



24 March 2026

Mr Keith Kendall  
Chair  
Australian Accounting Standards Board  
Podium Level 14, 530 Collins Street  
Melbourne Vic 3000

Dear Keith

**Response to ITC 57: AASB 2027-2031 Agenda Consultation**

We welcome the AASB's 2027–2031 Agenda Consultation and appreciate the opportunity to contribute to the Board's deliberations.

Our views build on, and are informed by, our November 2025 submission to Treasury's consultation on its Treasury Laws Amendment Bill 2025: Financial Reporting System Reform (the 'Bill') (Link: [Positioning Australia's financial reporting system for the future - draft legislation - Positioning Australia's financial reporting system for the future – draft legislation - Consult hub](#)). We have not included detailed cross-references to that earlier submission, although the analysis here draws extensively on its evidence and arguments.

Following this covering letter is an Executive Summary of our submission, with key points on:

- The intangibles reporting gap
- Australian corporate reporting has become more fragmented and less integrated
- Need for an overarching Conceptual Framework for Corporate Reporting
- Integration is always better than fragmentation - and artificial intelligence can be a catalyst
- Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026 – **A Unique Opportunity**

The Executive Summary is supported by four appendices:

1. Our key recommendations, using the AASB's Keep / Stop / Start approach
2. The Intangibles-Driven Economy – Closing the Gap - A Systemic Challenge
3. Learning from Leading Jurisdictions – Integrated Reporting Success Stories
4. Management Commentary Practice Statement – Why Australia Should Pursue a Different Path

Our submission identifies which projects we believe should be kept, stopped, and started, with brief context and recommendations for each in Appendix 1. The submission also offers comments on three cross-cutting areas of relevance to the AASB and more broadly, to reform within the Australian Financial Reporting System and ERA:

- strengthening alignment between the AASB's agenda and the core objectives of the Australian Financial Reporting System described in section 224 of the ASIC Act (the Act),



- proposed research priorities to position the AASB for success within the forthcoming External Reporting Australia (ERA) environment, and
- the need for an accountability and performance framework for the AASB.

Thank you for the opportunity to make this submission. For any clarification of the contents therein, please contact: Michael Bray, [m.bray@deakin.edu.au](mailto:m.bray@deakin.edu.au), 0404 257 226.

Yours sincerely

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cc:

Mr Andrew Mills, Chair – Financial Reporting Council

Mr Doug Niven, Chair – Australian Auditing and Assurance Standards Board

Mr Kim Demarte, Director - Financial Reporting System Reform Unit, market Conduct Division, Treasury



## Executive Summary

Australia's Financial Reporting System has been well served for over 20 years by a strong focus on high-quality, internationally aligned accounting standards. That focus remains necessary, but it is no longer sufficient, because the way value is created in the economy has changed and, with it, the information investors and other stakeholders require.

### The Intangibles Reporting Gap

Today, over 90% of the market value of major listed companies in the USA<sup>1</sup> is attributable to intangibles and other non-balance-sheet drivers of long-term value, as evidenced by the Nvidia case study and Ocean Tomo research (refer Appendix 2 and [Ocean Tomo Releases 2025 Intangible Asset Market Value Study Results - Ocean Tomo](#)).

Current accounting standards built on the Conceptual Framework for Financial Reporting focus on monies spent rather than value created and therefore cannot, by design, fully explain most intangible value, even if further refined. This results in a growing 'intangibles reporting gap' between what drives enterprise value and what is captured in financial statements. The gap leaves investors to seek information necessary for making decisions, which may not be accurate, or rely on assumption and extrapolation, to close the reporting gap and judge the extent to which the organisation in question is positioned strategically and exposed to market sentiment relative to its peers and competitors for capital.

### Australian corporate reporting has become more fragmented and less integrated

At the same time, Australian corporate reporting has become more fragmented and less integrated. Investors must navigate multiple overlapping reports – financial statements, directors' reports, operating and financial reviews (supported by ASIC's RG 247), now mandatory sustainability reports and other narrative disclosures – without any clearly designated primary report for investors that integrates disclosures about governance, strategy, risk, the business model (particularly the importance of intangibles)+-/ and in that context, the organisation's performance and prospects.

The introduction of mandatory sustainability disclosure standards and resulting stand-alone sustainability report has added yet another report and potential duplication of information, rather than driving genuine integration. International sustainability standards such as IFRS S1 and S2 and their Australian equivalents, AASB S1 and S2, will provide important, decision-useful information on specific sustainability-related risks and opportunities, but they can only address part of the intangibles reporting gap and do not have an underlying conceptual framework for sustainability which is comparable with the Conceptual Framework for Financial Reporting. We need an overarching Conceptual Framework for Corporate Reporting.

### Need for an overarching Conceptual Framework for Corporate Reporting

Without an underlying conceptual framework for all corporate reporting, Australia will fall short of fully realising the objectives in section 224 of the ASIC Act – including promoting efficient, effective and internationally competitive capital markets, reducing the cost of capital and enhancing the accountability of entities to investors and the broader community. The importance of public accountability has been further highlighted with explicit recognition of a broader range of stakeholders for the first time in the Bill.

