INTEGRATED REPORTING <IR>

Integrated Thinking & Strategy

<IR> Network Event
Paris, October 4 & 5, 2018

SAID BUSINESS SCHOOL UNIVERSITY OF OXFORD

THE WORLD BANK IBRD • IDA | WORLD BANK GROUP

Association of International Certified Professional Accountants

NATURAL CAPITAL COALITION

A4S ACCOUNTING FOR SUSTAINABILITY

About the IIRC

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting.
The International <IR> Framework was released in December 2013 after an extensive due process to meet this need and provide a foundation for the future.

Contents

1 A word of welcome

The week after the <IR> Network meeting in Paris focusing on Integrated Thinking & Strategy, I met one of the participants and she told me of her strong sense on the Monday following the meeting that we should all have gone straight back to Paris to continue the amazing work that we started there. That's the kind of feeling that was engendered among those who were there.

51 organizations. 100 participants. The Paris meeting proved to be an excellent platform bringing together people from across the world who are committed to the success of integrated thinking in their organizations. But this was not some kind of theoretical or esoteric exercise in working out what integrated thinking means. Instead, it was all about real companies sharing their stories, learning from the others and challenging each other to take forward this work in our organizations because, as one participant said to me, "we cannot go back to a way of thinking that financial capital is the only capital that counts."

We are deeply appreciative of the time, energy and perspective that all of you brought to our meeting. We heard from some truly inspirational speakers such as Pavan Sukhdev and Mervyn King. We benefited from the insight and experiences of organizations such as ABN AMRO, Atos, HSBC, Solvay and the World Bank. But the real stars were all the participants who together brought depth of insight, reservoirs of experience and a keenness to make a difference.

The work that started in Paris now needs to be taken forward by the Integrated Thinking & Strategy group. This document summarizes the thoughts that emerged from our working together, and outlines our plans for what happens next. Thank you for being part of this important and amazing journey.

Jyoti Banerjee

Co-chair, Integrated Thinking & Strategy group
November 2018

Feedback from participants

We asked participants what goals you set for themselves as a result of attending the Paris meeting. Here is a small selection of your thoughts.

- Actively influence board members on integrated thinking through other stakeholders than ourselves
- Read Doughnut Economics [book by Kate Raworth]
- Set up a network for integrated thinking within our company
- Embed integrated thinking progress data in the core systems of the company to have it fully integrated
- To reconsider our strategy in view of value creation (it was already in process)
- Think about the relationship of the integrated thinking process to assurance
- The executives' understanding is a key driver to integrate all together
- Simplifying and reducing the targets and KPIs we work with in our strategic reports

Our speakers

Facilitators of this event

Jyoti Banerjee
Strategic Advisor
Co-chair, Integrated Thinking & Strategy SIG
IIRC

Brigitte Raffegeau
Lead on Network Content
Project Manager, Integrated Thinking & Strategy SIG
IIRC

Clarisse Lelong
Greenhouse Manager
Deloitte

Quentin Lebel
Greenhouse Facilitator
Deloitte

October 4, 2018

Welcome

Sami Rahal
Chief Executive Office
France and Francophone Africa
Deloitte

Introduction

David Nussbaum
Deputy Chairman of the IIRC Board
Chief Executive
The Elders

Conversation

Pavan Sukhdev
President, WWF International
CEO
GIST Advisory

October 5, 2018

Welcome and keynote address

Richard Howitt
Chief Executive Officer
IIRC

Mervyn King
Judge Professor
Chair Emeritus
IIRC

Introduction, Integrated Thinking and Strategy

Jyoti Banerjee
Strategic Advisor
Co-chair, Integrated Thinking and Strategy SIG
IIRC

Discussion on Integrated Thinking and Strategy

Olivier Cuny
Group General Secretary
Executive Vice President
Atos

Giorgio Saavedra
Senior Financial Officer
Integrated Reporting Lead
The World Bank

Developing a Best Practice Model for Integrated Thinking and Strategy

Mark Gough
Executive Director
Natural Capital Coalition

Charles Tilley
Executive Chairman
CGMA Research Foundation

Tim Hodgson
Director, Thinking Ahead Institute
Willis Towers Watson

Jyoti Banerjee
Strategic Advisor
Co-chair, Integrated Thinking and Strategy SIG
IIRC

Break-out sessions

ABN AMRO case study

Tjeerd Krumpelman
Head of Advisory
Reporting & Engagement
ABN AMRO

Roos Hartoong
Sustainability Reporting
Specialist
ABN AMRO

Brigitte Raffegeau
Lead on Network Content
Project Manager, Integrated Thinking & Strategy SIG
IIRC

HSBC case study

Rebecca Self
Chief Financial Officer
Sustainable Finance
HSBC

Mark Gough
Executive Director
Natural Capital Coalition

Solvay case study

Michel Washer
Deputy Chief
Sustainability Officer
Solvay

Eric Dugelay
Partner
Sustainability Services
Deloitte

Communicating integrated thinking

Jonathan Labrey
Chief Strategy Officer
IIRC

Clarisse Lelong
Greenhouse Manager
Deloitte

Maturity Map

Giorgio Saavedra
Senior Financial Officer,
Integrated Reporting Lead
The World Bank

