn, customer acquisition and the effectiveness of marketing strategies. Those examining intellectual property stressed the need for key performance indicators (KPIs) on the performance and protection of patents and trademarks, and for risk disclosures explaining how such rights support the business model.

8 Across all workshops, participants expressed that the information currently available in the financial statements is insufficient for a comprehensive understanding of intangibles. In addition to a lack of information, they also cited inconsistent and unclear capitalisation practices, differing accounting treatments for newer types of transactions, and a lack of comparability between entities growing organically and those growing through acquisitions. Participants also noted that information presented across the primary financial statements – the statement of financial position, statement of profit or loss, and statement of cash flows – is often difficult to reconcile and connect, and that it is also challenging to link intangible-related narrative information presented outside the financial statements with the amounts recognised within them.

9 Analysts and investors frequently turn to alternative sources – such as investor presentations, earnings calls, company websites, management discussions and public patent databases – to obtain the information they need. Intangible-related KPIs, such as

customer lifetime value, customer acquisition costs and churn rates, are largely located outside the financial statements, reflecting the lack of standardised disclosure requirements. Participants generally agreed that more standardised and more granular disclosures should be included within the financial statements, but that narrative explanations of the business model or value creation, sector-specific indicators and longer-term contextual information are better placed in management reports or integrated reporting frameworks. This dual approach was seen as the most effective way to balance structure, comparability and relevance.

10 Discussions also showed that information needs vary less by industry and more by business model. For example, subscription-based models require different customer-related disclosures than transaction-based ones. Nonetheless, there are also industry differences; for example, users in pharmaceutical companies rely heavily on pipeline information and patent portfolios, whereas those covering technology companies focus on network effects, algorithms and other complex drivers of value. Overall, users want to understand how these factors contribute to value creation. In this context, the amount and nature of information provided by entities about research and development differ depending on whether R&D expenditures have a direct impact on the final product, as in the pharmaceutical industry, or whether they primarily affect processes or support a wider range of products.

11 Gaming companies were considered to provide clear disclosures on customer metrics, while luxury companies provided more limited information on brands and marketing assets. Despite the sectoral nuances, the underlying information users seek is broadly similar: they want to distinguish investment from maintenance spending, understand how intangibles contribute to future cash flows, and assess the risks and governance arrangements associated with those assets.

12 Users frequently adjust financial statements to overcome limitations in the reporting of intangibles. Some construct synthetic balance sheets by capitalising significant intangible-related expenditures – such as R&D in the pharmaceutical sector or key digital investments – to estimate rates of return and improve comparability across companies with different investment profiles.

13 Sector-specific analysts often apply their own adjustments, sometimes standardised informally within their professional communities. However, marketing and customer-relationship expenditures are rarely capitalised by users, and balance-sheet values of recognised intangibles are not typically used directly in valuation models, given the

forward-looking nature of those assessments. Some participants also adjusted for purchase price allocation effects to mitigate distortions arising from mergers and acquisitions.

## 1. Workshop on digital intangible assets

### Information needs of users on digital intangible assets

14 Participants outlined a need for both quantitative and qualitative information. They also offered general suggestions for the way forward.

*Qualitative information*

15 An investor stressed that when analysing heavily data-driven companies, it is vital to understand the type of data held (whether structured or unstructured), the business model, and the potential for scaling behind data use. The key to usefulness is presenting the business model, its key drivers (including value creation from key intangibles) and the associated risks in an understandable way. There is usually a large gap between market value and book value, particularly for companies with digital business models. The investor noted that the objective should not be to close the gap, but rather to provide information that helps users understand it. Digital business models were described as less established and less widely understood than those in more traditional industries, with diversity in how they create value. As a result, different datapoints are needed to compare such entities and to assess which are most effectively generating economic value. Clear descriptions of business models and their key value drivers are essential to give investors a comprehensible basis for valuation.

