



MODULE 3 – Part 2

GUIDING PRINCIPLES OF IR FOR SMEs

AGENDA

Connectivity principle

- Connectivity compass
- Connectivity and better decision-making
- Types of connectivity
- The process of creating linkages between various elements of an integrated report
- Practical tips how to enhance information connectivity in an integrated report
- Test questions

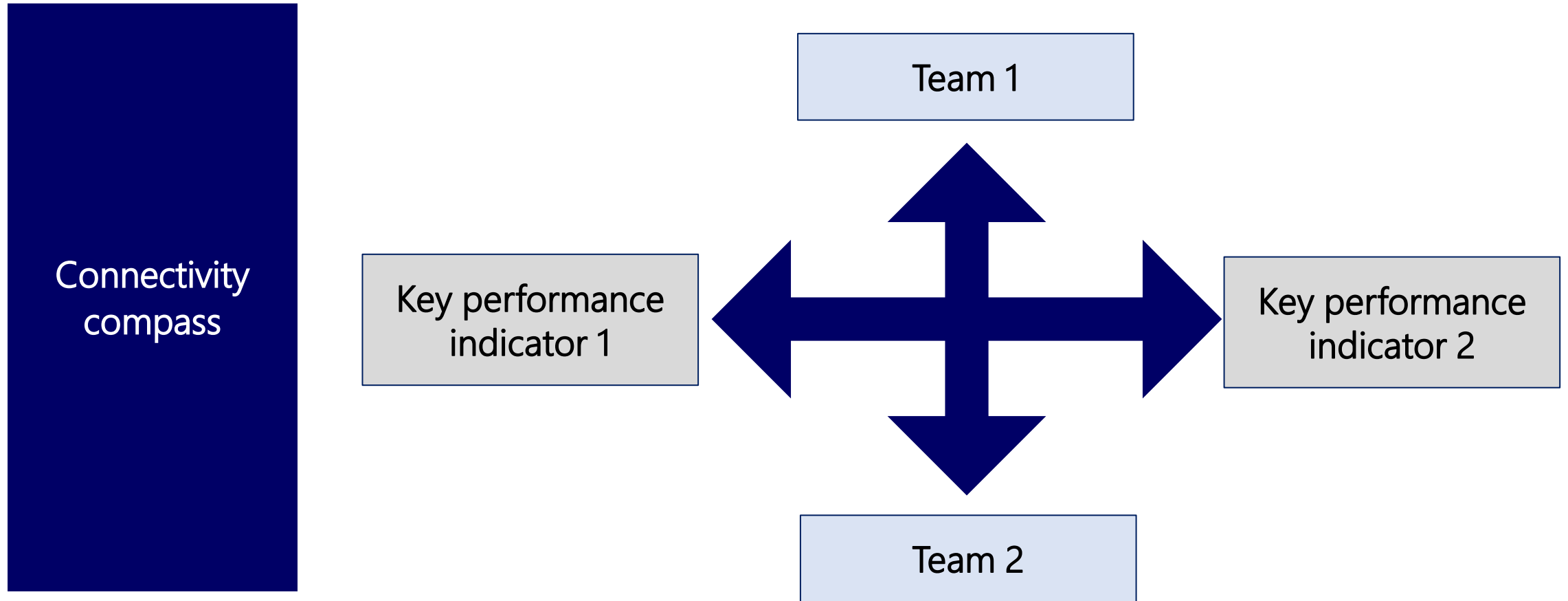


CONNECTIVITY PRINCIPLE

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.