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<sup>1</sup> The equivalent percentage for the ASX is estimated to be around 60-70%



Integration is always better than fragmentation - and artificial intelligence can be a catalyst

Our overriding philosophy is set out as follows. We believe this philosophy could be captured in the establishment of ERA:

**Integration is always better than fragmentation - and artificial intelligence can now be the catalyst for achieving it.**

In today's intangibles-driven economy where a broad range of stakeholders are interested in, the business and depend on credible, connected information about business performance and prospects, value is increasingly shaped by knowledge, innovation, relationships, and reputation - assets that rarely appear on the balance sheet but determine long-term success.

If fragmentation prevails - across systems, reporting regimes, and policy frameworks - that fragmentation hides value, weakens accountability, and limits productivity.

The way forward is clear: **adopting integrated reporting** as the unifying framework that connects business, financial, sustainability, and performance information; and connects different types of sustainability information from old and new approaches. Integrated reporting is not just a reform in disclosure - it's what drives **integrated thinking** inside organisations, aligning purpose, strategy, processes and outcomes. Supported by AI, it transforms data into insight and reporting into decision-useful intelligence.

**Integrated thinking and integrated reporting go hand in hand** - and together, they directly support the objectives of Australia's financial reporting system under section 224 of the ASIC Act: enhancing productivity, strengthening confidence in capital markets, and improving international competitiveness.

In short, if fragmentation drains momentum, adopting integrated reporting - powered by responsible use of AI - for augmenting the integrated reporting process which creates the integrated report as an outcome - creates coherence, foresight, and a clear national advantage in an economy where intangibles now define real value.

Treasury Laws Amendment (Financial Reporting System Reform) Bill 2026 – A Unique Opportunity

The Bill creates a unique opportunity to modernise the Financial Reporting System architecture through External Reporting Australia (ERA). Seizing this opportunity requires acknowledgement that:

- The AASB has made, and continues to make, a vital contribution through high-quality accounting standards, but it cannot lead the closure of the intangibles reporting gap while it is constrained by the existing Conceptual Framework for Financial Reporting. This framework requires that standards focus on better accounting and disclosure for money spent on intangibles rather than communicating value created from investments in intangibles.

The existing International Integrated Reporting Framework (IRF) already establishes a Conceptual Framework for Corporate Reporting grounded on integrated thinking. The application of the IRF is ideally suited to *unlocking* previously latent intrinsic value of intangibles through integrated thinking, and *revealing* that value to investors and other stakeholders in an independently assured integrated report.



Such an approach is suited to the simultaneous pursuit of *all* objectives of the Australian Financial Reporting System as set out in section 224 of the Act and the basis for establishing the role of ERA as set out in section 225 of the Act.

- The new Sustainability Reporting Standards Board will appropriately focus on a broader range of stakeholders as now recognised in the Bill, but it too cannot, in isolation, resolve questions about the primary report for investors, the necessary focus on intangibles and cross-cutting conceptual foundations of corporate reporting.
- No single standards board can, within its current remit, design and steward a coherent, integrated corporate reporting system that meets all of section 224's objectives in a digital and AI-enabled economy.

### Recommendations

We recommended to Treasury in November 2025 that ERA include, from Day One, an External Reporting Board (ERB), established by ministerial direction as contemplated in the Bill, with a mandate to:

- close the intangibles reporting gap by focusing on information about value created by investments in intangibles and other long-term value drivers, rather than trying to address intangibles through accounting recognition alone.

This will require research of the type recommended in our November 2025 submission to Treasury, and is likely to be closely connected to our recommendation on a Conceptual Framework for Corporate Reporting, one focus of which is likely to be value created by investments in intangibles.

- Informed by such research, develop and maintain a **Conceptual Framework for Corporate Reporting** that applies across accounting, auditing and assurance, and sustainability standards and other guidance, and that places intangibles and integrated thinking (including the multiple capitals) at its centre.
- designate an identifiable flagship **integrated report**<sup>2</sup> as the primary report for investors (and of interest to other stakeholders), supported by logical, technology-enabled linkages – including digital and AI-based navigation – to the broader portfolio of corporate reports.

This permanent ERB would not duplicate the work of the Accounting Standards Board or the Sustainability Reporting Standards Board. Instead, it would provide the cross-cutting conceptual, structural and integration backbone that individual standards boards cannot provide on their own, while remaining firmly anchored in the legislated objectives of section 224 and the functions of ERA under section 225 as set out in the Bill.

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<sup>2</sup> This will require urgent work in the short term to address the increased fragmentation with the introduction of the Sustainability Report at the same time as listed entities are still preparing Operating and Financial Reviews under ASIC guidance. The global trend as reported by IFAC is a move from standalone sustainability reports, with investor-material sustainability information being disclosed in integrated and annual reports ([The State of Play: Sustainability Disclosure and Assurance | IFAC](#) – refer page 9 in particular). Australia could start by preparing sustainability reports in accordance with the IRF and having ASIC repeal RG 247 or update it to guidance on preparing sustainability reports in accordance with the IRF.



ERA will need to work closely with the Productivity Commission, ideally through the ERB, given the productivity objectives captured in section 224 of the ASIC Act and the adverse productivity implications of the current lack of integration in, and volume, cost and complexity of reporting, along with the unexploited digital reporting and AI opportunities available to Australian organisations.

The Bill already gives External Reporting Australia the power to develop cross-cutting conceptual frameworks and to establish standard-setting boards of any specified name, so a fourth board titled External Reporting Board with a mandate over intangibles, the Conceptual Framework for Corporate Reporting and the primary report for investors can be created by determination under sections 225A and 230 of the Act without any further legislative change.