16 Other participants also called for information on potential benefits of digital intangible assets. In this regard, a participant with an academic background considered it useful to have information on how companies are using their technological innovation to gain an advantage, such as comparing the extent to which different companies within a sector are utilising AI. The ability to use AI largely impacts an entity's potential to respond to new developments.

17 On other risk-related aspects, a participant with an academic background noted the importance of having information about the risks associated with different types of digital intangible assets, given their link to a company's strategy and future performance. Another participant noted that further information on organisations' data and AI governance strategy, privacy and data usage policies, and whether an entity has consent to use data for AI purposes helps in assessing legal risks related to compliance and risk management. Investors should also receive information on the extent to which a company is dependent on external parties for data access or AI capabilities.

18 On more specific qualitative aspects, a participant with an academic background suggested that entities could be asked to provide information on the status of projects (such as

concept, R&D, or commercialisation) using technology readiness levels (TRLs), which provides detailed, comparable information without disclosing confidential project details.

19 On recognition, a participant with an academic background suggested that, due to the difficulty in comparing digital intangibles across entities, users should have better information regarding companies' capitalisation policies and the key assumptions on the underlying policies. It was also noted that control is a key concept in determining who benefits from an intangible's economic value, and therefore further clarity is needed regarding who controls a digital intangible asset in different arrangements and on any risks related to a potential loss of control.

*Quantitative information*

20 A participant suggested that investors may want information on the types of partnerships with different AI companies, the types of large language models (LLMs) used, and the number of AI specialties or data scientists present in the organisation.

21 A participant emphasised the importance of combining qualitative insights with quantitative data to support comparability, suggesting that metrics such as Net Promoter Scores (NPS) or Trustpilot ratings could provide comparable insights into customer sentiment.

*Going-forward general suggestions*

*Data and Key Performance Indicators (KPIs)*

22 A participant remarked that the future focus should be on understanding how intangible factors drive a company's success, emphasising the need to combine qualitative insights (to explain how business models create value) with quantitative data (to support comparability). This would require granular, business-model-relevant information, potentially at a segment level, to explain the impact of intangibles on cash flows and earnings. Clear linkages between the primary financial statements are important for major intangibles. The participant also emphasised the need to understand the implications for future cash-flow generation, ongoing maintenance requirements and potential risks.

23 For metrics, a participant with an academic background suggested that a mixture of sector-agnostic and sector-based KPIs is needed, noting that these would likely need to be reported outside of the financial statements. An alternative approach offered was to produce a list of KPIs and allow companies to choose those most appropriate for their individual situations.

*Framework Structure and Disaggregation*

24 To improve comparability, a participant noted that it would be helpful to develop a framework for digital intangible assets using a limited number of categories. It was also suggested that clarification and/or disaggregation is needed regarding what is currently grouped under the category of 'software'.

25 The need for clarification also extended to costs, as one participant with an academic background observed that the categorisation of expenses had to be clarified. To address the issue of expense aggregation, another participant suggested adopting a future-oriented expenses approach to achieve disaggregation. This was proposed because many expenses are currently grouped into a single category, which makes it nearly impossible to understand their actual content. However, it was also noted that IFRS 18 requirements might already bring some improvement.

*Materiality and Standardisation*

26 A participant with preparer and user background stressed that materiality is a fundamental concept and must be properly considered when preparing information on intangibles. This participant expressed concern that failure to properly apply materiality could lead to excessive information that is not useful to users and could obscure material information. This concern led to the suggestion that the IFRS framework around materiality may need to be reviewed.

## Availability of the information

*Where do users find the information they need about digital intangible assets?*

27 One participant observed that software and digital companies rely on a set of widely used, standardised performance metrics outside formal accounting requirements, which provide useful insights into business performance and value creation.

28 Among these, lifetime value (LTV) estimates the net present value of the expected gross cash flows generated by a customer group, while customer acquisition cost (CAC) captures the sales and marketing expenditures required to acquire those customers. Analysts and investors frequently focus on the LTV-to-CAC ratio as an indicator of how efficiently a firm converts marketing spend into long-term value. The participant also mentioned the churn rate, which is the rate at which customers stop using a company's products or services.

