

# Connectivity

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WICI Symposium 2014

Presenter:

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# 3 Questions

Q1 Why IIRC prepared **Connectivity** Background Paper?

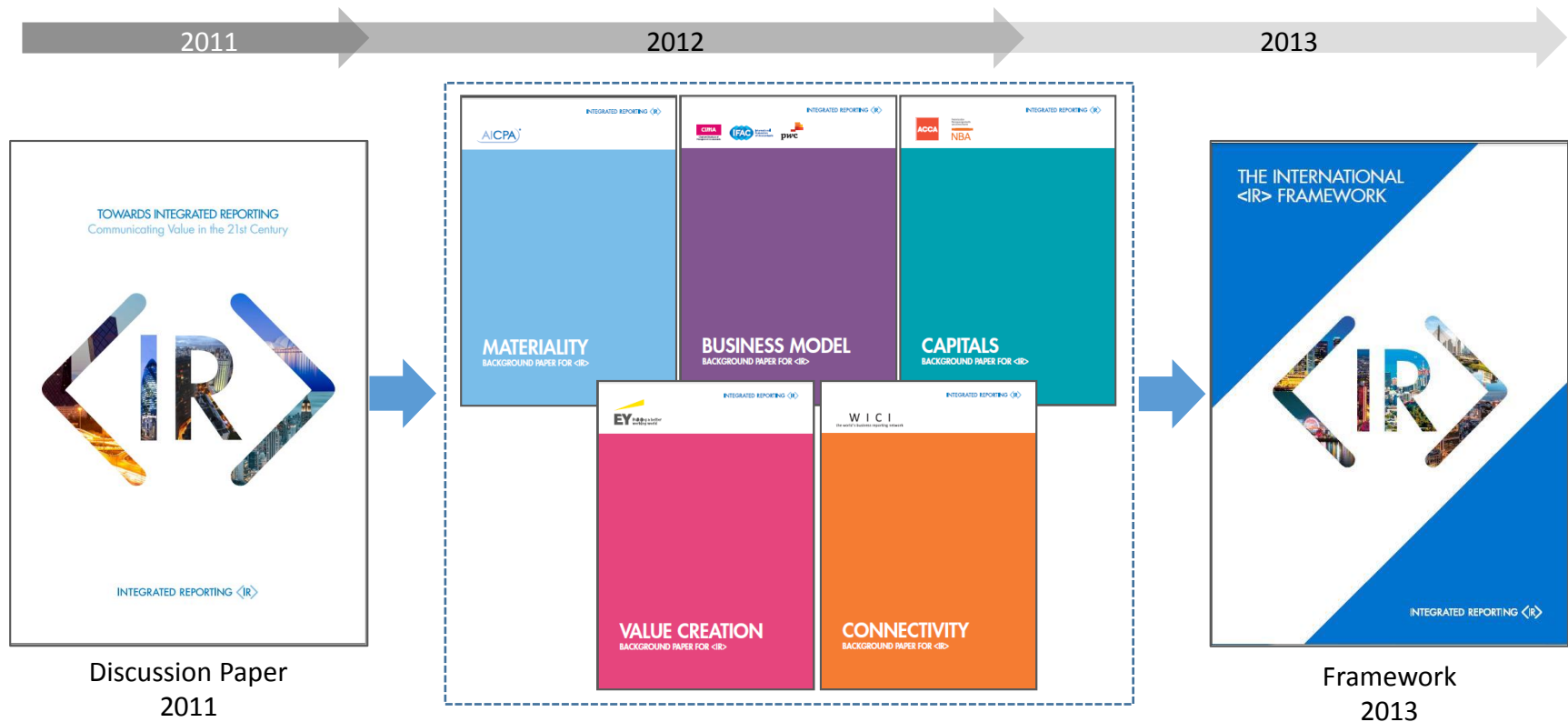
Q2 What IIRC is **aim**ing at through introduction of Connectivity concept?

Q3 What has Connectivity BP achieved and what are the **future challenges**?

BP : Background Paper

Q1 Why IIRC prepared **Connectivity** Background Paper?