Within this architecture:

- the Accounting Standards Board would focus on its core strength – developing high-quality, internationally aligned accounting standards, derived from the Conceptual Framework for Financial Reporting, and guided by the ERB’s Conceptual Framework for Corporate Reporting.
- the Sustainability Reporting Standards Board would develop sustainability-related disclosure standards to meet the needs of investors and the broader range of stakeholders recognised in the draft ERA legislation, again within the ERB’s overarching Conceptual Framework for Corporate Reporting and primary report design.
- the ERB would act as custodian of section 224’s system-wide objectives, ensuring that Australia’s reporting architecture can adapt as intangibles, technology and stakeholder expectations evolve over time.

Our submission responds to the AASB’s 2027–2031 Agenda Consultation through the KEEP / STOP / START framework and sets out:

- specific agenda recommendations for the AASB in its transition to an ERA Accounting Standards Board
- proposed high-priority research projects for the ERA, through the ERB, on: the Conceptual Framework for Corporate Reporting; integrated reporting to deliver the primary report for investors, and the intangibles reporting gap. All projects are designed to equip ERA – and particularly the ERB – to succeed, and to which the AASAB can contribute and benefit from.
- an accountability and performance framework that aligns the AASB’s work program with the objectives of section 224 and the new ERA structure.

We ask the AASB to support Treasury and the Government in establishing the ERB as a permanent feature of the contemporary Australian Financial Reporting System. Doing so will position Australia to lead globally in integrated reporting, unlock currently latent productivity and competitiveness benefits from intangible value creation, and provide investors with a clear, integrated report that is fit for purpose of facilitating precision in investor capital allocation decision-making. The ERB would need to be equipped with the knowledge, skills and experience to achieve its objectives. While there will be some overlaps, the knowledge, skills and experience required by the ERB will be different to those of ERA’s Accounting Standards Board.



### **Why an ERB fits comfortably within the Bill**

The Bill deliberately takes the Australian Financial Reporting System beyond a standards-centric architecture by:

- retaining and sharpening the system-wide objectives in section 224, including cost of capital, capital markets, international competitiveness and the needs of a broader range of stakeholders, not just as a by-product of standards but as freestanding objectives that ERA must pursue.
- giving ERA express functions that extend beyond developing accounting, auditing / assurance and sustainability standards, including developing non-binding conceptual frameworks, formulating guidance and “other kinds of standards and guidance materials” (for example, relating to intangibles and the naming and positioning of the primary report for investors) to support markets, investors, businesses, consumers and other participants in the Australian economy and community.

Section 225A(1)(d) of the Act makes it clear that conceptual frameworks are a statutory function of ERA, “not having the force of standards”, and are to be used to evaluate standards across all three streams. Nothing in the Bill requires this work to be done by the ERA Governing Council itself or by any particular board; it simply vests the function in ERA as an entity. The Explanatory Memorandum (EM) for the Bill explicitly notes that conceptual frameworks are administrative, non-legislative instruments intended to support broader evaluative, strategic and interpretive roles, and not just the technical drafting of standards.

### **Why a board called ‘External Reporting Board’ is legally possible**

The Bill defines a “standard-setting board” functionally and by how it is established, not by its title:

- ‘Standard-setting board’ means a standard-setting board of ERA established under section 230 of the Act,
- Section 230 allows the ERA Governing Council, by legislative instrument, to determine “that a standard-setting board of a specified name is established”, the kinds of standards it is responsible for, and any additional functions and powers (including conceptual frameworks) that it is authorised to perform.

There is no naming convention in the Act that requires “External Reporting *Standards* Board” or similar wording. So long as the establishing determination:

- identifies the External Reporting Board as a standard-setting board of ERA for the purposes of section 230,
- allocates to it the cross-cutting conceptual framework function in relation to all categories of standards and related guidance, intangibles and fragmentation (using section 225A(1)(d), (1)(c) and 225A(1)(i)),
- and, if desired, relies on the Minister’s power to confer ‘additional functions’ under section 225A(1)(i) to reinforce that cross-cutting mandate, ...

... the title ‘External Reporting Board’ would be fully consistent with the Act and with the EM’s policy intent of flexibility and future-proofing.



Importantly, the 'standard-setting board' label in the Act does not require every board to formulate its own standards. Section 230B makes clear that a board can be authorised to perform *any* of ERA's functions for specified kinds of standards, including 'developing conceptual frameworks', and to exercise only those powers needed to support those functions. That allows one board's primary remit to be conceptual frameworks and system design, while the Accounting, Sustainability Reporting and Auditing & Assurance Standards Boards focus on drafting and revising specific standards.



## Appendix 1 - Our Key Recommendations

Assuming the ERA Bill is enacted, the AASB will transition to become the Accounting Standards Board within ERA, and its AASB S2 responsibilities will move to the proposed Sustainability Reporting Standards Board. This transition leaves several critical questions unresolved, including:

- which ERA board will be responsible for conceptual frameworks for corporate reporting
- where responsibility for the existing, and clearly inadequate, Conceptual Framework for Financial Reporting, will sit in an intangibles-driven economy
- which body will set standards and / or guidance on integrated reporting and intangibles
- who will determine the name, content and underlying conceptual framework for the primary investor report (integrated report, sustainability report, OFR or other)
- how to address sustainability-related risks and opportunities beyond AASB S1 / S2, most of which relate directly to intangibles.