29 Although companies may define these metrics differently, they tend to apply their definitions consistently over time, allowing for meaningful analysis of performance trends and value creation. These metrics have become an essential part of how investors and analysts evaluate intangible-driven businesses.

30 The participant also noted that understanding an entity's R&D spending is essential. In particular, software development never truly ends, as maintaining competitiveness requires continuous innovation. For this reason, the participant monitors indicators such as NPS and upsell trends to determine whether the software remains modern and capable of generating sustained growth.

*Placement of information*

31 One participant with an academic background noted that, in relation to litigation risk of forward-looking information, different countries have specific laws that could make requirements on data policies complex to develop. Therefore, this information should not be included in the financial statements but rather as part of other documents.

32 A participant was of the view that standardised information should be available in financial statements, while companies could then expand it as appropriate outside of the financial statements. Individual information should be better located outside of the financial statements.

33 Another participant with an academic background pointed out that integrated reporting is widely used globally and combines financial information, sustainability information, and information on intangibles to explain the company's value creation story. The work done by the World Intangible Capital Initiative (WICI) could be informative. Specifically, the participant was of the view that digital intangible assets cannot be addressed only through financial statements, as some aspects are difficult or impossible to measure monetarily. This participant suggested adding sector-agnostic disclosures directly into the IFRS Accounting Standards, while keeping the industry-specific KPIs outside the core framework of the standards, as their implementation would be complex.

### Is the same information needed across industries?

34 It was noted that the information needed by users is likely dependent on the business model. For example, it depends on whether a business was transaction-based or subscription-based.

35 One participant observed that business models in the technological industry were less established and harder to interpret than those in other industries, as value creation often stems from complex, interrelated intangible factors such as network effects, user bases, logistics efficiency or algorithmic capabilities. Instead of trying to assign values to digital intangibles, analysts focus on key operational data that reflect a company's 'economic moat,' such as delivery efficiency, customer behaviour or market share trends.

### Adjustments to financial statements

36 A participant explained that their approach was to capitalise any significant intangible that was driving a business in a synthetic balance sheet to explore the rates of return. However, when there were several intangibles, these were usually not capitalised. This type of approach was considered fragile, as a number of assumptions needed to be made.

37 Another participant observed that the vast majority of the analysis of companies was done by sector-specific analysts rather than generalist fund managers. Analysts make different adjustments, and these are likely sector-specific. Furthermore, sector-specific analysts connect and read each other's research, resulting in the organic development of a sector-specific approach.

38 There were examples where analysts tried to systematically capitalise longer-term profit and loss (P&L) expenses, including R&D in the pharmaceutical industry. This enabled easier comparison between a stable business and a business that was growing its R&D spend. The different approach to different industries was partly due to different business models but also to different cohorts of people involved.

### Case study: practical illustrations

39 A participant observed that a significant amount of the information presented in the illustrative example[2] related to expenditure allocation. The participant specified that valuations are based on the number of customers, trends in revenue per customer, and upsell rates.

40 Information on AI was considered useful, but more details around trends over time and in use cases were needed. Financial statements provide cost-based analysis of intangible expenditures, but they include no quantitative or qualitative customer behaviour-related information that can be compared over time across businesses.

### Other discussions

41 On recognition, a participant highlighted that intangibles are difficult to represent accurately on the balance sheet and, in many cases, should not be recognised there. They often relate to the economic moat of a business model rather than to something that can be measured reliably. Further, the participant highlighted that digital intangibles have unique characteristics, that vary significantly across companies which make the

[2] Certain disclosures included in the 2024 Integrated Report of the SAP Group were used as part of the illustrative examples during the EFRAG Secretariat workshop.

comparison and measurement challenging. Therefore, the participant emphasised the usefulness of sector- or business-model-specific approaches, further noting that qualitative information is important to understand the business models, whereas quantitative information remains crucial for the assessment and comparison.