Quentin Lebel
Greenhouse Facilitator
Deloitte

Feedback, conclusions and next steps

Jyoti Banerjee
Strategic Advisor
Co-chair, Integrated Thinking and Strategy SIG
IIRC

Closing Remarks

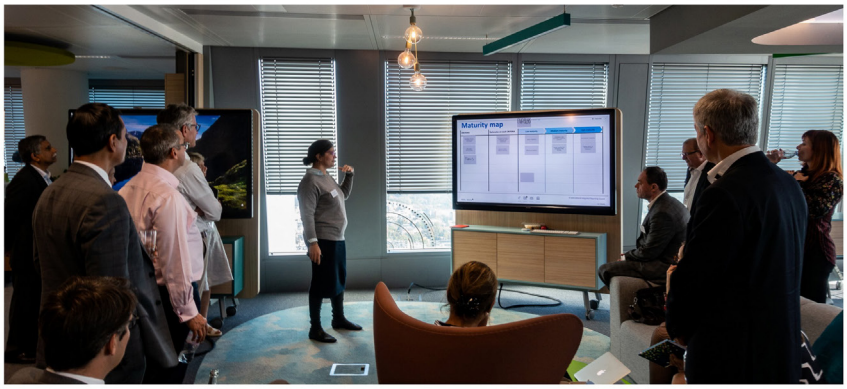
Neil Stevenson
Managing Director
Global Implementation
IIRC


INTEGRATED REPORTING ⟨IR⟩


INTEGRATED REPORTING


Deloitte
Greenhouse


INTEGRATED REPORTING


Maturity map

2 Next steps

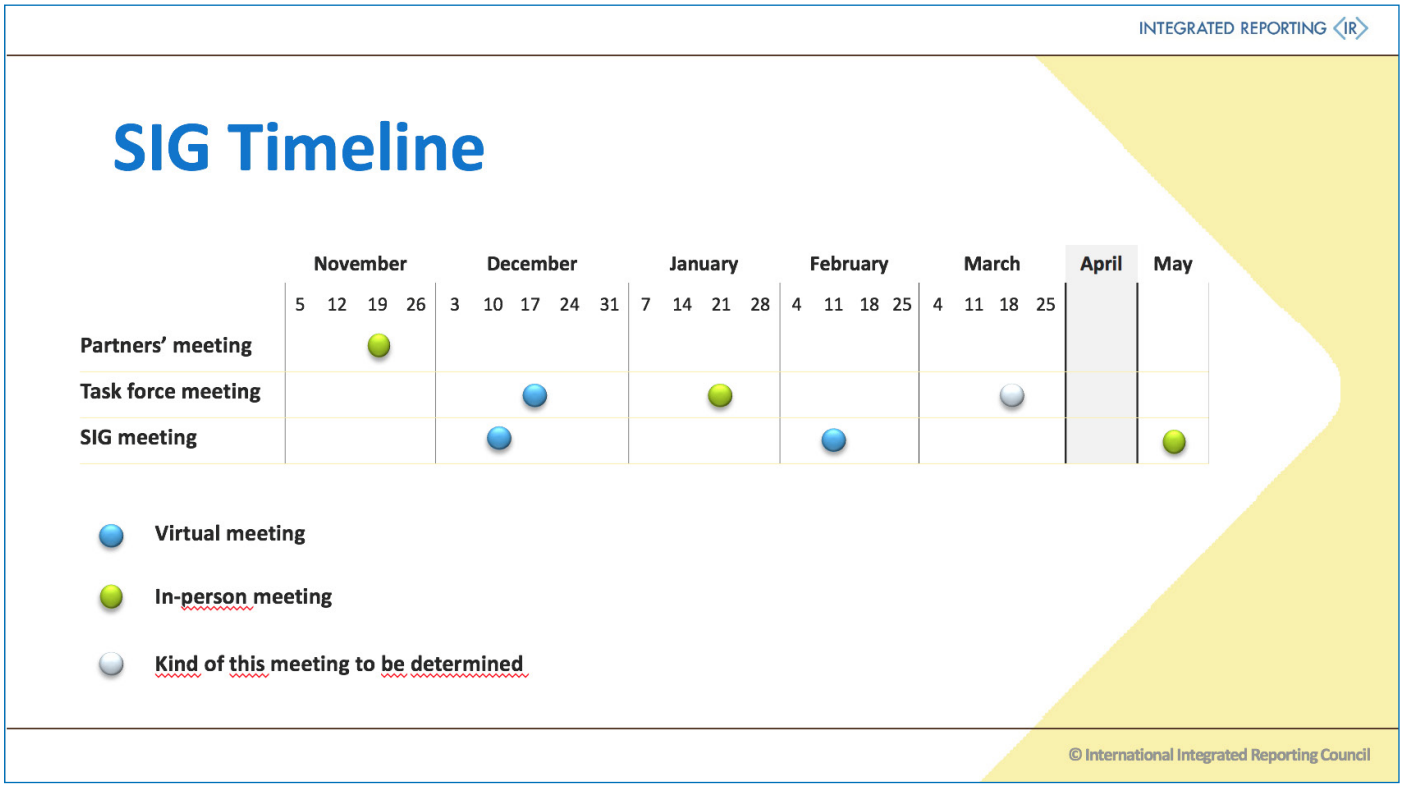
The Integrated Thinking & Strategy group re-affirmed the decisions it took in the London meeting (June 2018) that it wants to define integrated thinking, explore its impact on the strategic decision-making of the organization, and recommend ways in which integrated thinking can be adopted in practice. The expectation remains that the work would build on existing concepts , such as the <IR> Framework, the Natural Capital Protocol and guidance from A4S and CIMA, and would seek to bring together other initiatives in this space. The goal is to remain principle-based and to use language that is simple to communicate.