# Background papers are prepared for deeper discussion towards to final Framework



214 comments were submitted for discussion paper from all over the world. After the analysis, Materiality, Business model, Capitals, Value Creation, and Connectivity had been selected as most important concepts which needed to be discussed deeper.

## Definition of Connectivity (discussion paper)

(Sep 2011)


### 【Connectivity of information】

‘connections between the different components of the organization’s business model, external factors that affect the organization and the various capitals on which the organization and its performance depend.’

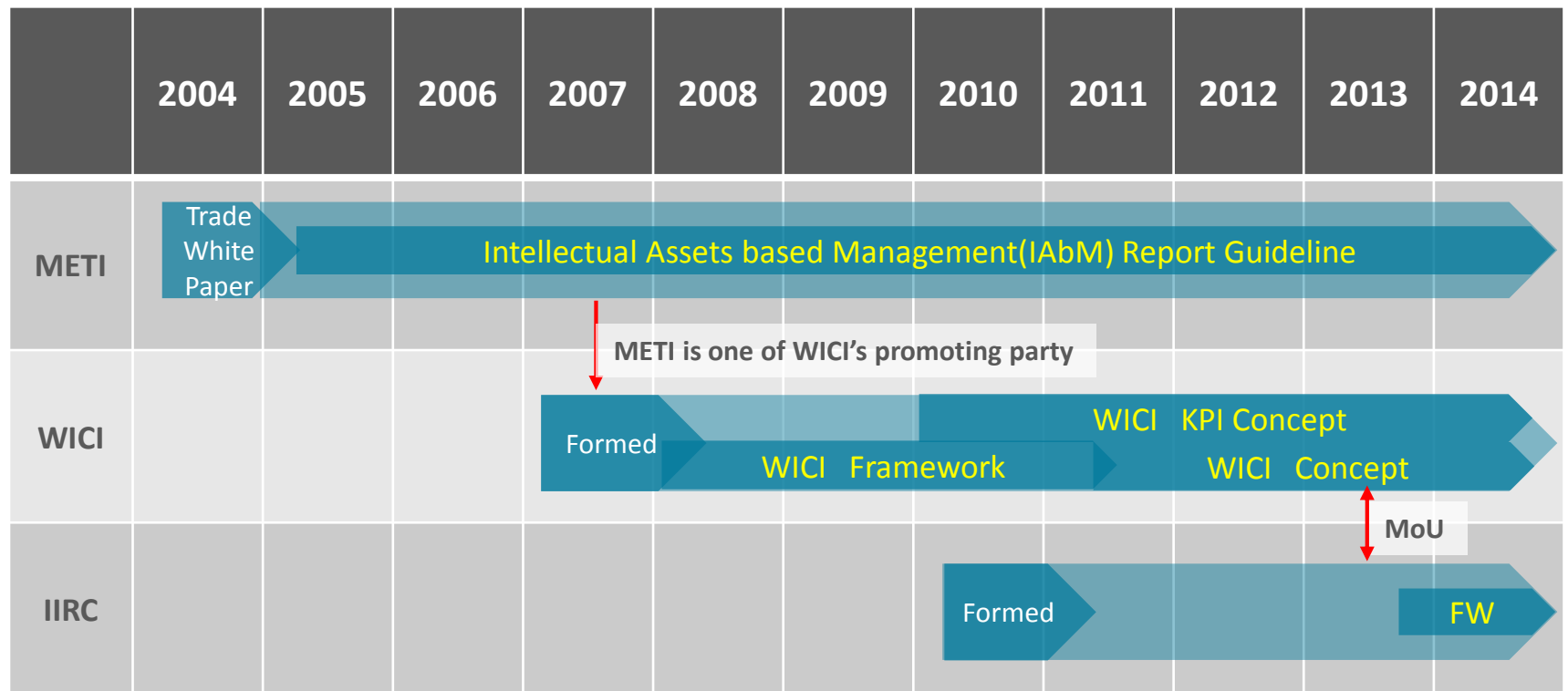
(Discussion paper 2011)

### 【Challenges】

- to present a more holistic picture of value creation to providers of financial capital, connectivity is considered a fundamental principle.
- emphasizing connections between financial information and intangibles such as innovation, brand, talent and effective resource management.