42 Regarding the discussion on how to measure cryptocurrencies, one participant argued that all crypto assets should be measured at fair value through profit and loss. Changes in value should be reflected in each reporting period, with the main challenge being how to explain the resulting volatility in the financial statements. However, another view raised was to account for longer-term investments in cryptocurrencies at historical cost.

## 2. Workshop on R&D, patents and unpatented technology

### Information needs of users on R&D, patents and unpatented technology

43 In general, participants appreciated capitalising part of the R&D costs to connect expenses incurred with benefits achieved. However, they emphasised the importance of clearly understanding the associated value-creation potential and impairment risks. Participants called for further information on R&D-related information and greater disaggregation of expenses, particularly around R&D and patent-related expenses. They also stressed that capitalisation policies and key assumptions should be transparent. Clearer explanations of the purpose and stage of R&D activities, as well as the expected benefits and related business risks, were considered beneficial. Transparency about the expected duration of R&D activities was also seen as important, as the time horizon may influence the nature and magnitude of the underlying risks.

44 One participant with an academic background referred to a paper published by their organisation, indicating that investors seek more R&D-related information (in addition to the amount spent on R&D). Investors use such disclosures to evaluate a firm's performance, governance and stewardship. Another academic referred to the disclosure requirements in IAS 9, which in fact address some of the issues currently discussed.

45 Participants also mentioned that greater disaggregation of expenses is needed. Specifically, more granularity in the split between research and development would help investors understand which costs represent true economic assets and better assess the economic quality of spending. One participant with a preparer background noted that while detailed data exists internally, determining the appropriate level and scope of external disclosure remains challenging. Financial reports are already extensive and additional voluntary disclosures would entail further costs. In addition, differences in methodologies and cost allocation practices would raise concerns around consistency, comparability and auditability. The participant also highlighted commercial sensitivity including disadvantages when others would not disclose certain information and stressed that further disclosures would only be appropriate if applied consistently across jurisdictions.

46 A participant with an academic background criticised boilerplate statements claiming no single patent is material, stating that they provide no useful information to investors who need to understand how significant patent investments generate value. The participant was of the view that users need to understand how spending is split between maintaining existing patents and investing in new innovation and technology, rather than details on individual patents. The participant considered that, because patents serve different

purposes, disclosures should give insight into the composition of key patent families without revealing commercially sensitive details. The participant also highlighted that companies should mention the person responsible for the company's information related to intangibles, so that investors know whom to contact.

47 Another participant with an academic background noted that substantial expenses had arisen from the implementation of the digital framework and the Digital Operational Resilience Act (DORA). The framework carries numerous cost implications and requires significant investments to comply with its requirements. The participant considered that investors need sufficient information to assess whether these expenditures should be capitalised or expensed. For example, if a system is upgraded or implemented to improve governance and cybersecurity, the related costs are likely to generate future economic benefits and may therefore qualify for capitalisation.

### Availability of the information

*Do users need additional information?*

48 A participant with a preparer background explained that investors in the pharmaceutical sector are typically scientists and seek information about what was under development. In this regard, the finance report was considered relatively meaningless, but investors had alternative ways of accessing the relevant information.

49 A participant with an academic background argued that current voluntary mechanisms and disclosures meet user needs in the pharmaceutical industry. The participant also added that firms may hesitate to disclose proprietary cost information and warned that mandatory disclosure frameworks carry risks, as all associated costs must be considered.

50 A participant with an academic background highlighted that pharmaceutical companies operate with registered rights, meaning that public information already exists, but figures alone do not reveal the quality of patents. On the contrary, the participant was of the view that a business model highly dependent on registered patents, such as those in the pharmaceutical industry, should provide disclosures in the financial statements at a more granular level.

