

# Strategic Intangibles Initiative (SII)

Discussion Paper

---

## Intangibles: Some Foundational Concepts

Accounting, Reporting, Disclosure  
and Valuation

June 2026

The **Strategic Intangibles Initiative (SII)** is an innovative, inclusive, WICI-convened, 24-month long **Discussion Forum** amongst *organizations* that have a direct interest in the field of accounting, reporting, disclosure and valuation of intangibles, which embraces financial, sustainability, and integrated reporting as well as environmental and social impacts. It started at the end of November 2024.

The SII pursues two main aims:

- The primary aim is to **foster awareness and communication** amongst relevant national and international players through a multi-lateral exchange of information (2024-2025);
- The second aim is to identify possible **convergence patterns** on selected areas/topics of the field of intangibles as well as some potential shared solutions (2026), utilizing the logic of the “minimum common denominator”.

## Members of the Strategic Intangibles Initiative (SII)

1. Accounting Standards Committee of Germany (ASCG/DRSC)
2. Australian Accounting Standards Board (AASB)
3. Capitals Coalition
4. CFA Institute
5. European Federation of Financial Analysts Societies (EFFAS)
6. European Financial Reporting Advisory Group (EFRAG)
7. Korean Accounting Standards Board (KASB)
8. Italian Foundation for Business Reporting (O.I.B.R. Foundation)
9. Value Balancing Alliance (VBA)
10. World Intangible Capital Initiative (WICI) / WICI Europe (*coordination*)
11. World Business Council for Sustainable Development (WBCSD)

## Observers to the SII Discussion Paper

1. Accountancy Europe
2. Financial Services Agency of Japan (FSA)
3. Global Reporting Initiative (GRI)
4. Intellectual Property Office of Singapore (IPOS)
5. International Valuation Standards Council (IVSC)
6. Ministry of Economy, Trade and Industry of Japan (METI)
7. Secretariat of the Intellectual Property Strategy Headquarters, Cabinet Office of Japan
8. World Intellectual Property Organization (WIPO)

---

## Expert Advisor

**Paul Munter**, Former Chief Accountant of the U.S. Securities and Exchange Commission-S.E.C.; Member, Independent Standards Board, Greenhouse Gas Protocol; Chair, Advisory Board, Climate Liabilities and Assets Initiative-CLAI; and former Partner, KPMG U.S.

The objective of this document is to facilitate international convergence on some key foundational concepts in the field of intangibles alongside highlighting the open challenges regarding the disclosure and valuation of these resources that should be addressed in the second phase of the SII activity.

## Intangibles in Today's Economy

Recently, there has been increasing attention on intangible assets and more in general intangible resources. The reason these are important is that they are very often the principal source of value creation for companies and serve as factors for differentiation from other businesses.

In advanced capitalist economies, total investments in intangible assets have surpassed tangible assets since the early 2000s (WIPO-LUISS, 2025). Driven by the expansion of scientific research and digital technologies, intangibles serve as both the “glue” binding together all the other business resources (e.g., financial and tangible capitals, stock of people), and the “engine” of value creation, acting as a natural bridge between business financial dynamics and sustainability-related processes.

## Definition of Intangibles

According to the WICI Intangibles Reporting Framework (2016), intangibles are defined as “non-physical resources that, alone or together with other assets, can have a positive or negative impact on an organization's value in the short, medium, or long term.”

Unlike assets as generally defined in financial reporting (e.g., the IASB Conceptual Framework), intangibles are not necessarily owned or controlled by an organization. These resources are generally categorized as follows:

- **Organizational capital (or structural capital):** innovation, process and location capital; proprietary technologies including Intellectual property; datasets; organizational routines; agility in product or service development; teamwork; organizational culture; knowledge and know-how, etc.
- **Human capital:** employee capabilities, skilling and reskilling; leadership; sense of identification with the organization, etc.
- **Social and relational capital:** customer, supplier and investor capital; trust relationships with business partners; business and social reputation; social capital networks, etc.

## Intangibles, Strategy, and Value Creation

Intangibles are primary inputs for value creation for many organizations. What is important is that these intangibles are effectively utilized within a company's business model and lead to value creation. In other words, intangibles add to value creation generally when they are incorporated into this process as an integral element of the business strategy. Thus, it is difficult to make an absolute evaluation of intangibles separately from the assessment of business's value creation strategy.

However, *in most cases*, intangibles cannot create value per se or in isolation. Value is generated through the strategic *combination* of multiple intangibles, as well as through its interdependence with other types of resources/capitals (natural and manufactured/tangible capital), which can create enduring differentiation from competitors. In much the same way that capitals combine to yield a flow of benefits to companies, intangibles create emergent properties that are valuable.