Our recommendations assume that the AASB will take a proactive role in exploring and shaping answers to these questions, rather than allowing them to be resolved by default or left ambiguous.

### KEEP

We recommend the AASB continue and sharpen the following projects:

- Conceptual Framework Not-for-Profit Amendments – retain as high priority within the future Accounting Standards Board.
- Service Performance Reporting (SPR) – retain and elevate, aligning explicitly with an outcomes-focused, integrated reporting perspective.
- IASB Intangible Assets project – upgrade from passive monitoring to active engagement with the IASB, bringing Australian evidence and integrated reporting experience to the international debate.
- ISSB Biodiversity and Human Capital projects – continue monitoring ISSB progress, treating these as core ‘capitals’ issues within a broader value-creation lens.
- AASB S2 implementation support – maintain as a high-priority transition project, with a planned handover to the Sustainability Reporting Standards Board once ERA is established.

### STOP

We recommend the AASB consciously stop or not commence the following projects (with one exception, intangibles), which is the main focus of this submission:

- Australian adoption of the IASB’s Revised Management Commentary Practice Statement, which lacks a coherent corporate reporting framework, is poorly aligned with Australian law and governance practice, and would increase reporting fragmentation. Refer Appendix 4.
- lower-priority technical projects, which should be paused or deferred to free capacity for contributing to strategically critical work on ERA transition, **intangibles**, integrated reporting and a Conceptual Framework for Corporate Reporting.



In relation to intangibles and as set out in this submission, we recommend that a value creation-focused intangibles project be one of the priority projects of ERA, with the ERB taking the lead and the AASB contributing.

## START

### Simplifying Australia's Reporting Landscape

Over two decades, corporate reporting in Australia has evolved into an overloaded, fragmented, and costly system that obscures rather than illuminates what matters to investors. The proliferation of uncoordinated reporting requirements has created duplication, inconsistency, confusion, and unnecessary expense. The problems are compounded as no single body has ever had overall responsibility for the design of the external reporting system.

- **Origins:** Section 299A of the *Corporations Act* introduced requirements for directors' reports to discuss company strategy and prospects — a valuable step toward transparent accountability.
- **Regulatory Gap:** With no coherent framework for narrative reporting beyond generally worded *Corporations Act* requirements, ASIC - not a standard setter or report design body - stepped in by recommending *Operating and Financial Reviews (OFRs)* through RG 247. OFRs worked well initially but RG 247 never advanced from guidance to mandate and pre-dated the focus on intangibles.
- **Layer upon Layer:** Over time, remuneration reports, ASX corporate governance statements, and now sustainability reports were added. Each emerged from legitimate individual aims, but collectively, they have produced a sprawling and inefficient reporting landscape.
- **Duplication, Inconsistency, and Cost:** Significant overlaps now exist between OFRs and sustainability reports, remuneration disclosures, governance statements. Information is repeated, contradicted, or scattered across separate sections in different reports, driving unnecessary compliance cost and consuming board, management, and assurance resources — all without clear value to investors.
- **Structural Paradox:** Despite popular belief, there is **no legislative requirement for an "annual report"** under the *Corporations Act*. Yet companies routinely produce massive volumes of material under that label, combining six or more separate reports from different authorities, none harmonised by purpose or audience.
- **Global Picture:** Similar fragmentation exists elsewhere — Japan's *Yuho*, the U.S. *MD&A*, and Europe's *Management Report* each differ in approach, leaving investors with patchwork information and little comparability. This produces unnecessary work for:
  - Australian investors and analysts (and indeed investors and analysts in all jurisdictions) who must understand and interpret the reports of the various jurisdictions in which they or the Australian companies in which they invest; and
  - companies who raise money in international markets using different reports for largely the same but no identical content.
- **The Root Cause:** This is not a standards or accounting issue but one of *system governance*. It requires expertise in investor needs, materiality, and intangible value creation - capabilities beyond traditional accounting rulemaking.



- **The Way Forward:** AASB to support the establishment of an **External Reporting Board (ERB)** as a new, independent body to coordinate and rationalise Australia’s external reporting system. Its purpose: to remove duplication, reduce cost, and restore relevance and clarity for investors. The end goal would be a coherent Integrated Report, or in the short term, a Sustainability Report prepared in accordance with the IRF, a single, investor-focused report connecting performance, purpose, and value creation.

We recommend the AASB participate in the following new, strategically significant projects for handing over to the ERB on ERA inception:

- Conceptual Framework for Corporate Reporting Project (high priority) – to address the inadequacy of the existing Conceptual Framework for Financial Reporting in relation to intangibles and multi-report coordination, and to advise which ERA board (ideally the ERB) should own this broader framework.
- Integrated Reporting Research and Guidance Project (high priority) – to develop practical Australian guidance grounded in the IRF and integrated thinking and to provide the foundation for an ERB or other appropriate ERA body.
- Intangibles Reporting Gap Research Project (high priority) – to analyse and quantify the Australian intangibles gap, identify investor information needs and inform the allocation of responsibilities across ERA boards.
- ERA Transition Strategy Project (high priority) – to prepare the AASB for its role as the Accounting Standards Board within ERA and to clarify inter-board responsibilities for conceptual frameworks, intangibles, integrated reporting and primary investor reports.
- International Best Practice Study (new) – to examine integrated reporting (including independent assurance) and integrated thinking implementation in Japan, Brazil, India, Turkey, Malaysia and South Africa, and to distil lessons for the ERA context.
- Primary Investor Report Research Project (medium–high priority) – to determine empirically which report functions *in practice* as the primary investor report, and what this implies for ERA board responsibilities and assurance.