51 Several participants stated that a better understanding of value creation and associated risks, including impairment, was necessary. More granular information would be helpful to achieve this. As mentioned above, explaining underlying project timelines would be helpful for users.

*Where do users currently obtain the information they need?*

52 A participant with a preparer background noted that, in the context of pharmaceutical companies, the importance of the information in the financial statements for investors is rather limited compared to the information from other sources. Specifically, most relevant information is obtained through investor relations presentations and the company websites.

53 In general, it was confirmed that the information in the financial statements is limited. Management discussion and analysis (MD&A) and investor calls provide further information. However, not all information can always be obtained.

### Is the same information needed across industries?

54 A participant with an academic background mentioned that pharmaceutical companies tend to disclose more information on R&D than other industries. Another participant considered that entities in the pharmaceutical industry provide more information because R&D expenditures flow directly into the final product (i.e. drugs they are developing), which differs from many other industries.

55 On the way forward, some participants deemed that the discussion should remain at an aggregate level rather than focusing on individual industries. Classifying KPIs by sector could lead to a never-ending effort that merely explains differences in profitability across firms. Instead, attention should be on the underlying drivers of demand for information, such as the duration of intangible investment cycles and how long it takes for benefits to materialise.

### Adjustments to financial statements

56 Some analysts sometimes capitalise a single dominant intangible in a synthetic balance sheet to estimate returns, but only when one clear leading intangible exists.

### Other discussions

57 Participants discussed the accounting treatment differences between the IFRS model and US GAAP. A participant with an academic background noted that investors generally do not favour the US approach of fully expensing all R&D costs. Although the IFRS model of capitalising certain development expenditures could be strengthened – particularly because the capitalised amount is not a strong indicator of future benefits – it is still preferred to the full-expensing model under US GAAP. The participant noted, however, that the capitalisation criteria under IFRS Accounting Standards need clearer guidance and disclosures to help companies demonstrate when and how those conditions are met.

58 A participant with a preparer background, underlined that for unexperienced analysts the divergence between US GAAP and IFRS could be misleading. The participant further explained that the US GAAP approach causes R&D expenses to fluctuate significantly depending on the timing of in-licensing arrangement. Under IFRS Accounting Standards, by contrast, the capitalisation of milestones leads to a smoother R&D expense profile.

59 It was also noted that there is an inconsistency in the accounting treatment depending on whether intangibles are developed internally or acquired through merger and acquisition (M&A), since acquired intangibles can be capitalised at fair value while the underlying original R&D often is not.

## 3. Workshop on marketing and customer-/supplier-related intangibles

### Information needs of users on marketing and customer-/supplier-related intangibles

60 Participants noted that both qualitative and quantitative information is needed so users can make their own adjustments. It would be most beneficial when provided in a consistent way. It was noted that quality customer lists and marketing intangibles are about disclosures on where companies spend their money and why.

61 Participants provided examples of useful qualitative disclosures, such as promotional activities entities carry out to reduce churn rates, how churn rates compare between competitors, trends over time, whether companies had a higher average spend per customer due to a marketing campaign, the nature of marketing campaigns, and how companies manage their customer base.

62 On quantitative information, participants called for more granularity and disaggregation of marketing spends, as it is important to understand the return on investment (ROI) of marketing expenses. As an example, a participant noted that the nature of marketing expenses relating to sponsorships, public relations, or digital spending is different and has a different impact on revenue generation.

63 In addition, some KPIs – such as average revenue per user, customer acquisition costs, net promoter scores, customer lifetime value, customer churn rate, and marketing as a percentage of sales – were mentioned as useful indicators. The latter was considered a key benchmark for analysts in the luxury industry, though participants raised concern about the reliability of the ratio as marketing expenses are not usually disclosed (or are presented in a single line item). A participant noted that most brands spend between 7% and 8% of sales in marketing and raised the concern that no uniform definition of marketing expenses across companies exists, which impacts comparability. He also considered that a split between long-term brand development and short-term fashion trends could be helpful.