Conversely, it should be pointed out that intangibles can also contribute eroding value (i.e., companies' intangibles can be squandered away), bringing down company enterprise value, even though the accounting book value is unaffected. This is another key reason they are closely watched by investors.

“Intangibles serve as both the ‘glue’ binding together all the other business resources and the ‘engine’ of value creation.”



## Intangibles and Differentiation

Business-specific intangibles are not straightforwardly copied (with some possible IT/tech exceptions such as data, software, etc.), nor are the characteristics of these intangibles and their unique intertwining(s). Additionally, when it comes to combinations of multiple intangibles, very few businesses can utilize the exact same set of intangibles, making imitation difficult. For this reason, intangibles serve as factors for differentiation, and this differentiation can have a fair degree of durability, resilience, and transformational capacity.

For a business to effectively utilize intangibles within its strategy to create value, it is important for both the company itself and its stakeholders to have clarity on the following points:

- What are the business's unique value creating intangibles?
- To what extent can the sources of differentiation—intangibles or their combinations and their interdependence with other capitals—be sustained into the future?
- What kinds of investments can maintain or strengthen intangibles as sources of differentiation?

## Intangibles and Sustainability

Intangibles can facilitate sustainability by contributing to sustained economic value creation over the long term. Human capital management and investment support training, development, and health and safety. Innovative technologies drive low-carbon and circular solutions. Strong cultures of accountability and stakeholder engagement support enhanced governance. Factors such as efficiency in the use of resources, labor rights, human capital, and governance have an intangible nature and can affect a business's ability to create value and pursue sustainable development.

Since attaining the Sustainable Development Goals (SDGs) involves activity to create new sources of value in many fields, intangibles and their combinations, which are the main source of creating value for many companies, are key factors for promoting SDGs. There is, in fact, a vast overlap between intangibles and SDGs. According to an analysis by Edmond de Rothschild AM, some of the issues reflected in the 169 targets under the 17 SDGs have clear links with intangibles. For example, the majority of the issues included in the targets related to 'good health and wellbeing', 'quality education', 'gender equality' and 'decent work and economic growth' have close and evident relationships with organizational and human capitals (cf. 2018 Position Paper by WICI & IIRC-International Integrated Reporting Council).

A sustainability perspective provides economic viability to many intangibles, ensuring to a larger extent that corporate strategy remains consistent with the social and natural environment.

## Intangibles and Corporate Reporting

Current accounting principles, developed for a “tangible” economy, are essentially based on the concept of control of economic resources. In traditional accounting, physical or legal possession involves control of (and right to) benefits. The notion of accounting assets implies reference to the concept of control (or right) over an economic resource, and therefore the possibility to get access to and appropriate the value linked to these resources. However, control over intangibles is often non-existent (e.g., reputation) or is shared with stakeholders (e.g., employees, customers), making the application of property rights concepts unclear.

Consequently, “control” of (or “right” to) the benefits—which includes excludability—becomes the dividing line between accounting and non-accounting assets/resources. Only identifiable, controlled assets (like patents) are recognized in the accounts (with the exception of goodwill) but they are still only recognized in the financial statements when acquired either in a business combination or an asset acquisition. Control is presumed always to exist when a transaction regarding the acquisition of an intangible resource takes place: for example, a patent would be recognized when it is acquired either individually or as part of a basket of goods or a business.



**“Disclosing information about the existence, utilization, and future investment in intangibles within the context of the business’s value creation strategy greatly enhances the credibility of the company’s disclosures about future value.”**

This leaves a vast array of resources—including sustainability-related intangibles and most internally-developed intangibles—outside the financial statements, creating consequently a connectivity challenge in corporate reporting.

Considering the above-mentioned crucial role of intangibles for the business model and value creation of many companies, disclosure of non-accounting intangibles appears to be particularly useful when linked to an entity’s strategy. Indeed, stakeholders require clarity on what unique intangibles exist, how they are utilized to create value, and how investments sustain this differentiation. Without this strategic context, the disclosure and evaluation of non-accounting intangibles is not helpful to stakeholders. Therefore, disclosing information about the existence, utilization, and future investment in intangibles within the context of the business’s value creation strategy greatly enhances the credibility of the company’s disclosures about future value and can be extremely useful for investors and stakeholders.

Over the years, governmental entities (Japanese Cabinet Office, METI and FSA) and national and international organizations (WICI, IPOS and WBCSD) have put forward numerous recommendations and guidelines to advance corporate accountability of intangible assets or some elements of them (e.g., Human Capital).



## Financial Reporting for Intangible Assets

The IASB's IAS 38 defines an intangible asset as an identifiable, non-monetary asset without physical substance, controlled by an entity as a consequence of past events, from which probable future economic benefits flow. Key reliability criteria are identifiability (separable or arising from rights) and control.