We have so far developed six case studies of integrated thinking among our participants, and we will continue to invite and develop further case studies. At this point, seven organizations have put themselves forward as possible case studies, beyond the first tranche of six case studies.

The initial ideas offered in Paris around a model for integrated thinking will be taken forward over the next six months or so. Organizations were invited to put themselves forward to join a task force that would focus on the development of some core content in this area. A number have done so already but we invite more to consider joining this work.

We currently expect that the task force will meet for a physical meeting in early 2019, and then perhaps for a second meeting in March. There are separate virtual meetings for the task force and the wider group over the next few months. The goal is to get an early draft of an Integrated Thinking model published in time for the next in-person meeting of the group, which will take place in May 2019, alongside the IIRC's next annual conference.

The plan for the next few months looks like this:



3 Core proposition of the Integrated Thinking & Strategy SIG

Why was the Integrated Thinking & Strategy group started? Here's a quick reminder.

Traditional business management, based on financial analysis, has not kept pace with the seismic shifts taking place over the last thirty years. The value of intangible assets has now grown to over 84% of total market value for S&P 500 companies[1]. Rather than using a narrow focus on financial tools, today's best performers are basing their business decisions on interconnected information across multiple capitals, including natural, relationship, human, manufactured and intellectual. This practice then leads them to ask:

- What are the **strategic imperatives behind multi-capital value creation**?
- What **multi-capital decision tools** are credible in the boardroom and with investors?
- How do we deal strategically with their interaction with **governance and performance management**?

What are we doing?

Integrated thinking - balancing a company's performance across financial, social, human and natural capitals - though fast growing, is still developing as a nascent discipline. Companies are adopting these ideas, but in disconnected ways. We recognize the need for momentum in this critical area and have formed a group of strategic thought leaders to drive progress.

The Integrated Thinking and Strategy Group brings together some of the world's most innovative companies so that they can collaborate, learn from each other, challenge each other's thinking, and share leading practices for themselves, and those who follow them and we want you to join us.

Through face-to-face and virtual meetings we aim to collaborate and innovate to drive change. Help shape the creation of 21st century business tools and practices through participation in this initiative.

Co-chairs of the Integrated Thinking & Strategy group

Christian Heller
Head of Sustainable Strategy
BASF

Jyoti Banerjee
Strategic Advisor
IIRC

Project manager

Brigitte Raffegeau
IIRC

[1] Ocean Tomo. Intangible Asset Market Value Study. http://www.oceantomo.com/intangible-asset-market-value-study/

4 Highlights from the special talks

David Nussbaum, Deputy Chair of the IIRC Board and Chief Executive of The Elders

David Nussbaum reminded the participants that "integrated reporting is not just about reporting - despite the "R" in the name. It has always been about "thinking": integrated thinking. This goes back to the beginnings of integrated reporting, and is personified in the person of Mervyn King, Chair Emeritus of the IIRC Council".

He highlighted that:

- The challenge for organisations is not just to tell their story, to report it in an integrated way, but to practice integrated thinking in their strategy development. To utilise the information which integrated reporting generates, often about the past, to inform and influence future strategy.
- If businesses are to get full value out of integrated reporting, it must infiltrate decision-making. That is, it must engage with the commercial reality of business.
- The translation of integrated reporting and thinking into decision-making will be the biggest challenge for us.
- The thinking that underpinned integrated reporting must reflect and inform business strategy: it must enter the Board room. And now we have to ensure that we recognise that integrated thinking has to inform and be reflected in decision-making: it has to penetrate not only the Board room, but also the executive suite - where the commercial decisions that shape corporate results are taken.

