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# Launch of Intangibles Disclosure Framework

## – Helping Enterprises Commercialise Intangibles

### Introduction

As the global economy becomes increasingly driven by innovation and intangibles, the value of an enterprise is no longer limited to tangible assets. Cognisant of this shift, Singapore has taken the step to develop and launch an intangibles-specific disclosure framework.

On 4 September 2023, the Accounting and Corporate Regulatory Authority ("**ACRA**") and the Intellectual Property Office of Singapore ("**IPOS**") jointly launched the Intangibles Disclosure Framework ("**Framework**"). The Framework is part of the Singapore IP Strategy 2030 and is a key step to helping enterprises commercialise their intangibles.

The launch of the new Framework follows a public consultation on the Proposed Intangibles Disclosure Framework that ran from 14 December 2022 to 28 February 2023. You may read our earlier Legal Update titled "[Public Consultation on Proposed Intangibles Disclosure Framework](#)" for more information. The finalised Framework incorporates revisions from the proposed draft to address feedback received during the public consultation on technical and implementation matters.

The Framework enables enterprises to disclose and communicate the value of intangibles, such as brand value, patents, registered designs, human capital or internally generated intangibles, by outlining the key principles that an enterprise should follow when disclosing their intangibles in a report. It details the four pillars for disclosure, the requirements of each pillar, and provides guidance on how enterprises can disclose their intangibles.

This Update provides a summary of the key features of the Framework and why enterprises may wish to consider adopting the Framework.

### Key Features of the Framework

The Framework seeks to allow enterprises to provide stakeholders with consistent information about an enterprise's intangibles, so that a more informed assessments of their business and financial market prospects can be made.

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## 2023 SEPTEMBER

### Which intangibles?

Pursuant to feedback received during the public consultation, a distinction is made between "intangibles" defined in the Framework and "intangible assets" defined in the accounting standards. Under the voluntary Framework, enterprises are encouraged to disclose intangibles beyond those recognised under the accounting standards (e.g., human capital and/or internally generated intangibles). The intangible assets defined under Singapore's prescribed accounting standards are a subset of intangibles defined in the Framework.

The Framework defines an intangible as "*a non-monetary resource that manifests itself by its economic properties: it does not have physical substance but grants rights and/or economic benefits to its owner*".

### What to disclose and how to disclose?

The Framework's disclosure principles are anchored in the four pillars of strategy, identification, measurement and management (SIMM). Collectively, the pillars delineate a structure to guide enterprises to disclose their intangibles in a consistent and systematic manner.

The aim and a summary of the recommended disclosures of each pillar are:

	STRATEGY	IDENTIFICATION	MEASUREMENT	MANAGEMENT
<b>Aim</b>	Disclose how intangibles contribute to business strategy, and financial planning, where material	Disclose the nature and characteristics of the intangibles that fit into the definition provided and categorise them	Disclose the performance metrics and drivers used to assess an enterprise's intangibles, where material	Disclose how an enterprise identifies, assesses, and manages the risks and opportunities of its intangibles
<b>Recommended Disclosures</b>	<p>Intangibles and their relationship to business activities and value creation</p> <p>Intangibles and value creation from past-to-present</p> <p>Intangibles and value creation from present-to-future</p> <p>Intangibles and their role(s) in attaining a competitive advantage for the enterprise</p>	<p>Description of the nature and characteristics of an intangible</p> <p>Intangibles categorised into six categories:</p> <ol style="list-style-type: none"> <li>Marketing-related</li> <li>Customer-related</li> <li>Artistic-related</li> <li>Contract-related</li> <li>Technology-related</li> <li>Human capital-related</li> </ol>	<p>Quantitative or valuation relevant metrics/drivers to assess the performance of intangibles</p> <p>(Optional) Monetary value of intangibles</p>	<p>Processes for identifying and assessing intangibles-related risks and opportunities</p> <p>Processes for managing intangibles-related risks and opportunities</p> <p>Integration between identifying, assessing and managing intangibles-related risks and an enterprise's overall risk management strategy</p>

# Client Update: Singapore

## 2023 SEPTEMBER

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Enterprises have the freedom to choose their preferred reporting format when disclosing their intangibles to stakeholders. The Framework does not replace or supersede existing regulatory or accounting requirements.

Following feedback received during the public consultation, the Framework lays out a set of interconnected and interdependent guiding principles that should be consistently applied to improve communication of an enterprise's intangibles value creation mechanism:

- **Materiality:** Prioritise disclosure of the intangibles that matter most in terms of their ability to create value.
- **Connectivity:** Create strong linkages between the disclosure and the enterprise's overall strategy, business model and financial performance.
- **Conciseness:** Only report the essential points in a simple and understandable manner.
- **Comparability:** Entities should report on the same or similar metrics and drivers.
- **Future Orientation:** Articulate how the selected information and figures on intangibles disclosed contribute to the enterprises' ability to create value in the future.

Enterprises can disclose the intangibles as part of an annual report or in a standalone report. The standalone report should ideally be issued together with financial statements.

### Why disclose?

As highlighted in the response to the public consultation, key benefits for enterprises in adopting the voluntary Framework include:

- greater access to financing and better management of intangibles in both supporting business goals and/or mitigating risks;
- better appreciation of intangible asset value;
- better communication of an enterprise's growth potential; and
- opportunities to attract investments or collaborations.