While individual acquired intangible assets are recognized, internally-generated intangibles rarely appear on the balance sheet because they fail to meet the criteria for capitalization of internal development costs, including reliability of measurement (IAS 38). This creates an information gap for investors regarding internally-generated assets, valuation models, and the key performance metrics management uses to monitor these hidden value drivers, which hinders the application of valuation models.

Since April 2024, the IASB has been working on a project for revising IAS 38 to address some of the challenges linked to financial reporting for intangible assets, giving priority to the related definitional issues and the information needs of investors. In a similar vein, EFRAG and the Australian, Korean and German Accounting Standards Boards have started research and standard setting projects on intangibles aimed to improve their accounting and/or disclosure, while international financial professional associations (CFA Institute and EFFAS) and intellectual property-related organizations (WIPO) have carried out targeted research and elaborated specific proposals to advance this field. Results of some of these efforts are still pending release.

## Intangible Liabilities

Intangible liabilities are non-physical obligations, exposures or intangibles-related losses of benefits—such as reputational damage, technical obsolescence, or legal infringements—that can severely impact firm value<sup>1</sup>. Unlike traditional financial liabilities, these are difficult to quantify and often excluded from balance sheets because they do not meet the “probable and reliably estimable” criterion of US GAAP or IFRS accounting standards. Nevertheless, they represent significant internal risks and potential value destruction.

## Intangibles and Valuation

In the modern landscape, valuation is a critical mechanism that can reveal and quantify some of the intangibles, “transforming” them from hidden elements into actively managed levers of performance. It shifts the focus from accounting for past costs to managing future value.

Valuation provides the clarity necessary to inform investors who look beyond financial reporting measurements and book value. By quantifying the contribution of specific intangibles to revenue—such as the premium a brand commands—leaders can identify the “economic entry barriers” (i.e., the “moats”) from which they benefit. This enables more efficient capital allocation, and in many circumstances a prioritization of high-return intangible investments over physical infrastructure and a more conscious informed evaluation between intangible investment alternatives. The advances of IP financing constitute a practical example of these financial processes based on the valuation of intangibles. Furthermore, rigorous valuation informs risk management practices; for example, valuing data and trade secrets highlights the potential financial severity of cybersecurity threats, justifying necessary protective investments.

<sup>1</sup> The definition of intangible liability here adopted is different and broader from that proposed in the paper “Intangible Liabilities” by H. Boustanifar and A. Verriest (Management Science, April 2026, published online) (<https://doi.org/10.1287/mnsc.2023.03619>).

## Two Distinct Valuation Streams

The domain of valuation is divided into two streams, each with distinctively unique challenges.

- 1. Financial Valuation of Intangible Assets:** This stream is guided by principles encapsulated in the **IVSC's Intangible Valuation Standards (IVS)**, including **IVS 210 Intangible Assets**, as well as the **ISO 10668:2010** (for brand valuation). In particular, the IVS are a principle-based set of standards that apply to all *assets*, regardless of the *intended uses* of the *valuation*. They also provide frameworks for valuing specific intangible assets such as brands, licenses and technology. A critical challenge of any valuation is to define exactly *what* is being valued. For instance, "customer data" (names/lists) holds a different value than "customer contracts" (legal agreements) or "customer relationships" (prospect of future turnover). Small definitional differences can lead to significant valuation variances. Another important related issue is the link between disclosure and valuation because the information reported sets what can, or needs to, be valued. Despite wide convergence on valuation approaches (income, cost, market), challenges remain also regarding the selection of discount rates, the assessment of asset useful lives, the inclusion of financial projections, the selection of other possible information inputs (including qualitative data), and the risk measurement.
- 2. Valuation of Socio-Environmental Impacts and Dependencies:** This emerging stream treats environmental and social impacts and dependencies as special intangibles representing the company's influence and dependence on its outer context. Organizations like the **Capitals Coalition International**—that now has been consolidated with the **International Foundation for Valuing Impacts (IFVI)**—, the **Value Balancing Alliance (VBA)**, the **ISO (Standard 14054:2025 on Natural Capital Accounting)**, as well as government institutions like the UN Statistics Division (**Ecosystem Accounting Framework**, part of the System of Environmental Economic Accounting), are developing technical standards and applying methodologies to value these types of impacts and dependencies. Despite being still relatively young, this specific impact valuation field is very promising and increasingly relevant especially for the strong growth of impact financing and recognition. It would need further standardization to become increasingly integrated into the mainstream of sustainability reporting and investors' decision making.

**Prof. Dr Stefano Zambon**

WICI / WICI Europe

SII Coordinator