64 Participants considered the usefulness of disclosures on expenditures incurred to shield products from knock-offs. A representative from the luxury sector noted that the presence of knock-offs often reflects brand strength and is not viewed as a significant concern, given that purchasers of counterfeit items do not typically overlap with the brand's core customer base.

65 An academic participant highlighted that advancements in digital taxonomy could facilitate more sophisticated data analytics, enabling detailed disaggregation of revenue and expense information, such as revenue by customer category.

66 On business combinations, a participant with an enforcer background preferred to have more intangibles in the balance sheet rather than a large amount of goodwill. The participant was of the view that it was important to have information on assumptions and valuation models, and on how entities assess the validity of values recognised on the balance sheet. A participant disagreed with the view, noting that capitalisation mainly shifts attention to impairment risks rather than valuation.

### Availability of the information

*Do users need additional information?*

67 A participant argued that the biggest problem around the reporting of intangibles is the intentional vagueness of disclosures. Impairment notes often fail to specify what has actually been impaired, segment reporting does not clearly indicate where brands sit within conglomerates, and the useful economic lives provided are described in overly broad ranges.

68 A participant criticised impairment testing for its high level of managerial discretion. Cash-generating units (CGUs) are not disclosed and can be redefined year after year, giving management significant flexibility over whether an impairment passes or fails. Another participant expressed a preference for understanding the relationship between brands and segments. If there was an impairment, the participant was interested in understanding the allocation among brands/CGUs.

69 A participant acknowledged that more information could be provided but cautioned against the risk of information overload. The participant added that companies are generally inclined to disclose less information publicly. Marketing, in particular, is one of the quickest operating-expenditure levers to adjust to meet targets, so firms prefer not to give specific guidance that they may need to revise each quarter if revenue turns out higher or lower than expected.

*Where do users currently obtain the information they need?*

70 A participant suggested that most information is obtained through direct discussions during results conferences. Analysts tend to ask specific questions, and although companies typically avoid giving precise answers, they often respond by providing approximate ranges. Another participant noted that some information, particularly marketing-related insights, is sourced externally, with quantitative analysis in some cases drawing on external sources, such as social media sentiment analysis.

*Placement of information*

71 One participant questioned whether KPIs such as average revenue per user, customer acquisition costs, net promoter scores or customer lifetime value belongs within the financial statements. The participant suggested that such disclosures fall more appropriately within investor relations, though they cautioned that some of these KPIs like net promoter scores are usually provided only when entities perform well. Nevertheless, several participants requested to receive more granular information – best related to the respective business model (potentially segments) – as well as within the financial statements.

### Is the same information needed across industries?

72 A participant noted that differences do not arise at the industry level; rather, they depend on the nature of the expenditure or asset. For instance, marketing activities are typically linked to revenue-generating efforts, while customer relationships are often assessed using metrics such as subscriber numbers or churn rates.

73 Another participant highlighted the gaming industry as a strong example of transparent reporting on brands and customer relationships. Companies in this sector commonly disclose subscriber numbers and customer acquisition spending, and such information is viewed as essential for understanding their underlying business models.

74 With respect to the luxury sector, a participant observed that most companies operate as mono-brand businesses and generally provide limited disclosures on intangible assets. The participant concluded that there are no notable sector-specific differences in disclosure practices.

### Adjustments to financial statements

75 A participant observed that analysts do not capitalise historic marketing or customer-relationship spend, nor do they develop their own ROI metrics from it. Another participant emphasised that they would not rely on balance-sheet values of intangible assets as inputs to valuation models. They noted that valuation is inherently forward-looking and ultimately driven by expected cash flows. Nonetheless, disclosures on intangible assets help them understand the nature and direction of a company's investments and the potential impact.

76 One participant argued that adjustments arising from purchase price allocations are particularly useful because they mitigate distortions introduced by acquisitions. The participant added that EBITDA is a quick way to remove these effects. However, the

participant noted that in practice most companies present operating profit or an adjusted EBIT as their primary performance measure.