Further, to encourage and incentivise the use of the voluntary Framework, three overarching strategies are included under the Framework's "Implementation Recommendations" section:

- showcasing practical applications of the Framework and its outcomes;
- complementing the use of the Framework with strong industry and government support; and
- building capabilities to use the Framework.

## Concluding Words

With increased digitalisation and innovation, value creation will likely be driven by intangibles. The Framework enables enterprises to better manage and generate value from their intangibles. Through the disclosure processes in the Framework (i.e., strategy, identification, measurement, management), enterprises would have a better understanding of the intangibles that are in their possession and can maximise ways to leverage on such assets. More importantly, the introduction of the Framework marks a shift towards recognising intangible assets as a driver in value creation. Enterprises may be encouraged to look towards asset tokenisation of tangible and non-tangible real-world assets (including real estate, intellectual property or commodities), which enables fractional ownership, streamlines transactions, promotes asset market transparency and increases liquidity.

In this regard, the multi-disciplinary approach of our Data and Digital Economy model ("**DDE**") and our collective skillsets in our **Intangible Assets, Intellectual Property & Media** service group allows Rajah & Tann to prepare clients for the legal challenges of implementing tokenisation, intellectual property protection as well as privacy and data protection.

Click on the following links for more information (available on the IPOS website at [www.ipos.gov.sg](http://www.ipos.gov.sg)):

- [Intangibles Disclosure Framework 2023](#)
- [Summary of Responses to Public Consultation on the Proposed Intangibles Disclosure Framework](#)

To learn more about our DDE model and our range of expertise as a forward-looking, future-facing law firm, please visit the DDE Regional Sector Group site linked [here](#).

For further queries, and for any enterprises interested in discussing how to implement the adoption of the Framework to disclose their intangibles, please feel free to contact our team below.

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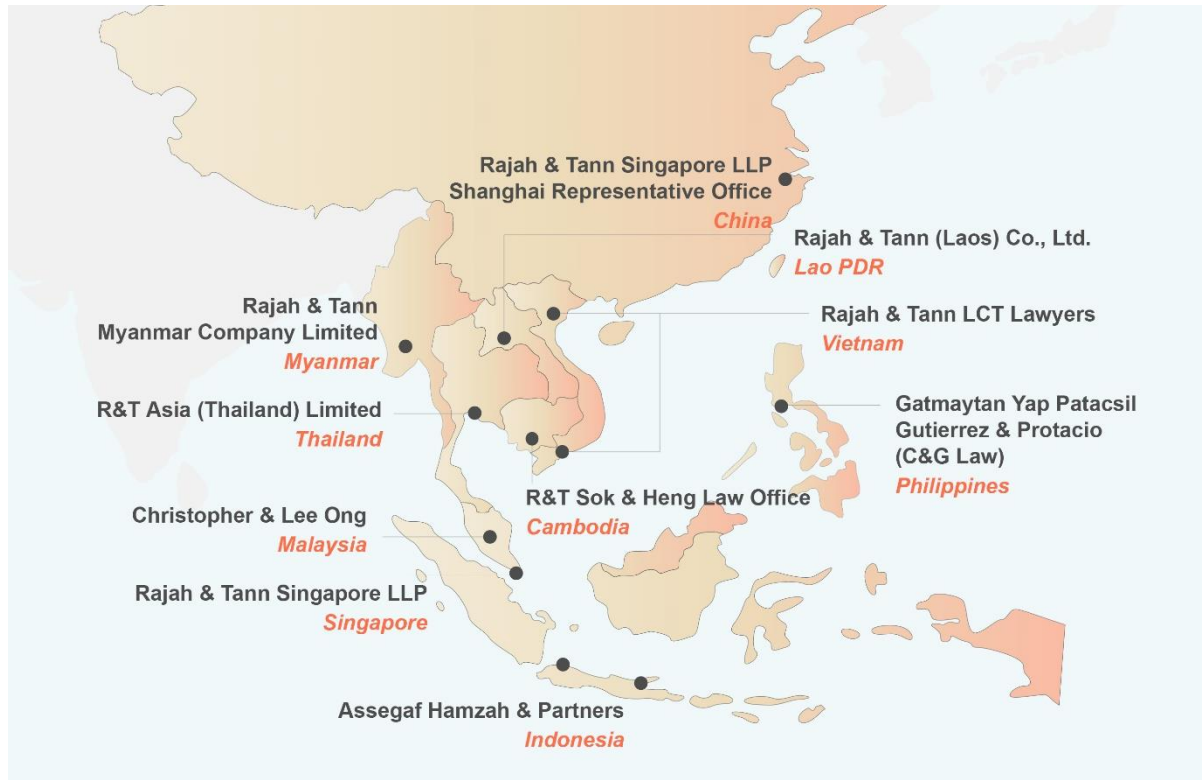
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Rajah & Tann Singapore LLP is one of the largest full-service law firms in Singapore, providing high quality advice to an impressive list of clients. We place strong emphasis on promptness, accessibility and reliability in dealing with clients. At the same time, the firm strives towards a practical yet creative approach in dealing with business and commercial problems. As the Singapore member firm of the Lex Mundi Network, we are able to offer access to excellent legal expertise in more than 100 countries.

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