David Nussbaum concluded that:

- Collaboration is essential in making effective progress. So given the collaborative process by which the <IR> Framework was forged, it makes sense that this important work of taking integrated reporting into commercial decision-making is carried forward with collaboration and co-creation.
- It is why the <IR> Network has the opportunity to play such a significant role in the future of integrated reporting; and why integrated reporting can have a vital role in the future of the businesses represented here - and indeed of all business entities.
- If we do that effectively, it will help not just improve our thinking, decision-making and reporting; it will also help with communicating the value of business to sceptical societies, and in doing so help to rebuild trust and appreciation in the value of business.

Pavan Sukhdev, President of WWF International Board and CEO of GIST Advisory

Conversation with Jyoti Banerjee

"We do not understand the value of nature. Nor do we understand the nature of value."

The term "capital" is an economic metaphor for "value". It implies the existence of stocks of assets which have value and will, if used appropriately, generate or secure flows of benefits, such as income. The most popular economic definition of "income" was by Hicks (1946), who equated an individual's 'income' in any given period to the amount of expenditure in that period which still left the individual's capital intact. A sense of 'sustainability' is captured here, as only sustainable spending (i.e. spending which leaves capital intact) is a measure of income.

Unfortunately, we live in a world in which many capitals face risks of depletion. Natural capital is at risk from numerous directions as 'Planetary Boundaries' are rapidly approached and even breached, social capital is being battered by increasing intolerance and polarization abetted by irresponsible politics, and human health, the mainstay of human capital, is increasingly damaged by pollution and indeed by our diets, which, delivered through an unsustainable food system, have become the main risk factor driving the global burden of disease.

We are also aware that these impacts on all these capitals are being driven by the economy's main agent – the private sector - which accounts for two-thirds of global output and jobs.

Despite that, today's corporation is required by statute to quantify and report only its impacts on shareholder financial capital, and not its impacts or dependencies on any other capitals (human, natural, etc) belonging to various sections of society including important stakeholders such as employees, customers, suppliers, regulators, governments, citizens, the youth, etc. This makes very little sense from any perspective, be it that of transparency, or justice, or sustainability. We cannot manage what we do not measure, and without measuring sustainable corporate performance – i.e. performance that integrates natural, human and social capital externalities – how are we to succeed in achieving private sector sustainability? And if corporations are not sustainable, then how can the economy, of which they are the dominant part, ever become sustainable?

Keynote address

Mervyn King, Chair Emeritus, IIRC

A lesson from history

Till the 19th century, businesses were funded by rich families. However, when these businesses went bankrupt, these families found themselves liable for the claims from creditors and employees, and they baulked at this. The politicians of the day wanted to create more jobs (sounds familiar, doesn't it?) and hit upon an idea – create an artificial person with limited liability. In other words, a company. Rich investors would no longer have to carry any duties or responsibilities of the company, regardless of the decisions it took, or the impacts it had.

Theologians opposed this. Who is mankind to create a person, they asked? Only Almighty God can create a person. Such a person, as imagined by the politicians, would have no body, soul or conscience. The theologians, it turns out, were correct. In law, a company is a person, but an incapacitated one, without heart, mind or soul. These attributes are provided by its corporate leaders. If you don't have leaders with a good conscience, you end up with an entity that is not a good corporate citizen.

By the 20th century, companies were committing wrongs against society and the environment, but at all material times, companies were absolutely innocent. It was their leaders who were steering them to make a profit without deception, the only limitation on their behaviour.

The formation of joint stock companies and limited liability, dating back to 1844, set off a train of new companies. The directors of these companies looked around and saw a planet with limitless resources, and an infinite capacity to absorb waste. None of those directors could have foreseen the huge advances in medical science which took place in the 20th century, and which resulted in the massive population explosion of the 20th century.

These directors were usually the wealthy contributors of money, now called equity capital. Other stakeholders, such as employees, saw these shareholders as the owners of the company.

By 1919, the second industrial revolution was well underway. Ford Motor Co. made excessive profits of $65,000 that year, and Henry Ford wanted to increase worker wages to encourage them to work longer hours and to help Ford meet the demand for its products. The Dodge brothers, at that time shareholders in Ford (later they set up in competition), wanted shareholders to be given a special dividend, before any attention was given to other stakeholders. Their argument was upheld in the US Supreme Court in 1922, requiring excessive profits to be declared as a special dividend to shareholders, thus making them the primary stakeholders of companies.

Is there any society in any jurisdiction that would allow a court to make such an order today? It would just not be acceptable. Yet this primacy of the shareholder continued through the twentieth century, and was exacerbated in the 1970s by Milton Friedman who won a Nobel Prize for his thesis that the sole purpose of companies was to make profit without deception. I say to the deceased with great respect, "At any cost, Mr Friedman?" Alas, it was at a cost.

The free part of Friedman's free economy was the subsidisation by society and the environment – there's nothing free about it. This model continued through to the end of the 20th century, but by then, there were 7 billion people on the planet. Scientists had found that we, as individuals, but mostly companies, were using up natural resources faster than nature was regenerating them – clearly, this was not sustainable.

