



Intellectual Capital for Communities  
In the Knowledge Economy

## Session 6

On Intangibles Reporting: Achievements, Relevance and Next Steps

# WICI Initiative: An Update

## “CONNECTIVITY”, i.e. the Essence of Integrated Reporting

5<sup>th</sup> of June 2014

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# Who We Are ([www.wici-global.com](http://www.wici-global.com))



● WICI was formed in November 2007 and participants include organizations representing companies, analysts and investors, the accounting profession and academia.

## **The Promoting Parties of WICI are:**

**Enhanced Business Reporting Consortium (USA)**

**European Federation of Financial Analysts Societies (EFFAS)**

**Japanese Ministry of Economy, Trade and Industry (METI)**

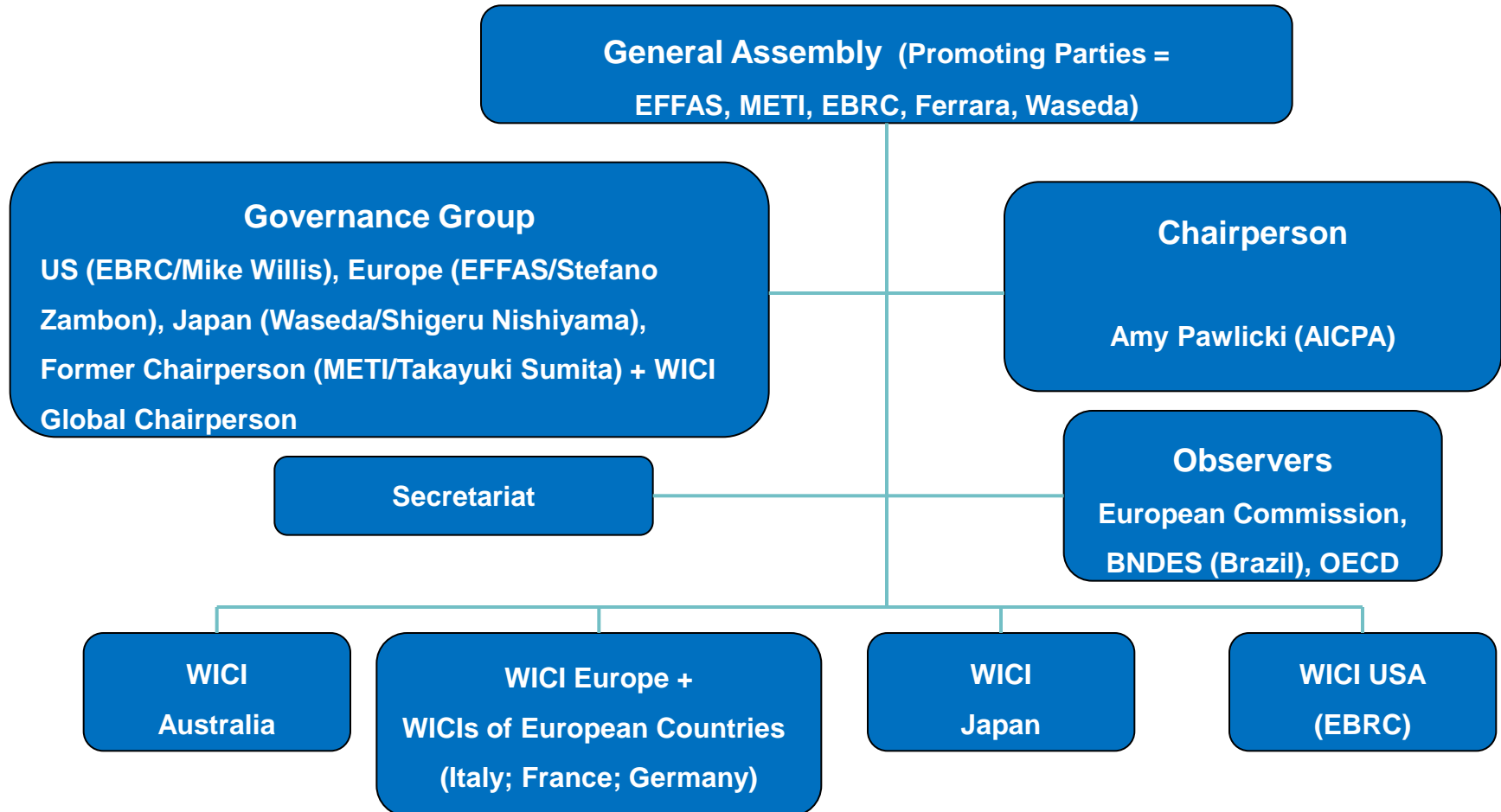
**Society for Knowledge Economics**

**University of Ferrara**

**Waseda University**

The European Commission, the OECD, and the Brazilian Development Bank (BNDES) participate in WICI as Observers.