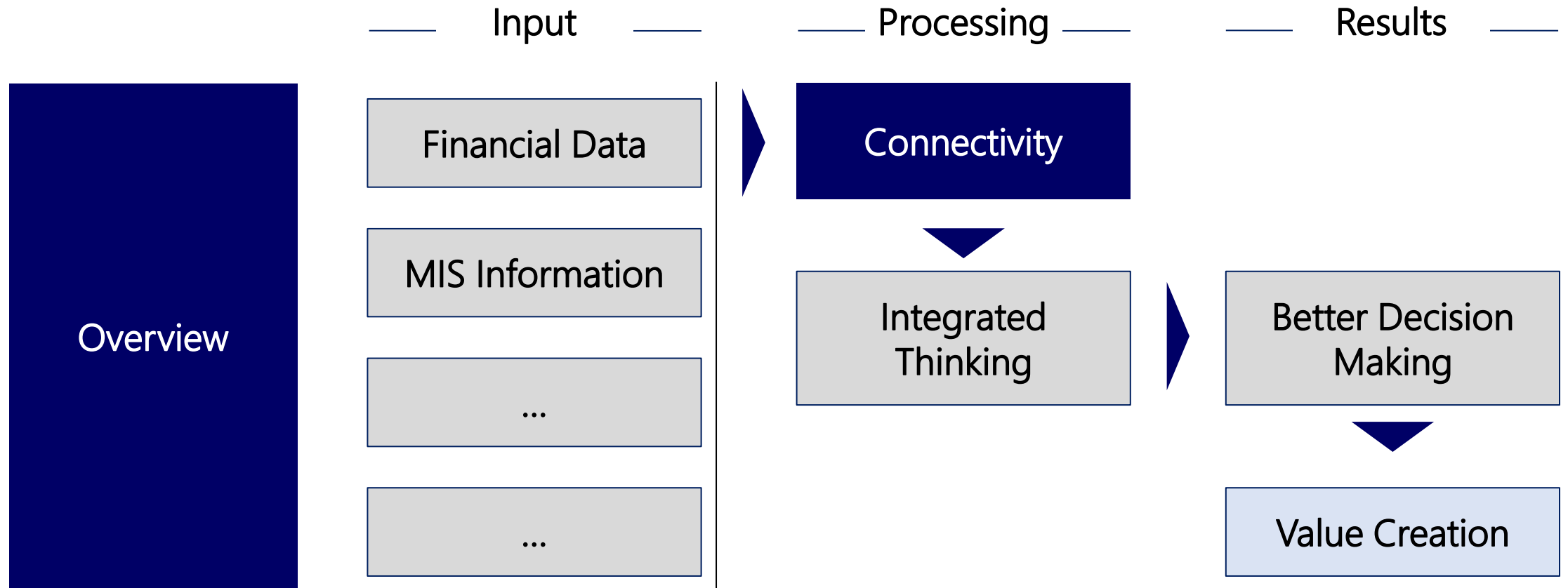


Connectivity compass



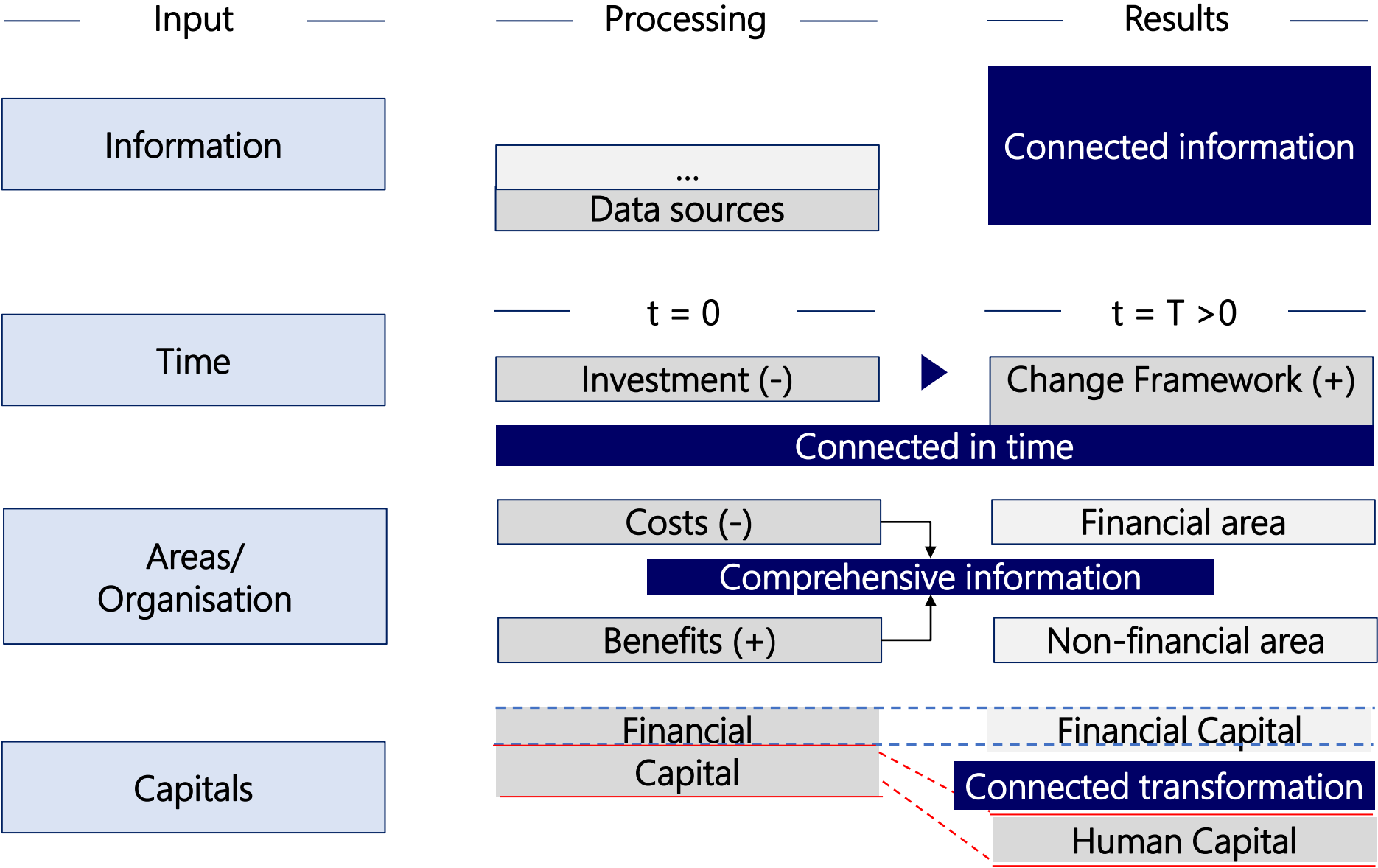
There is a lot of information in your company and many deciders but are they connected – or are decisions made in the division silos that do not consider the effects outside? Do decision makers know the interdependencies inside the company? Information is connected as teams use same sources and types of information for their decision making. The idea of Integrated Thinking to look outside the own area and consider effects on other areas is the implementation of connectivity in management by a comprehensive view. A special focus is set between financial and non-financial information by Integrated Reporting.