 WICI has been focusing on value creation and intangibles and had been selected as IIRC’s Lead Organization for Connectivity.

# Relationship between WICI&IIRC



METI: Ministry of Economy, Trade and Industry  
WICI: World Intellectual Capital Initiative  
IIRC: International Integrated Reporting Consortium

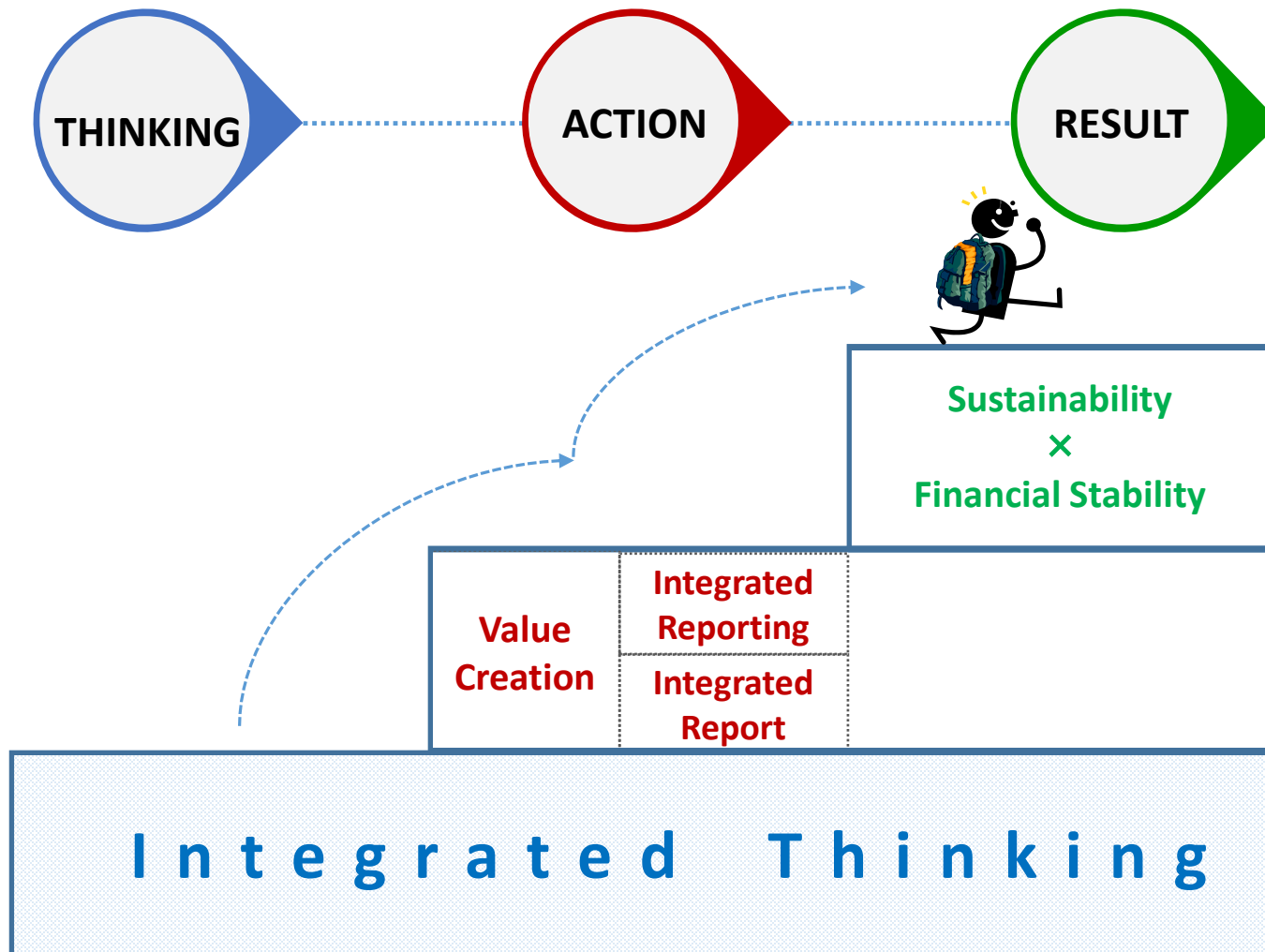
FW: International Integrated Reporting Framework  
MoU: Memorandum of Understanding