# The Structure of WICI



# Our Vision and Goals

## Our Vision

**WICI, the world's business reporting network, is a private/public sector collaboration aimed at improving capital allocation through better corporate reporting information**

## Our Goals

- **The first is to develop a voluntary new global framework for measuring and reporting corporate performance to shareholders and other stakeholders.**
- **The second is to develop guidelines for measuring and reporting on industry-specific key performance indicators (KPIs).**
- **The third is to facilitate the development of XBRL taxonomies for this content.**



**We believe that such better information will improve capital allocation decisions both within companies and between investors and companies. The result will be more value creation for a better world economy.**

# Our Reporting Framework

0. Corporate Profile & Business Attributes		
0-1. industry overview 0-2. duration and results per business unit 0-3. business cycle per business unit 0-4. competitive analysis		
past	current	future
a. Business Landscape a-1. business landscape summary	d. performance d-1. performance summary (results of operation) d-2. GAAP based d-3. GAAP derived d-4. Industry based d-5. Company specific d-6. Capital market-based	A. Business Landscape A-1. business landscape summary A-2. economics A-3. industry analysis A-4. technology trends A-5. political A-6. legal A-7. environmental A-8. social
b. Strategies b-1. corporate strategy summary b-2. vision and mission b-3. strengths b-4. weakness b-7. goals and objectives b-8. corporate strategy b-9. business unit strategies b-10. business portfolio		B. Strategies B-1. corporate strategy summary B-2. vision and mission B-5. opportunities B-6. threats B-7. goals and objectives B-8. corporate strategy B-9. business unit strategies B-10. business portfolio
c. Resources and Processes c-1. resources and processes summary c-2. resources forms c-3. key processes c-4. value drivers		C. Resources and Processes C-1. resources and processes summary (C-99.)Resources and processes summary especially with changes in resource forms, key performance and main process from that described in c-2 and c-3 D. performance D-1. financial prospects (summary)

# Our Concept of KPI

## Definition of WICI KPIs

KPIs are provided as numerical figures (metrics) related to critical factors of value creation, and they support the explanation of business strategy linking it to future financial or economic performance.

“Concept Paper on WICI KPI in Business Reporting ver. 1.0” (last updated on July 2010)

## Substantive Attributes of WICI KPIs

- Reinforce the narrative description of a company's value creation mechanism
- Make visible the value creation story in a given timeline of past-present-future
- Numerical figures, including those quantified through rating methods
- They should be a subset of those used in the internal decision making process
- Each KPI can't be applicable to all companies in general nor in specific industry
- No intention to define a set of KPIs to be disclosed on a mandatory basis
- Company can choose to add its own indicators
- Company discloses the same KPIs consistently or change with explanation

According to our concept and attributes of WICI KPIs, We have, **as our first step**, been developing these industry-specific KPIs below.

**Electronic components (WICI Japan), Pharmaceutical (WICI Japan), Automotive-automobile (WICI Japan), Telecommunications (Joint WICI Europe + EFFAS), High Technology (in XBRL) (WICI USA), Mining (in XBRL) (WICI USA + WICI Australia), Fashion & Luxury (Joint WICI Europe + EFFAS), Electricity (WICI Europe + WICI Italy), Oil & Gas (WICI Europe) (in course of elaboration)**

# Our Proposition to Reform Today's Business Reporting

## Seven Points for Future Business Reporting

- 1. Identifying sources of differentiation of a company from others**
- 2. Making it clear the value creation mechanism unique to the company which can last longer**
- 3. Presenting an integrated picture of the company's activities, including financial data, financial performance and non-financial elements**
- 4. Providing clues to stakeholders to predict future performance of the company**
- 5. Allowing companies to freely choose the substance without requiring 'tick the box' type of disclosure**
- 6. Explaining material issues for the company with a certain reliability and comparability of the disclosed information for users**
- 7. Reducing the total cost of reporting for companies**



# WICI Participation in the International Debate

**WICI also participates in the international debate, sending its comments and suggestions on documents set by standard setters and institutions for public consultation. The most recent examples:**

- 1. Discussion Paper on «Disclosure Framework» by EFRAG (European Financial Reporting Advisory Group) (January 2013)**
- 2. European Commission's «Green Paper on Long-Term Financing of the European Economy» (June 2013)**
- 3. GRI (Global Reporting Initiative) Report on «The Sustainability Content of Integrated Reports – A Survey of Pioneers» (June 2013)**
- 4. «International Integrated Reporting Draft Framework» by the IIRC (International Integrated Reporting Council) (July 2013)**
- 5. «Alternative Performance Measures» by ESMA (European Supervisory Authority on Financial Markets) (May 2014)**



# WICI and IIRC Formalize Agreement (MoU) to Work toward <IR>, Milan, 11 June 2013



“The essence of a business is to **create value** over the long, as well as the short and medium term, by utilizing its strengths supported by the range of capitals available to it.

Therefore, the most important part of corporate reporting is for a business to tell **its individual value creation story**, providing evidence of how the organization **has created value in the past** and **its plans for creating value in the future.**”

“The collaboration between WICI and IIRC will help further the evolution of corporate reporting. Creating **a new corporate reporting language** will enable organizations to communicate their **own value creation story more effectively** with investors which will facilitate better decision making and, in turn, contribute to a more sustainable global economy.”