Integrated Thinking

In the fifteenth century, the merchants of Venice wrote a thesis based on double-entry book-keeping that is still the foundation of modern accounting. Integrated thinking and integrated reporting has that same resonance today.

This is the century of intangible assets, and technological advances. The biggest conveyor of passengers does not own a motor car, and the biggest provider of accommodation does not own a building. We need to step beyond financial assets to integrated thinking, which is the revolutionary immensity of integrated reporting. The magic is not in the reporting per se. It is in the thinking.

In integrated thinking terms, the collective mind of a company's board should be a unified one, once they have addressed some core questions:

1) Write down in one sentence the purpose of the company
2) What is the value driver of the business? Fedex, for example, decided it was reliability
3) Which are your six major stakeholder groupings pertinent to the business of the company?
4) What are the legitimate interests, needs and expectations of your company's stakeholders?
5) What does the company expect of those stakeholders?
6) Write down five key risk and five key performance indicators
7) What is the most critical sustainability issue facing the company?
8) Has the critical sustainability issue been embedded into the company's strategy?
9) Write down the characteristics of the company.

Tone at the top is important. To simply carry on doing the same things as before brings us to Einstein's dictum: To do the same things over and over again, but to expect a different result is the definition of insanity.

What do you see around today? You see a constrained natural-resource world. We now have 7.5 billion people on the planet. Last night, one-quarter of them went to bed without food or potable water. Yet we have to board and lodge a further two billion people by 2045. How will we do that? One has to carry on business as unusual – there is no other way.

Olivier Cuny, Group General Secretary, Executive Vice President, Atos

In discussion with Giorgio Saavedra

Giorgio Saavedra interviewed Olivier Cuny on what integrated thinking looks like in practice for Atos. This discussion enabled participants to get insights on how Atos's strategy incorporates the multi-capitals that contribute to value creation, the key benefits realized by operating in a more integrated manner and the important challenges Atos encountered.

Key takeaways

At the request of Thierry Breton, Atos' Chairman & CEO, our group defined extra financial commitments using a multi-capital approach: a great place to work, customer satisfaction, and governance of ethics. This is embedded in the daily work and daily life of the company. These commitments help embed a multi-capital approach in strategy and thinking.

The quality of management discussions, including in the boardroom, improved because of the better quality of information: Atos worked on an integrated dashboard and reports to the Board on nine main KPIs, representing the company's commitments to the market. This integrated dashboard is presented at each board meeting.

Atos has received very positive feedbacks from investors on its integrated dashboard which reflects the strategy presented 3 years ago, knowing that there is regular report at executive committee level and board level.

Motivating employees to align with the strategy – we have a team which is the contact point in the company to embed high-level commitments in the jobs that employees do.

We have to be responsible as a business for the spill-over effect that we create in the environment.

Key benefits

- Integrated thinking helps to break the silos: It shows at Board and executive committee levels that business-as-usual is not possible anymore, that we have to re-establish trust in what we do as a company. Focusing on shareholders is not enough, as Professor Mervyn King rightly said; it is a stakeholder approach that has to be developed
- The quality of data is improving: When you make commitments to the market, you have to deliver on these commitments. The company reports weekly on all the KPIs (financial and non-financial) at executive committee level, notably on people development (an expert track has been developed)
- Changes in the way the board of directors functions: Lynn Paine is Vice Dean of Harvard Business School and a specialist on sustainability issues in boards. As a board member, she seeks to build a unified spirit at board level based on this strategy. In 2017, the board hosted a seminar on building a three- year strategy, which focuses notably on innovation in serving our clients.

Key challenges

- Improving the quality of data – you have to construct reliable data. More than 700 employees are working on making the data reliable, in addition to their daily work.
- Implementing the strategy at mid-management level.

During this discussion, Giorgio Saavedra shared some interesting elements from the World Bank's experience with integrated thinking. He pointed to the need for aligning staff to the organization's strategy and its importance in achieving integrated thinking. He specified that to facilitate further alignment with the strategy, a Create Value series has been created on the intranet where each vice presidency features an article describing what the function does and how its mandate aligns to the strategy of the Bank. From this series, there are two benefits for the institution: (a) create a line of sight for everyone in the organization and (b) make all teams aware of the (often highly specialized) work of other teams, which promotes transparency.