Connectivity and better decision making



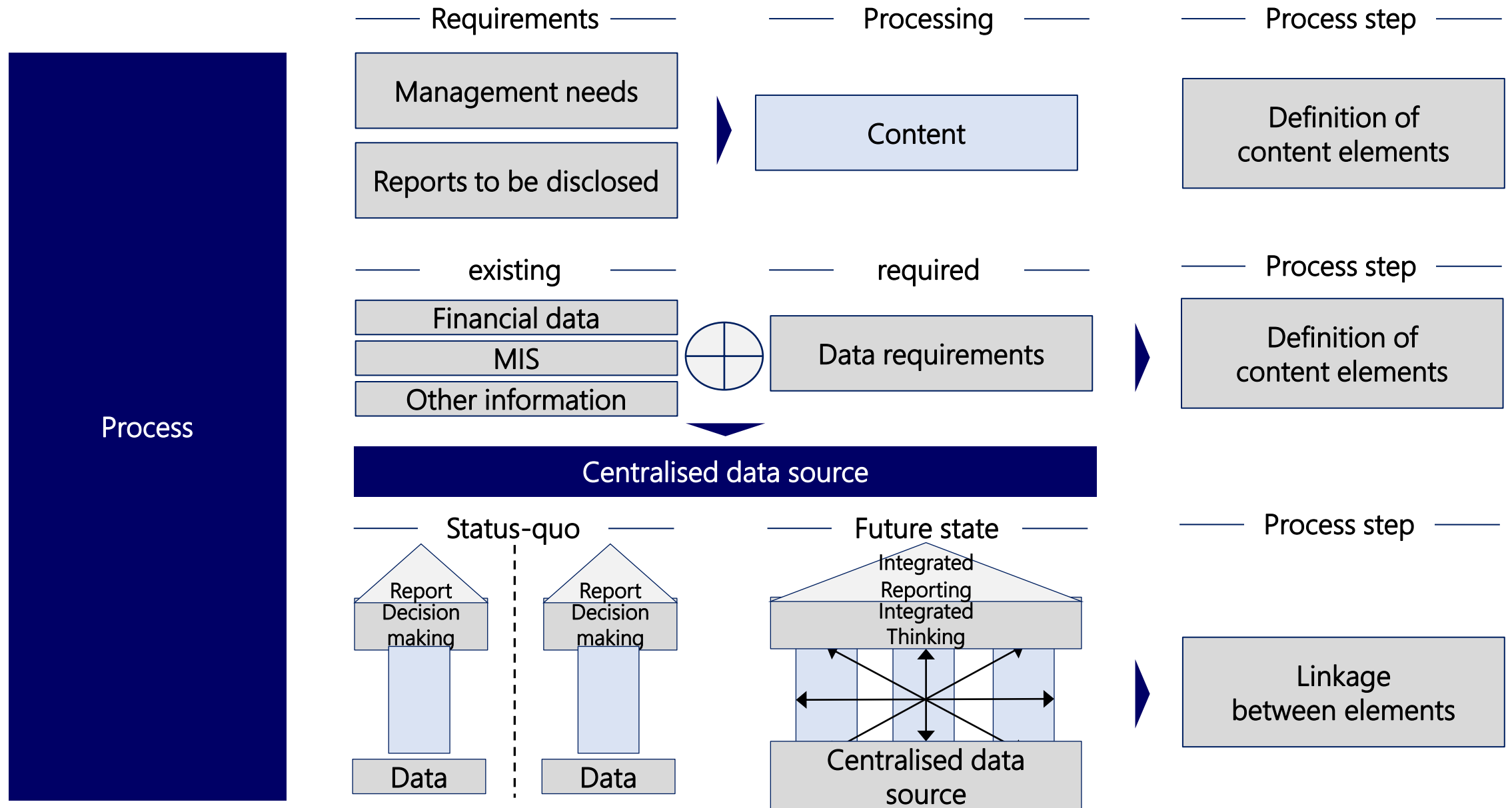
Connectivity is important as it connects diverse information and data source to Integrated Thinking. This comprehensive management approach that does not only consider "one division" but the whole company should lead to better decisions and, finally, value creation.

Types of connectivity



Types of Connectivity

The process of creating linkages between various elements of an integrated report



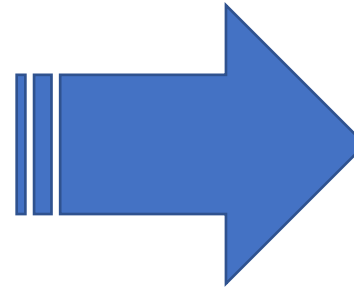
There are several types of connectivity. Firstly, the **connection of information** – many data sources are pooled to a golden source i.e. everyone in the company can have access to identical data. Secondly there is the **connection of time** – investments today lead hopefully to an excellent harvest tomorrow. The framework in which the company's management acts is expanded for further growth. Thirdly the **connection of areas** and especially of financials and non-financials – an investment negatively influences current profit because of costs but can create (non-monetary) benefits in other areas by which the company will profit in the long run.

A company must analyse management information needs to ensure the connectivity between particular elements of an integrated report. Management needs (-> KPIs) and reports which shall be disclosed (for all stakeholders) define the content which is required, and which must be created. Multiple data sources and additional required data form the future centralised data source of the company. By these measures, the current silos inside a company, often on a division level, can be broken to provide integrated data on which Integrated Thinking and Integrated Reporting can be implemented.

Practical tips how to enhance information connectivity in an integrated report

Your report should:

- be logically structured,
- be well presented,
- be written in clear, understandable
- use jargon-free language,
- include effective navigation devices,
- have clearly delineated (but linked) sections
- use cross-referencing.



In this context, **information and communication technology** can be used to improve the ability to search, access, combine, connect, customize, re-use or analyze information.

4. Test questions



Q1. Choose the right answers. Connectivity principle refers to linkages between:

A. the content elements of an integrated report

B. a financial director and local authorities

C. past, present and future data available in an organization

D. between Six Capitals



Q1. TRUE OR FALSE QUESTION

Connectivity in terms of capitals covers interdependencies and trade-offs between the capitals, and how changes in their availability, quality and affordability affect the ability of the organization to create value.