# Commonality between IAbM guideline and IIRC FW

IAbM guideline (Basic Principles)	Guiding Principles of IIRC FW						
	Strategic focus and future orientation	Connectivity	Stakeholder Responsiveness	Materiality	Conciseness	Reliability and Completeness	Consistency and Comparability
① Showing the overall picture of corporate management from top manager's eye in a <b>story</b>	✓	✓					
② Focusing on the <b>future</b> value creation that affects corporate value	✓			✓	✓		
③ As a prerequisite for the <b>future</b> value creation, evaluating future uncertainty (risks/chances) fairly and explaining how to deal with them	✓						
④ Making a report easy to understand for important <b>stakeholders</b> (stockholders, employees, clients, creditors, communities, etc.)			✓				
⑤ Supplementing and <b>complementing financial</b> information							✓
⑥ Adding supporting key performance indicators ( <b>KPI</b> ) to the points of the <b>story</b> to enhance <b>credibility</b> . Explanation on status of internal control is also desirable. Providing historical <b>comparability</b> (e.g. KPI for the past two years)						✓	✓
⑦ Giving explanations reflecting the current business activities in a <b>consolidated based</b> accounting.						✓	

Q2 What IIRC is aiming at through introduction of Connectivity concept?





- The aim of IIRC through integrated reporting is to realize both “sustainability” and “Financial Stability” as virtuous twins.
- To achieve this aim, organization will create value based on integrated thinking,
- AND, communicate organization’s unique value creation and create integrated report to deliver and share the common understanding with information users.

# Integrated Thinking

## ① Materiality (WHAT)

*“Materiality is like packing a backpack for a hike:  
You can only bring the supplies that are **absolutely critical**,  
Otherwise the weight will slow you down  
And eventually bring you to your knees.”*



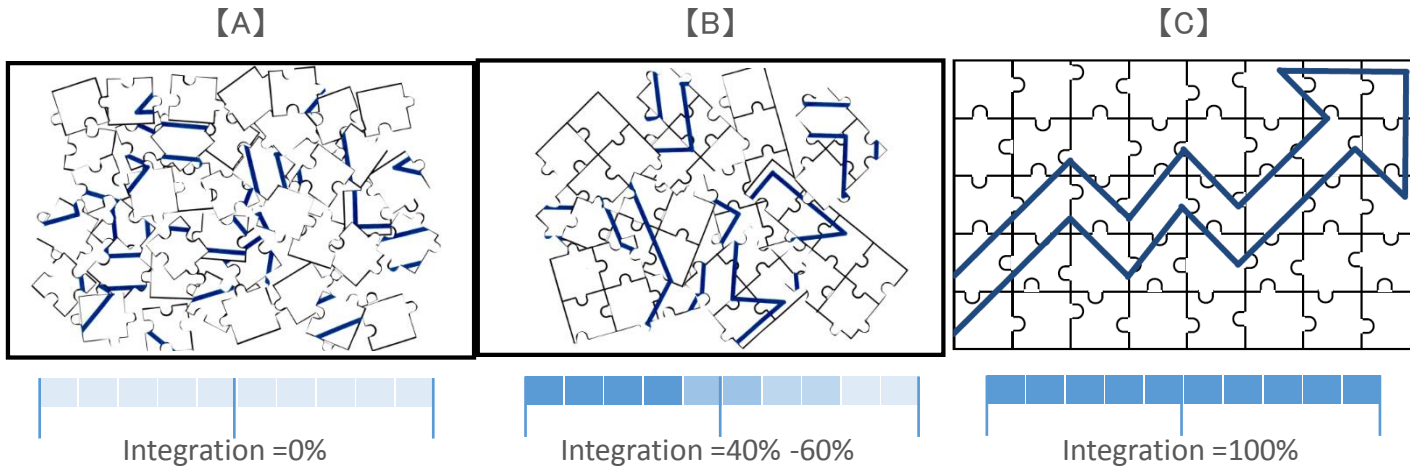
BY:  
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INTEL CORPORATION

## ② Connectivity (HOW)

- How to achieve goal(=Value Creation) by prioritizing or combining the material matters
- Change in capital allocation and combination of material matters over time

From what perspective ? ➡ From **unique Value Creation**

# Connectivity of Information



Complex  Simple

**(=only material matters in a concise manner)**

The material matters are illuminated and the path to the value creation is articulated due to the Connectivity.