These recommendations are designed to:

- strengthen alignment with the section 224 ASIC Act objectives of productivity, international competitiveness and well-functioning capital markets
- support the AASB’s strategic focus on international alignment and stakeholder engagement
- advance the AASB’s mission to meet user needs and enhance external reporting consistency and quality, and
- respond to the AASB’s emphasis on balancing usefulness with cost and complexity, by reducing fragmentation and focusing effort where it delivers the most value.

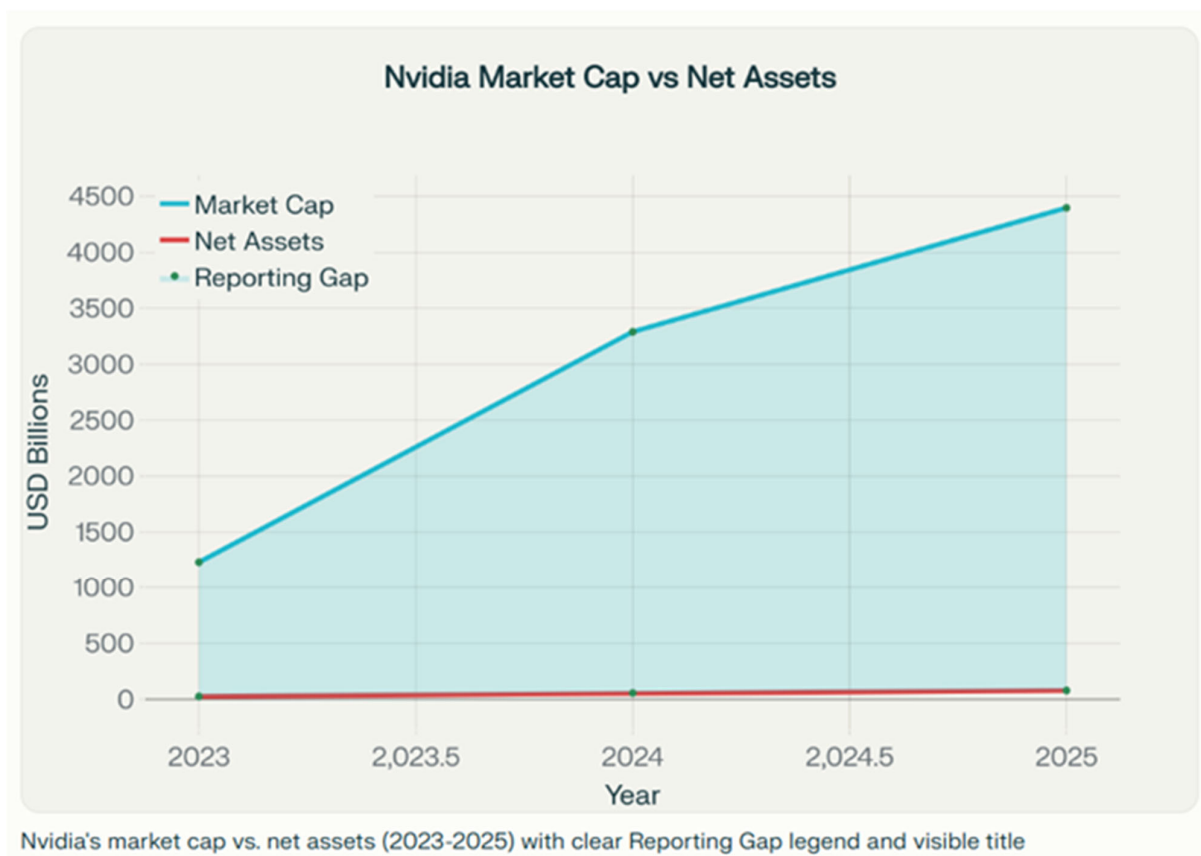


## Appendix 2: The Intangibles-Driven Economy – Closing the Gap - A Systemic Challenge

We live in an economy in which intangible assets dominate value creation. Traditional financial reporting frameworks, built for a tangible asset world, no longer provide investors with the information needed to assess enterprise value - that is, the net present value of future cash flows. This disconnect between market value and reported net assets has become one of the defining challenges for standard-setters and policy-makers.

### The Nvidia Case Study

Nvidia exemplifies the scale and nature of the reporting gap confronting modern economies. As illustrated in the Deakin Submission to Treasury (Figure 1), Nvidia’s market capitalisation increased from US \$1.2 trillion in 2023 to more than US \$5 trillion in 2025, exceeding the combined capitalisation of all ASX-listed entities. Over the same period, its audited net assets - verified by a Big 4 audit firm - rose from just US \$26 billion to US \$79 billion:



About 95 per cent of Nvidia’s market value is reflected in intangibles not captured in audited financial statements (the largely flat line at the bottom of the above Nvidia diagram), leaving a difference between book and market value of roughly US \$3 trillion unaccounted for - easily surpassing the entire Australian economy at almost twice Australia’s projected 2025 GDP (US \$1.9 trillion). Market pricing may respond to



sentiment or speculation about AI business models, but the scale of this gap underscores a structural limitation in financial reporting, rather than a transient valuation anomaly.