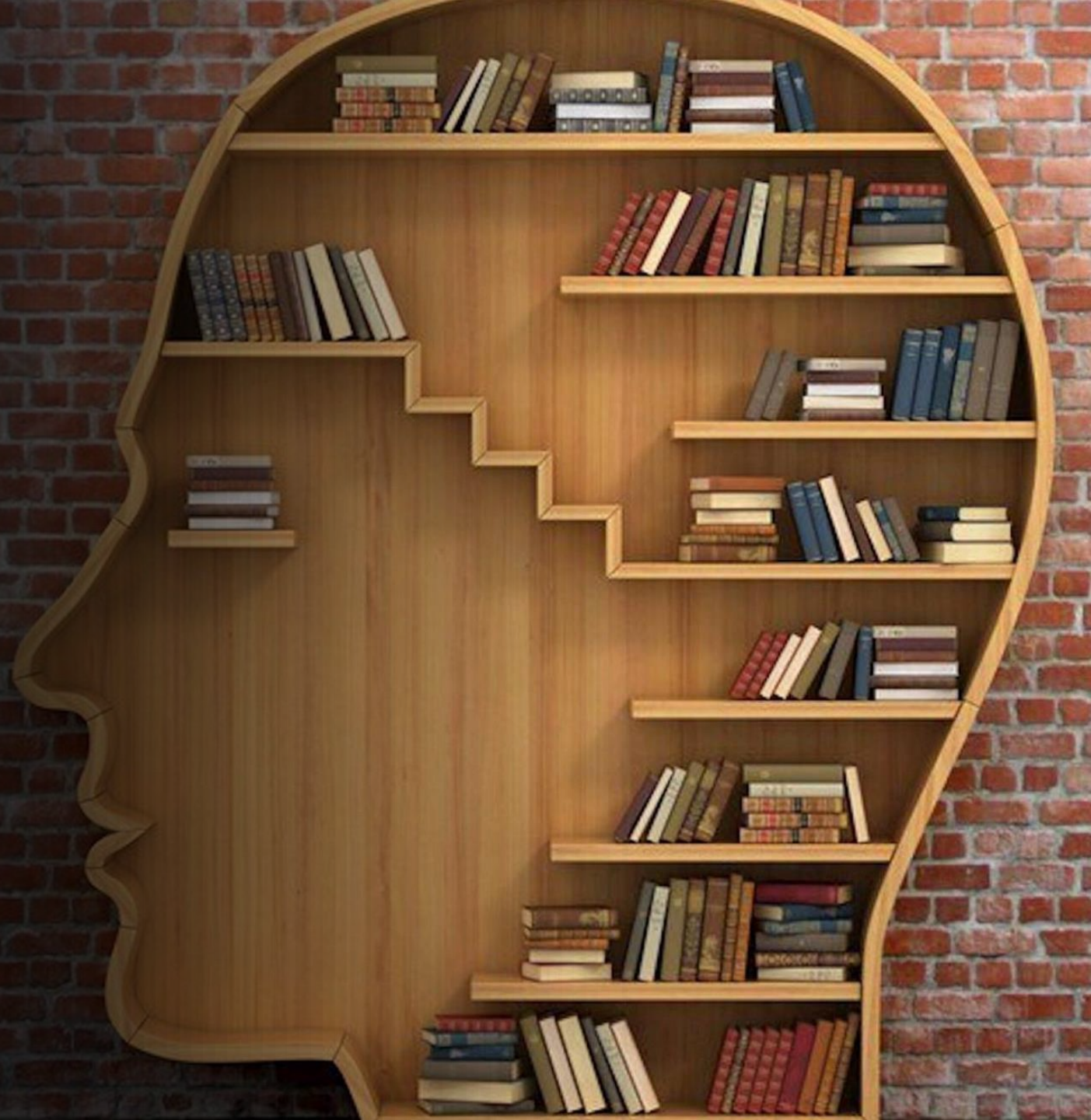
TRUE

FALSE





Bibliography



GLOSSARY

- **Connectivity of information** – In the context of integrated reporting, it is a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.