Q3 What has Connectivity BP achieved and what are the future challenges?

# Difference between existing disclosure and integrated reporting

## Existing Disclosure

Tick the box type of Disclosure

= Disclose information in order to meet the requirements from external body

= List of requirements

= Stereotype KPI

(Materiality is

unclear/unexplained)



**Automatic comparability**

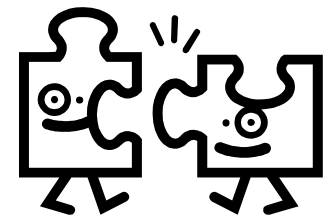
## Integrated Reporting

Disclose as a “story”

= Disclose material matters from each organization’s unique value creation and meet the requirements based on principle based

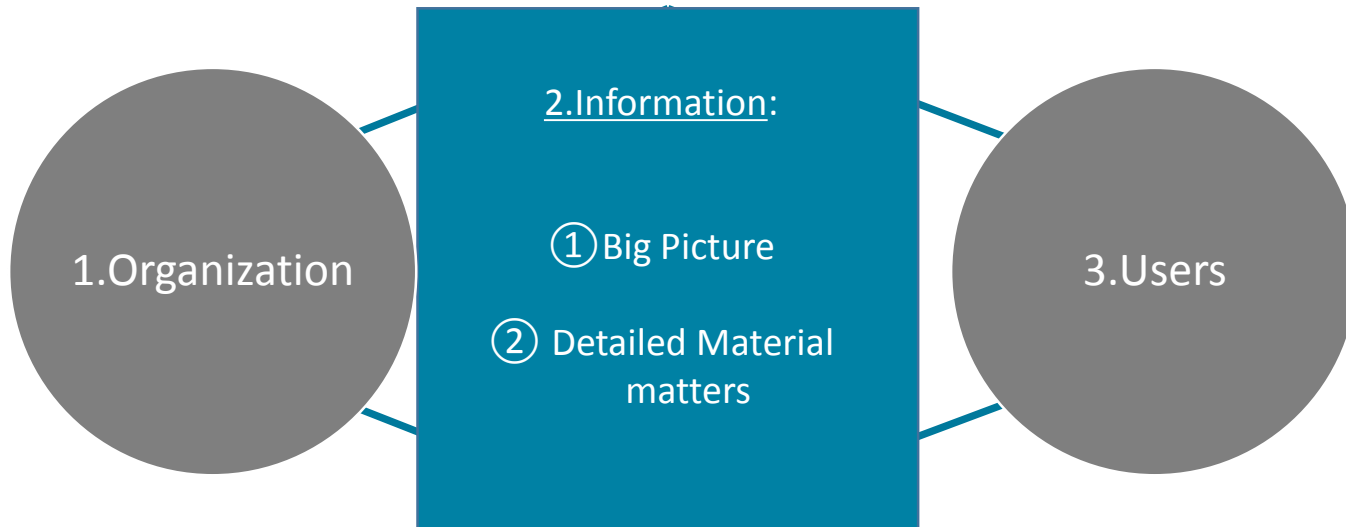
= Connectivity

= Unique KPI



**Certain level of Comparability  
+ Uniqueness**

# Overview of Connectivity



1. Connectivity within the organization
2. Connectivity to show a big picture of value creation between material matters
3. Connectivity with information users

# Future Challenges

## Implementation of Connectivity

### WICI Japan

#### 【Value Creation Driver sub-committee】

Case : 3M Japan

- Value Creation Story
- Show KPI relationships by logic tree

#### 【XBRL Taxonomy sub-committee】

Case : Wacoal Holdings

- Tagging
- Test connectivity, comparability and consistency

And more . . .

- Continue to encourage best practices about Connectivity
- Supporting system for corporate activities, communication/dialogue
- Increase user's literacy about Connectivity