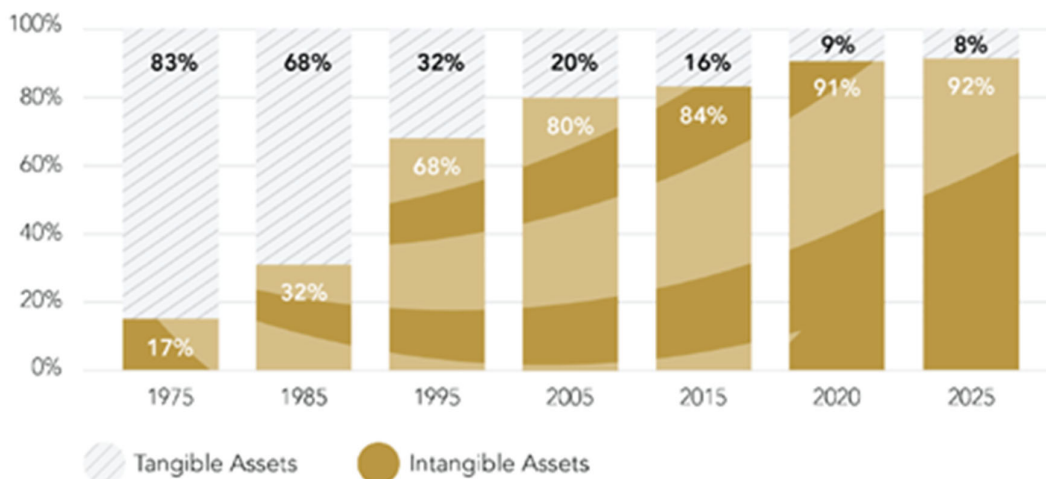
This phenomenon is not unique to Nvidia - it is pervasive across advanced economies and represents a systemic challenge for the accounting profession. Without a conceptual framework that explicitly recognises and communicates the contribution of intangible assets - such as data, intellectual property, human capital, and organisational capability - investors and other stakeholders cannot fully understand these critical drivers of long-term value. Integrated thinking and independently assured integrated reports can help to bridge this gap by converting latent intrinsic value into decision-useful information.

**Global Evidence: The Ocean Tomo Studies**

Ocean Tomo’s *Intangible Asset Market Value Study* demonstrates that this shift in corporate value extends well beyond technology firms. The 2025 edition incorporates five decades of longitudinal data and demonstrates:

- **1975:** Tangible assets comprised 83 % of the S&P 500’s market value; intangibles 17 %.
- **2025:** Intangibles now comprise 92 % of market value; tangibles 8 %.

**COMPONENTS of S&P 500 MARKET VALUE**



SOURCE: OCEAN TOMO, A PART OF J.S. HELD, INTANGIBLE ASSET MARKET VALUE STUDY, 2025

This 75-point reversal signifies what Ocean Tomo terms ‘economic inversion’ - a fundamental transformation whereby economic worth has migrated from physical assets and what can be *touched* to intellectual and relational capital and what can be *thought*.

Comparable trends emerge globally:

- **Europe (S&P Europe 350):** Intangibles account for 70–75 % of market value.



- **Japan:** Intangible representation rose from 32 % to 52 %, propelled largely by governance reforms such as integrated reporting adoption and the Stewardship Code.
- **China and Korea:** More moderate, regulation-driven growth in intangibles.

### **Implications for Australian Reform**

Treasury's *Exposure Draft of the ERA Bill* recognises a broad range of stakeholders as legitimate participants in value creation - an important policy inflection point that mirrors international developments. However, while the rapid adoption of AASB contributes to enhanced disclosure on governance, risk management, and aspects of sustainability, their limited treatment of intangibles highlights an ongoing gap.

Australia's position as an early adopter of International Sustainability Disclosure Standards through AASB S1 and S2 presents a strategic opportunity: to extend beyond basic sustainability reporting and lead in developing an integrated corporate reporting model that articulates enterprise value creation across financial and non-financial sustainability dimensions. Doing so would strengthen interoperability with global frameworks while directly addressing the intangibles reporting gap - a prerequisite for a credible, forward-looking reporting system in an ideas-driven economy.



### **Appendix 3: Learning from Leading Jurisdictions – Integrated Reporting Success Stories**

#### **Japan: Market-Driven Integrated Reporting Excellence**

Japan is widely recognised as the leading jurisdiction for market-driven integrated reporting adoption.

Key features include:

- Around 1,200 companies - representing close to 90 per cent of Tokyo Stock Exchange market capitalisation - identified by KPMG Japan and others as integrated reporting adopters.
- Adoption driven primarily by the stewardship activities of the Government Pension Investment Fund (GPIF), supported by broader corporate governance reforms.

#### **GPIF's model**

GPIF manages one of the world's largest retirement savings pools, with assets under management in the range of US \$1.7–2.0 trillion. As part of its stewardship responsibilities, GPIF:

- Requests its external equity managers to nominate each year the 'excellent' and 'most-improved' integrated reports among their investee companies.
- Publishes the resulting lists, together with commentary on reporting quality and areas for improvement, thereby clarifying expectations around integrated reporting.
- Creates clear market signals that reward better explanations of integrated thinking in business models, value creation and governance, and that encourage continuous improvement in integrated reporting practice.

GPIF's external managers include major global investors with an active presence in Australia, such as Allianz Global Investors, AXA Investment Managers, BlackRock, Fidelity, Goldman Sachs, JPMorgan, Morgan Stanley and State Street Global Advisors.

