Observatoire de l'Immatériel
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WICI Intangibles Reporting Framework Comments

WICI has published "WICI Intangibles Reporting Framework Version 1.0 Consultation Draft" to further enhance the reporting on Intangibles information and metrics.

WICI is seeking comments on all aspects of the Framework from All stakeholders. The Observatoire de l'Immatériel has decided to provide WICI with its comments, in the hope that they will benefit all the community.

Overall, we agree with the intent of such a framework and with most of the content elaborated by WICI. The comments we made are intended mainly to specify some aspects or advocate for further developments of the framework.

Participants

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Comments

Questions	Comments
Q1 – Do you agree with the primary audience and information users of the framework?	We agree with the definition overall. There are two kinds of targets for this framework: organizations and stakeholders using that information. 1) Organizations It is indeed important to mention, as it is done in the framework, that the audience is all organizations, both public and private ones, and profit and not-profit ones. We would find it useful to mention that the variety of companies' sizes should be taken into account and that the framework shouldn't be devoted only to large companies. As a matter of fact, it appears that Intangible Capital is also useful for Small or Mid-size companies, especially concerning their relations with bankers and investors, when questions about the control and transfer of capital arise or concerning

	strategic matters. The framework, as it is, seems to be very large companies-oriented (we think that applying these principles might result in a complexity that can only be dealt with by well-organized companies with for instance departments dedicated to measure, to the piloting of Intangible Assets and to extra-financial corporate communication). Therefore it could be useful to think about complementing this framework with a simplified declination dedicated to SMEs. 2) Information users As far as the information users are concerned, we believe that it is important to mention all types of stakeholders. Financial stakeholders must also include: shareholders, investors, bankers, insurers, etc. Other stakeholders are not to be forgotten: suppliers (especially key for SMEs), clients, organization's team, and network partners. We also question the usefulness of separating financial stakeholders (investors, creditors) from other stakeholders.
Q2 – Do you agree with the definition of intangibles?	This is a non-exhaustive definition of intangibles but we are fine with it, especially with the mentioning of "short-term" value creation (Intangibles do not only have an impact in the long-run). Concerning the kinds of value created by Intangible Assets, one could also highlight core/cultural value (improving employees and stakeholders' engagement) and social/environmental value (from an ecosystem point of view, the externalities that an organization can create for direct stakeholders or society in general). Concerning the specific sentence: "They are the drivers of long-term competitive differentiation and advantage". We agree with the meaning of the sentence, but in the formulation, "long-term" could be replaced by "sustainable" ("long-term" might give the impression that Intangible Assets only matter in the long-term, while Intangible Assets might also be very reactive in the short-term). Intangible liabilities: while agreeing that there might also be some "badwill", one could say that intangible liabilities may also represent the debt the organization owes to the "sources" of Intangible Assets (like for material and financial assets). In that case, intangible assets bearers (people / communities inside and / or outside the organization) could be recognized as Intangible liabilities. We also agree with the categories of Intangible Assets. The

	illustrations provided could be a little more specific, for example by explaining how certain kinds of governance or some processes might create more value than some others. For human capital, it would be useful to distinguish the "capital" (for example expertise) and its bearer(s), because we have seen that there is sometimes a confusion (even in large companies).
Q3 – Do you find the concept of the interrelatedness of Organizational, Human and Relational capital clear and helpful?	The concept of interrelatedness is very useful. We find it useful to separate the assessment and analysis of the different parts of Intangible Capital from their valuation. Interrelatedness if closely linked to the way the value creation process is explained. Explaining the relations between Tangible and Intangible Assets and within Intangible Assets is very important. We believe the concept of interrelatedness could perhaps be explained with more details. Here are two ideas: 1) Entering into more details, for instance with the ten main Intangible Assets (Suppliers & Partners, Customers, Brands, Organizational capital, Human capital, Technological capital, shareholders/stakeholders, IT systems, Societal capital, natural capital) could make the analysis of such interrelatedness easier. But they should not be necessary included in such a reporting. We would recommend explaining thoroughly at least one example of such interrelatedness. 2) Another example to describe the interrelatedness was provided in France by Kea & Partners: the concept of "Critical Intangible Assets Systems". According to this concept, there are three main kinds of Intangible Assets systems : - Basic : supports companies' essentials inherited from their origins - Enabler : enables companies' "take-offs" - Profitability lever : enables a profitable and sustainable growth Finally, we do not understand completely the diagram. We suggest adding explanations to make it more user-friendly.
Q4 & Q5 – Are the Guiding Principles for Intangibles Reporting and Communication clear and complete? Do you agree with	The guiding principles are clearly explained and all necessary elements are included. From a "company's" point of view or its consultant: There is no need to prioritize the principles. The risk is to open the possibility for an organization to leave aside the latest principles. Maybe the principle of « comprehensibility » could be added: indeed, the information must be clear and concise but also not subject to