### Case study: practical illustrations

*Discussion*

77 A participant noted that failing to recognise certain internally generated assets hurts comparability across companies. For instance, in the case of the illustrative example[3], the Volkswagen brand, despite its substantial economic value, is not recorded on the balance sheet as it is internally generated. Meanwhile, the Porsche brand is recognised as an asset because it was acquired and recorded through purchase price allocation.

### Other discussions

78 Participants argued that acquired and organically generated intangibles are treated very differently, and this creates real confusion for investors about what appears in the income statement and why. They emphasised that this difference in treatment needs to be resolved, as it makes it difficult to understand a company's performance. In this regard, investors might benefit from information that distinguishes the portion of current expenses that represent investments from the portion that reflects maintenance costs.

79 A participant observed that recognising internally generated brand value on the balance sheet would effectively aim to align the balance sheet with the entity's market value. This would represent a shift away from the balance sheet's traditional purpose of reporting verifiable, reliably measurable amounts and towards capturing market-based assessments.

80 On customer lists and marketing-related intangibles, a participant argued that such items should not be recognised on the balance sheet, as this would require amortisation and, consequently, a judgement on the appropriate amortisation period.

81 A participant with an academic background argued that companies gather detailed information on internally generated intangibles, such as trade secrets registers, which are not shown on the balance sheet, and that retaining these records for inspection would support the accounting process, especially for assets with long economic lives.

[3] Certain disclosures included in the Annual report 2024 of the Volkswagen Group were used as part of the illustrative examples during the EFRAG Secretariat workshop.

## 4. Workshop on intellectual property

### Information needs of users on intellectual property intangible assets

82 Participants drew attention to the lack of disaggregation of expenses related to intellectual property (IP), which is usually included as part of R&D, selling, general and administrative (SG&A) expenses, as well as legal costs.

83 One participant reflected on the usefulness of KPIs, which would allow users to understand how the IP was performing. Examples of relevant KPIs included royalties earned from IP (such as patents), the remaining life of a patent, expenditure to protect IP, and the extent to which IP shields a company from its competition. The participant also noted that users were interested in the relationship between the business model and the IP; for example, whether an entity's business model was protected by patents and what the impact of patents losing value would be.

84 One participant with an academic background noted that a company whose business model depends on specific IP rights has an obligation to disclose risks associated with those rights so that investors could understand their significance. Such disclosure should include how management identifies and monitors risks, and how the IP portfolio is governed and protected through the internal control system. It was noted that entities should identify their IP-related risks regardless of the number of patents and the related costs, especially for high-risk patents, to create a clear link between statement information and narrative disclosures.

85 The participant further highlighted that information needs vary depending on the size and complexity of the entity. Smaller entities or start-ups with limited IP portfolios may reasonably provide less detail, whereas large multinational groups with extensive patent portfolios are expected to disclose more granular information. These companies typically have stronger internal controls, access to IP analytics and broader internal data. Currently, disclosure practices among larger entities are inconsistent and difficult to compare.

86 Finally, it was highlighted that unprotected IP, which often provides a competitive edge, is difficult to assess using KPIs. Nonetheless, it was considered useful for users to have some information about such IP.

### Availability of the information

*Do users currently obtain the information they need?*

87 Participants noted that current disclosure practices vary across companies. It was outlined that in the technology sector – where IP plays a crucial role in product development –

companies tended to disclose very little. Current practice shows that IP-related items were often embedded within broader categories such as R&D or legal costs, with limited narrative explanation. Nevertheless, some companies provide details about their patent portfolios and protection strategies. In general, it would be preferable to obtain better structured, partly more granular information on a comparable basis.

88 It was suggested that the amount of IP information provided often depends on whether companies view their IP as a positive story or as a sensitive competitive asset they prefer not to reveal. The appropriate balance was seen as providing sufficient information without compromising competitive advantage.