#### **Relevance for Australia**

- GPIF has sizeable holdings in major ASX-listed entities.
- Several of GPIF's external managers operate substantial Australian businesses and already engage with local issuers.
- Australia could encourage a similar investor-led mechanism (for example, coordinated expectations and public recognition of high-quality integrated reports) to drive market-based improvements in corporate reporting.

In addition, Japan hosts the World Intellectual Capital Initiative (WICI), a METI-linked Centre of Excellence providing freely available resources on intangibles, including:

- KPI methodologies aligned with integrated reporting.
- Sector-specific KPI libraries.
- Digital taxonomies and tools to support the structured reporting of intangibles.

These resources could be leveraged by Australian entities and standard-setters to accelerate the development of robust, decision-useful reporting on intangibles.



### **Brazil: Leading Jurisdiction for Integrated Reporting Assurance**

Brazil provides the leading public-interest precedent for integrated reporting assurance. The Brazilian Committee for Accounting Pronouncements (CPC) has issued guidance (locally referenced as CPC Guideline 09), requiring integrated reports to be prepared in accordance with the International Integrated Reporting Framework (IRF).

#### **CPC model**

- Integrated reporting assurance is mandated by the CPC for state-owned enterprises and specified federal public sector entities that choose to prepare integrated reports.
- Other public companies may opt into the regime. By 2025 an effective ‘steady state’ of voluntary adoption had emerged among large issuers.
- Assurance is provided by the same independent assurance practitioner (external auditor) who audits the entity’s financial statements, ensuring coherence and efficiency.
- The assurance conclusion is expressed in terms of the integrated report’s preparation in accordance with, and adherence to, the Integrated Reporting Framework.

#### **Relevance for Australia**

Brazil’s experience demonstrates that:

- Integrated reports prepared under the International Integrated Reporting Framework provide suitable criteria for assurance when supported by a clear “basis of preparation and presentation” and appropriate governance statements.
- Whole-of-report assurance over integrated reports is achievable and can be implemented at scale.
- An opt-in regulatory model can drive meaningful adoption and quality improvement without imposing an immediate obligation on all entities.
- Integrated reporting assurance engagements are compatible with, and fall within, the scope of ISSA 5000, the International Standard on Sustainability Assurance.

#### **Other Leading Jurisdictions**

Beyond Japan and Brazil, several jurisdictions offer additional lessons for Australia:

- **India:** Broad-based integrated reporting adoption among major corporates, particularly in sectors where business models rely heavily on brand, technology, human capital and other intangibles, driven by regulator recommendations.
- **Turkey:** Integrated reporting uptake supported by regulatory encouragement and guidance, illustrating how supervisory bodies can catalyse market practice without full mandates.
- **Malaysia:** Integrated reporting is required or strongly encouraged for certain categories of listed issuers, demonstrating the impact of a targeted regulatory mandate.



- **South Africa:** The longest-standing jurisdictional mandate for integrated reporting (JSE-listed companies since 2010), providing more than a decade of evidence on benefits, implementation experience.
- **Italy and France:** Integrated reporting-type disclosures are effectively brought within assurance scope via mandatory assurance over non-financial information and management reporting under the CSRD, which includes descriptions of the business, strategy and key performance indicators.

Taken together, these examples show that integrated reporting and integrated reporting assurance can be advanced through a mix of market-driven mechanisms (as in Japan), opt-in regulatory mandates (as in Brazil) and targeted listing or disclosure requirements (as in South Africa, Malaysia and parts of Europe). They provide a practical evidence base that Australia can draw on in designing its own path toward more comprehensive, intangibles-focused corporate reporting and assurance.

#### **Appendix 4: IASB Management Commentary Practice Statement – Why Australia Should Pursue a Different Path**

In May 2025, the IASB issued a revised IFRS Practice Statement 1 *Management Commentary* following a targeted overhaul. The revised Practice Statement organises management commentary into six content areas:

1. Business model
2. Management’s strategy
3. Resources and relationships
4. Risks
5. External environment factors and trends
6. Financial performance and financial position

This structure appears comprehensive and broadly aligned with integrated reporting principles. However, for the reasons set out below, we recommend that the AASB neither adopt nor adapt the IASB’s revised Management Commentary Practice Statement.

##### **1. Lack of an Underlying Conceptual Framework for Corporate Reporting**

The revised Practice Statement is not grounded in a coherent conceptual framework for corporate reporting. It effectively attempts to retrofit narrative reporting guidance into the existing *Conceptual Framework for Financial Reporting*, which was designed for recognition and measurement of assets and liabilities, not for explaining value creation from intangibles.

The core problem is well known: IAS 38 requires the cost of most internally generated intangibles - brands, customer relationships, human capital and organisational capabilities - to be expensed as incurred. This expenditure-based approach tells investors how much has been spent, but not the value created. For example, when Nvidia (or any advanced technology company) invests heavily in AI research, talent and ecosystem development, current accounting requirements treat most of those investments as period expenses rather than as the creation of enduring capabilities and competitive positions. Investors and other stakeholders need insight into the resulting algorithms, talent capabilities and market positions, not just the related expenditure line items.

By contrast, the IRF:

- Embeds a tested conceptual framework that has been implemented globally since 2013.
- Puts value creation, preservation and erosion over time - rather than expenditure recognition - at the centre of the reporting model.
- Encourages explanation of how investments in human, intellectual, and social and relationship capital contribute to future cash flows and enterprise value, irrespective of whether they meet recognition criteria under accounting standards.