5 Emerging models for Integrated Thinking

Facilitators	Charles Tilley, Executive Chairman, CGMA Research Foundation Mark Gough, Executive Director, Natural Capital Coalition Jyoti Banerjee, Strategic Advisor and Co-chair, Integrated Thinking and Strategy SIG, IIRC
Discussant	Tim Hodgson, Director, Thinking Ahead Institute, Willis Towers Watson

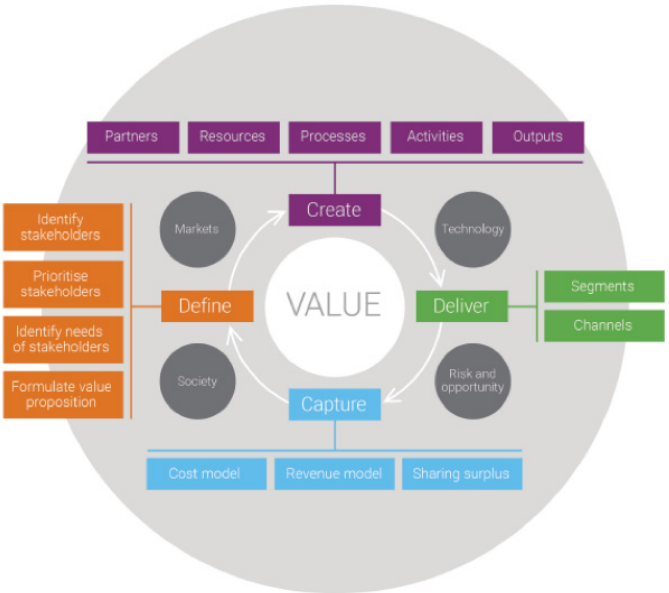
5.1 AICPA-CIMA

Charles Tilley shared the CGMA Business Model Framework, which comprises four conceptual elements: define, create, deliver and capture value as shown in Fig 1. It is our view that organisations need to:

a) develop greater clarity around their business model or models;
b) improve their understanding of how value is created and shared with stakeholders; and
c) improve their understanding of the potential impact of changes in the external environment.

This understanding needs to extend from the past, through the present, into the future, articulating how value can be created in the long term. The need for this greater understanding is largely driven by so-called 'megatrends' such as globalisation and digitisation, which have made new business models possible and old ones redundant at an accelerating rate. Organisations are having to contend with new competitors and other changes, emerging from unexpected sources. Because of this, understanding the business model and its dynamics is crucial for long-term value creation. At its heart is the value created for the customer. As well as enhancing an organisation's long-term value creation potential, the CGMA Business Model Framework will help it to address both the risks and opportunities relating to pursuit of the United Nations' Sustainable Development Goals (SDGs).

Fig 1



A well-described, customer-focused business model addresses, in an integrated manner, organizational objectives, values, opportunities and risks. It links pay to performance and skills. It also provides a basis for effective reporting and assurance and helps put sound governance at the centre of corporate decision-making. It identifies the key areas that require robust metrics and supports all decision making. In essence, this shared 'narrative' of the organization provides a powerful basis for supporting strategic and operational conversations at all levels of the organization.

It is our contention that the board, senior executives and managers, investors and wider stakeholders would benefit from an integrated and common understanding of their organization's business model. The existence of a defined business model would help decision makers to understand when an organization is deviating from long-term and sustainable value creation and help to avoid decisions that lead to short-term profit followed by corporate failure. It would also help decision makers to respond intelligently and effectively to changes in the external environment. The CGMA Business Model Framework can be used as a tool to aid articulation of an organization's business model and to facilitate stakeholder communication. In addition, management can use the analysis to challenge elements of an existing business model and the process of engagement can lead to business model innovation, which we have seen is increasingly important in today's business environment.

Key elements of the CGMA Business Framework model

Value is **defined** by customers, investors and other stakeholders. The process involves identifying and prioritising the organization's stakeholders, finding out their needs and formulating propositions to meet those needs. Not all value created can be measured in financial terms, organizations create a range of value for a variety of stakeholders.

At this stage, the organization is asking the question: for whom and with whom will we create value?

Value is **created** through the harnessing of key resources and relationships. These inputs provide the resources that are converted into outputs through the activities and process of the organization. Most of the financial costs of the organization are incurred at this stage, although value creation is not limited to the organization. Employees value their pay and derive job satisfaction, suppliers and partners benefit from financial rewards for co-creation activities and society benefits from operating taxes and duties such as those relating to payroll, land and building usage, and import/export activities.

The key question here is: how and with what, or with whom, do we create the products, services and experiences that meet customer, investors and stakeholder needs?

Value is **delivered** to ever-more demanding and sophisticated customers when the outputs from the value creation element yield favourable outcomes – revenue, security, customer satisfaction, customer loyalty etc. To do this effectively, the organization must segment its customers and understand the channels through which the products and services can be delivered to these customers. Most of the organization's revenue is earned at this stage. The organization seeks answers to the following question: how do we match and deliver our products and services to the right stakeholder (customer, investor, etc.) at the right time place and price?

In the context of profit-oriented organizations, value is **captured** for stakeholders when the revenue received from delivering value exceed the costs incurred when creating value. This surplus is reinvested and/or distributed to shareholders (dividends), employees (performance-related pay) and the wider society (taxes). In the public sector, value is captured for stakeholders when the public utility or societal benefit derived from delivering services exceeds their costs. The primary question here is: how do we share the benefits of value creation in a manner that incentivises all key stakeholders to continue to partner the organization in creating and delivering value?