89 For companies with large amounts of patents, it might be worth to understand which ones have expired or are on the way to expiry. Impact on the value creation should be the basis for providing such information. Necessary maintenance expenses should also be transparent.

90 One participant with an academic background referred to risk disclosures and governance responsibilities with regard to IP. It was emphasised that risk disclosure was a key driver of IP-related information. The participant highlighted that investors were particularly concerned about the loss of patents or the risk of litigation leading to invalidation. Thus, users need to understand the overall risks related to IP. Another participant considered the potential opportunities around IP to be equally important.

91 Another participant with a preparer's background noted that lack of granularity on IP was due to how internal control and reporting systems were set up. They often group IP-related spending into broad categories such as R&D, SG&A and marketing, with no internal incentive to provide greater granularity. Other participants suggested that companies should at minimum hold detailed information on their material IPs.

92 It was noted that confidential information and trade secrets constituted another significant category of unregistered IP. Although such assets incurred costs to protect, they were rarely visible in either financial statements or narrative disclosures. This was described as a governance issue, relating to who oversees the IP, how it is protected and what resources are allocated to it.

*Where do users find the information they need about IP?*

93 During the outreach, it was highlighted that valuable information was often obtained through discussions with management, whether in dedicated user conferences or one-to-one calls. These settings allowed users to ask about the strength and defensibility of IP and

the expected duration of its useful life. Some of this information was commercially sensitive or forward-looking, which likely explained why companies avoided sharing it publicly.

94 Publicly available databases were also mentioned as useful supplementary sources of information on IP.

*Placement of information*

95 During the outreach, participants reflected on the location of such information. It was suggested that a combination of disclosures within the financial statements and additional narrative in the MD&A section would be preferable. One academic provided an example from Poland, where the management commentary was widely used, especially in relation to research and development. The mandatory section on R&D often contained descriptive information complementing the financial statements.

96 While it would be easier to have all information in one place, it was recognised that the objectives of the financial statements and the management report differ, and having everything in the financial statements might not be appropriate due to the stricter nature. It was suggested that a dual-location approach worked well: the financial statements could provide structure, while the management report could offer richer narrative context, often covering three to five years and allowing users to identify trends without relying on forward-looking information.

### Is the same information needed across industries?

97 It was acknowledged that the technology sector tended to be more dependent on IP, and therefore there might be more information disclosed in that sector. However, aside from this, there were no clear differences between industries. Variations tend to occur more at the company level.

98 One participant with an academic background confirmed that, although the technology industry provided somewhat more information, the differences were not substantial, and there was considerable variety across companies. Financial statements generally did not provide separate disclosures of IP, nor did they include much detail on how IP was maintained.

99 One participant reported that research on Polish entities that had received governmental grants for IP creation indicated that there were some industry-specific patterns. For example, pharmaceutical and health-related companies created different types of intangibles – innovations in processes, products, and services. Nonetheless, it was

suggested that differences in the types of IP across sectors did not justify introducing industry-specific requirements in the standards.

### Adjustments to financial statements

100 One participant suggested that, if an IP asset had not been capitalised and all related expenditure had passed through the income statement, a synthetic capitalisation could be constructed to create a synthetic balance sheet. This approach would enable rates of return to be calculated. It was further noted that, when one company grew organically and another through mergers and acquisitions, adjustments to IP might be necessary to balance the two and improve comparability.

### Case study: practical illustrations

101 Participants noted that the level of disclosure in the example provided[4] (a company in the music industry) was appropriate for an organisation of its size, which had invested in a significant amount of intangibles. One of them highlighted that they had not observed any mention of litigation in the example and noted that any litigation potentially affecting copyrights could be material. The participant emphasised the need for businesses to determine what constitutes a material disclosure in relation to their intellectual property.

[4] Certain disclosures included in the Annual Report 2024 of the Universal Music Group were used as part of the illustrative examples during the EFRAG Secretariat workshop.


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