WICI took on the editorship of IIRC Background Paper for <IR> “CONNECTIVITY”

# WICI Connectivity Project

INTEGRATED REPORTING <IR>

W I C I  
the world's business reporting network

**CONNECTIVITY**  
BACKGROUND PAPER FOR <IR>

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8	Developing a consistent message
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# Connectivity of Information

## Definition (FW 3B 3.6)

**An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.**

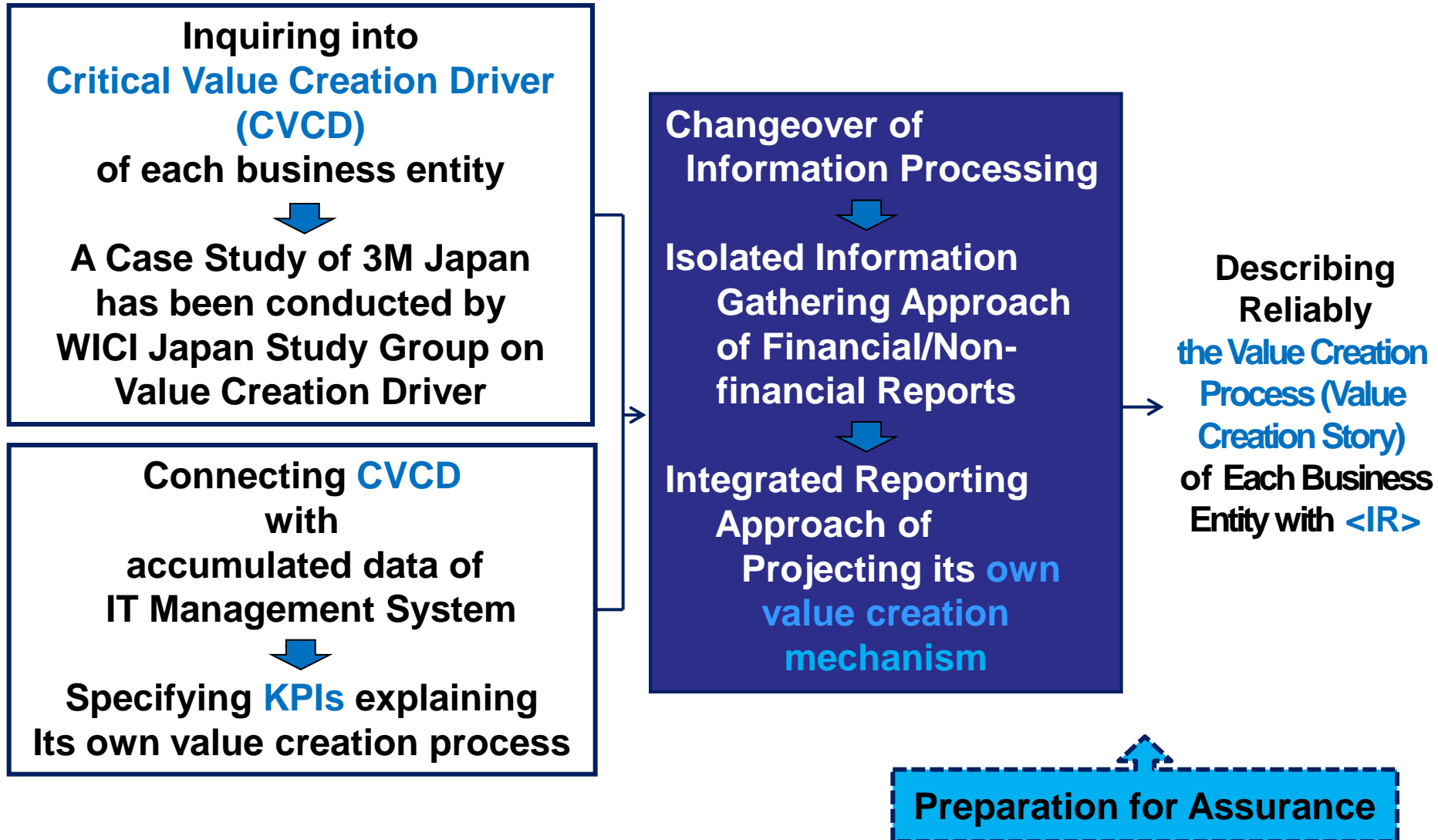
## Key Forms of Connectivity Information

- The Content Elements
- The past, present and future
- The capitals
- Financial information and other information
- Quantitative and qualitative information
- Management information, board information and information reported externally
- Information in the integrated report, information in the organization's other communications, and information included in other sources.

# Integrated Thinking and Integrated Reporting



# Next Step of “Connectivity”



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the world's business reporting network

## **WICI Panel on “Connectivity”**

**12<sup>th</sup> World Congress of Accounting Researchers and Educators  
University of Florence, 13-15<sup>th</sup> of November 2014**

## **WICI Symposium 2014**

**4<sup>th</sup> of December 2014**

**Otemachi Financial City Conference Center, Tokyo**

**<http://www.wici-global.com/>**