We therefore argue that the CGMA Business Model Framework, centring upon value creation:

a) defines the objectives of the organization – the stakeholders and their needs, and in particular the products or services to meet a customer need(s);
b) identifies how the products or services are created;
c) identifies how the products and services are delivered; and
d) addresses how the value captured is shared between the different stakeholders.

5.2 Developing ideas from within the Integrated Thinking & Strategy group

Jyoti Banerjee and Mark Gough led a discussion on integrated thinking ideas that emerge from the concepts contained within the Natural Capital Protocol.

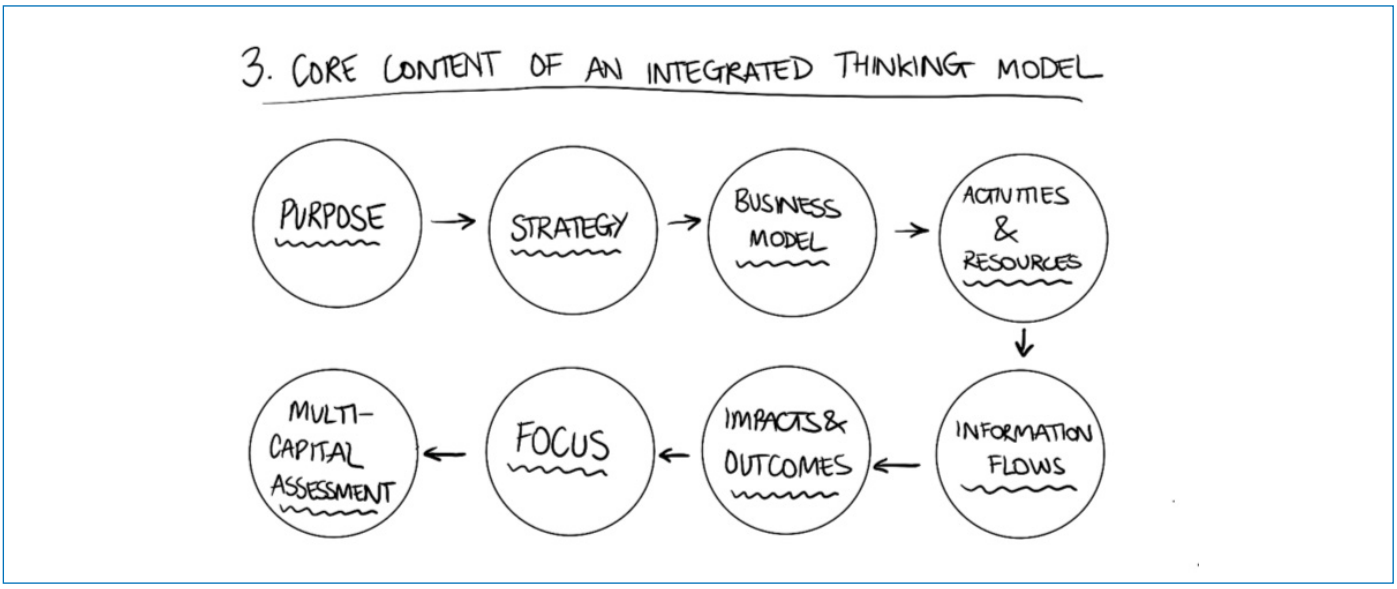
Integrated reporting encouraged businesses to report their activities and impacts across multiple capitals. But the best reporters find that telling their story is a lot easier than doing it. The biggest challenge is that our business landscape is overwhelmingly about financial capital. The tools we use to run our businesses, the tools we learn in business school, and then hand on to our new recruits, all come from an early 20th century view of maximizing the return on financial capital.

What we need are new tools, new models for how business works in the 21st century. Rather than using a narrow focus on financial tools, today's best performers are basing their business decisions on interconnected information across multiple capitals, including natural, relationship, human, manufactured and intellectual.

This practice then leads them to ask:

- What are the strategic imperatives behind multi-capital value creation?
- What multi-capital decision tools are credible in the boardroom and with investors?

In response to this challenge, Mark shared an early development of the core content that might be usefully considered in an Integrated Thinking model.



5.3 Feedback

Tim Hodgson of Thinking Ahead Institute (Willis Towers Watson) listened to the discussions on emerging models and provided two important bits of feedback:

a) we need to incorporate culture into the core content model, since culture usually "eats" strategy: creating norms and standards of behaviour that would reinforce strategy choices are important, otherwise the organisation would drift back to business-as-usual

b) drawing on the Kate Raworth idea of doughnut economics, Tim pointed to the need for defining thresholds for "minimums" relating to what stakeholders can expect from an organization, and "maximums" relating to unsustainable consumption of planetary resources.

5.4 Collaboration sessions

Two different group sessions took place, building on the ideas that were discussed in the Integrated Thinking model session: one focused on the communication of integrated thinking to important stakeholders of the organization, while a second discussion concentrated on key issues that help us understand the journey to maturity in integrated thinking. The outputs from the group sessions will be part of the "raw materials" used by the working group to further develop the concepts of integrated thinking.