- Treats all six capitals, or resources and relationships, of an organisation in an integrated way, demonstrated in practice (e.g. Brazil and other jurisdictions) as providing suitable criteria for assurance engagements.

The critical distinction is that the solution to the intangibles reporting challenge lies not in additional accounting for “monies spent” (which IFRS already largely expenses), but in better communication of the actual or potential value created by those investments. Integrated reporting is expressly designed to do this; the IASB Practice Statement is not.

## **2. Misalignment with Australian Corporate Law and Existing Reporting Structure**

The IASB Practice Statement is framed around “management commentary” as a report that accompanies financial statements. This construct sits awkwardly alongside Australian corporate law, which already requires and/or embeds:

- A Directors’ Report (including a remuneration report).
- A Sustainability Report for Group 1–3 entities under the new legislation.
- Various quasi-mandatory reports such as the Operating and Financial Review (OFR) and Corporate Governance Statement.

Adopting a separate “management commentary” requirement in Australia would risk creating an additional standalone narrative report in an environment already characterised by fragmentation and overlap. As explained in Deakin’s submission to Treasury, many Australian entities already produce at least six mandatory or quasi-mandatory reports within their annual reporting suite:

1. Audited Financial Report
2. Unaudited Directors’ Report
3. Audited Sustainability Report
4. Audited Remuneration Report
5. Unaudited Operating and Financial Review
6. Unaudited Corporate Governance Statement

This proliferation increases volume and cost for preparers, and heightens the risk of gaps and inconsistencies in information provided to investors and other stakeholders. It also misses a key governance insight: under Australian corporate law, the board - not “management” - is the primary voice to external stakeholders, with a distinct, non-delegable responsibility for the overall integrity of corporate reporting.

## **3. Misalignment with Contemporary Governance Practice**

The revised Practice Statement is explicitly framed around “management’s” perspective, strategy and commentary. This emphasis is increasingly out of step with contemporary governance thinking, which recognises that:

- Directors and executives play distinct but interdependent roles in value creation.



- Boards must contribute their own judgement on purpose, strategy, risk and culture, beyond approving management proposals.
- Each director brings specific knowledge, skills and experience; collectively the board adds value by exercising independent oversight and integrated thinking.

The IRF, now the responsibility of the IFRS Foundation, explicitly requires disclosure of:

- The board's role in determining and overseeing the organisation's purpose, mission and vision.
- How the board monitors implementation of strategy and the management of risks.
- Board composition, diversity and skills.
- Remuneration and incentive structures linked to value creation over time.

In contrast, a "management commentary" framing risks marginalising the board's accountability for the integrity, connectivity and completeness of the overall narrative. This is inconsistent with both Australian expectations of directors legal requirements, and global best practice in reporting governance.

#### **4. Timing: Australia Has Better Alternatives Available**

Australia is in a strong position to leapfrog the IASB's revised Management Commentary Practice Statement by leveraging existing tools and upcoming reforms:

##### **1. Immediate use of the Integrated Reporting Framework**

- The IRF is already available and widely used.
- It directly addresses the intangibles challenge through a value-creation lens and is supported by substantial global implementation experience and assurance practice.

##### **2. Preparing for the ERA structure**

- Treasury's proposed External Reporting Australia (ERA) model provides an institutional platform for developing a comprehensive conceptual framework for corporate reporting that integrates financial, sustainability and narrative reporting.

##### **3. Reducing fragmentation rather than adding reports**

- Drawing on Japanese experience, Australia can consolidate corporate disclosures into fewer, better integrated reports, rather than adding a separate management commentary layer.
- This approach would better align with the integrated reporting concept of a single, coherent communication that explains the governance, strategy, performance and prospects of an organisation and how it creates value over time.

#### **5. What Can Be Done Now: A Practical Alternative Approach**

Rather than adopting the IASB Practice Statement, the AASB (together with Treasury, ASIC and AUASB) can support immediate progress within existing legislative and regulatory settings:

##### **a) Guidance on sustainability reports using integrated reporting concepts**



- The 2024 sustainability reporting legislation permits voluntary disclosures provided they are clearly identified as such.
- Entities should be encouraged to prepare sustainability reports “in accordance with”, “using the concepts of”, or “with reference to” the International Integrated Reporting Framework.
- This would produce more coherent, decision-useful communication of how intangibles and sustainability-related factors contribute to current performance and future value creation.
- Over time, this approach could support a reduction in the number of separate narrative reports (for example, by absorbing the OFR content into a single integrated or sustainability-plus-strategy report).

**b) Withdrawal of ASIC Regulatory Guide 247 (RG 247)**

- ASIC RG 247 on the OFR is now dated and does not reflect current developments in sustainability, intangibles and multi-stakeholder reporting, nor the ERA Bill’s recognition of multiple stakeholders.
- RG 247 gives limited guidance on governance and virtually none on the role of intangibles in value creation.
- Withdrawing RG 247 would remove an overlapping narrative template and enable entities to focus on concise, integrated sustainability and value-creation reports that provide suitable criteria for assurance under ASSA 5000 and related standards.

Taken together, these steps would move Australia towards a coherent, intangibles-aware corporate reporting framework that is better aligned with domestic law, governance expectations and global best practice, without importing a “management commentary” construct that risks adding complexity and fragmentation without improving Australia’s reporting landscape.