the proposed Guiding Principles?	interpretation. From a "financial analyst" point of view: Some financial analysts emphasize the fact that, due to their experience, hierarchizing the principles in terms of "must have" (materiality for instance, neutrality, consistency, transparency of methodology...) and "nice to have" (comparability, completeness...) might be useful. Consistency is really a must have as it is important for stakeholders to have a clear vision of the trends over time. Providing "relevant" comparability is more difficult to achieve (usually achieving comparability within the company over time is possible but achieving comparability within a sector is more difficult).
Q6 – Do you agree with the definition of and the role attributed to Key Performance Indicators (KPIs)?	We agree with the presentation of KPIs in support of strategy to explain some statements (KPIs are not a sole objective). They are important to justify, illustrate and ensure consistency. We also agree with the three levels of KPIs, especially with "Organization-specific KPIs" because that highlights the fact that Intangible Assets are the source of incomparability of an organization (especially creating differentiation). We also agree with the way to analyze the KPIs: "1) Time-series analysis: compare the change in KPIs over time 2) Competitor analysis: compare KPIs across companies 3) Actual and forecast analysis: compare actual and forecast KPIs", even if relevant competitor analysis might be difficult to achieve. For sure "General KPIs" can also be relevant, but only if they are explained and analyzed referring to the value creation process, and not be considered as useful by themselves. Lagging and leading KPIs: we believe it is important to keep both kinds of KPIs. The two are necessary and must be linked to explain the strategy: because the past also explains decisions that are made for the future. An organization can have lagging KPIs that explain what has been made in the past and present. The leading KPIs can explain the path the company has decided to follow and to explain it to its stakeholders. It belongs to the story telling of its own value creation.
Q7 – Do you agree with the three sections of Content Elements?	1) Let's keep in mind that the priority is to focus on a prospective exercise. In such exercise, of course, leading KPIs are useful, but so are lagging principles (because the past also explains decisions that are made for the future). If in a company's reporting, lagging KPIs are different from leading KPIs, this difference (which is probably related to

	a change in the company's strategy) must be explained. 2) A first referential was introduced in the previous pages on the different kinds of Intangible Assets. Adding another referential might therefore introduce complexity. If the priority is indeed to focus on a prospective exercise, the approach using Intangible Assets has a real added value over traditional financial analyses. 3) Using only the past/present/future framework (without an Intangible Assets approach) might lead to a very "neutral" reporting, losing the "Intangible touch" and the description of the company's identity. In conclusion, the Intangible capital approach/framework is key to a prospective exercise and should remain at the heart of the reporting framework. The reporting framework should be focused on Intangible Capital.
Q8 – Would it be helpful to include more examples of KPIs?	It would be useful to describe in the framework some of the General KPIs that are likely to be considered relevant for most organizations. Generally speaking, including more practical illustrations could make the framework more user-friendly, especially for companies (Intangible Assets, value creation process, interrelatedness of Intangible Assets, KPIs, KPIs' analysis, example of a given reporting, etc.). An experimental approach could be led on some companies and the results could be included in the framework.
Q9 – Are there any terminologies in Glossary which are not clear?	The terminologies are clear. We agree with the definition, provided that our previous comments are taken into account (Intangible Assets, Intangible liabilities, etc.)
Q10 – Please provide any other comments not already addressed by your responses to Questions 1-9.	Value creation should be redefined and should also include core/cultural value (improving employees and stakeholders' engagement) and social/environmental value (from an ecosystem point of view, the externalities that an organization can create for direct stakeholders or society in general). These points are key to achieve sustainable performance.