Issues that need to be built on relating to the **communication** of integrated thinking include:

Aligning purpose and strategy:

- Integrated thinking creates a full picture of an organization's strategy
- It provides a tangible link between strategy, business model and performance
- Prepares the business for the future

Value and connectivity:

- Non-financials are the so-called hidden value drivers
- We need to move from value-for-money to value itself
- Crossfunction collaborative team breaking the silos
- Shared culture, common understanding and a strong tone at the top

Risks and metrics:

- What does holistic risk management look like ?
- Establishing metrics for multi-capital decision making
- Appropriated and integrated KPIs

CSR engagement:

- Integrated thinking enhances engagement with investors
- It enhances trust and social contract
- Transparency
- Has a profound insight on our impacts on environment/society

The groups that worked on issues that demonstrate an organization's **maturity in handling integrated thinking** felt that the following issues need to be addressed:

- Governance
- Engagement on these issues within the company
- Culture and behaviour
- Information and data flows
- Integration issues among partners
- Impacts on externalities
- Value drivers
- Stakeholder identification
- Performance management
- Enablers of value creation: resources, including employees

Having identified the broad range of issues that impact organizational maturity in integrated thinking, the groups did further work on selected issues to tease out key criteria that need to be taken into account.

For example, the work on governance points to the following criteria:

- Breadth of metrics examined by the board
- A framework for understanding long-term risk
- Identification of the critical capitals
- Evidence of integrated decision-making
- Examination of the link between strategy and implementation
- Skill set of the board

The detailed work done on maturity issues within the groups will now be examined by the working group to aid its development of the ideas at the heart of the model for integrated thinking.

5.5 Case studies

During the two workout sessions, three companies shared their case study regarding their practice of integrated thinking. You will find below the key takeaways from the workshops and in the appendix of this report the detailed case studies.

Speakers	Tjeerd Krumpelman, Head of Advisory, Reporting & Engagement, ABN AMRO Roos Hartong, Sustainability Reporting Specialist, ABN AMRO
Facilitator	Brigitte Raffegeau, Project Manager of the SIG Integrated Thinking and Strategy, IIRC

ABN AMRO Case study

This case study examines ABN AMRO's integrated reporting journey characterized by a 'just get started' ethos. Recognizing the need to instill an integrated thinking culture into the organization to reinforce its sustainable business model strategy the company was faced with a dilemma – concentrate on enhancing its integrated thinking and then look to report on this in the future or start reporting in an integrated way and use this to drive greater alignment and connectivity. ABN AMRO chose the latter route and now three years down the line reflects on its successes, challenges and next steps.

Key takeaways

Explanations and clarifications from the case study

- The integrated thinking implementation came from the bottom: "Bottom up coup"
- The executive committee asked to the corporate team to prepare an integrated report. While working on the implementation of integrated reporting, the corporate team created an integrated thinking community
- ABN AMRO identified 4 stakeholders: Clients (wide definition), Employees, Investors and Society at large
- During its integrated reporting journey, ABN AMRO improved its materiality matrix reducing the topics included from 100 to 20 with the help of studies done by a third party.

Tips from this case study and from the exchanges during the workshop

- Just start, do not wait for perfection
- Language is crucial to interest the Board and the C-suite. The term "value creation topics" has been appreciated. Terms like "capitals" are more difficult to use
- It is necessary to look for a common language with the different stakeholders
- "Prefinancial" vs. "non-financial": The idea behind the term of "prefinancial" is that non-financial topics will impact financials at some point.
- Reporting system: use a system like a block chain to avoid rewriting
- Possible separate new stakeholders to consider: suppliers, the planet.

Speaker	Michel Washer, Deputy Chief Sustainability Officer, Solvay
Facilitator	Eric Dugelay, Partner, Sustainability Services, Deloitte

Solvay case study

Solvay S.A. has been working on integrated thinking since 2012 and has published its first Annual Integrated Report in 2017. Solvay's journey towards integrated reporting has been motivated by a concern for advancing the company's thinking on sustainable value creation. Integrating social and environmental aspects into corporate strategy, Solvay has developed tools and Key Performance Indicators to monitor progress against its strategic sustainability objectives. For example, Solvay's Sustainable Portfolio Management (SPM) methodology allows for quantitatively measuring the relationship between financial and certain sustainability factors. Nonetheless, capturing the connectivity among other financial and extra-financial factors remains challenging.

Key takeaways

Explanations and clarifications from the case study

- Why issue an integrated report? It is an excellent supporting document in stakeholder dialogue
- Auditors helped identify gaps and consolidate
- How does Solvay define value? 5 financial and 5 non-financial indicators
- 13 high materiality issues identified for a sustainable value creation model
- 5 extra-financial KPIs establish link with corporate strategy
- SPM methodology developed by Solvay can be a tool for capturing connectivity between capitals
- The investor landscape is changing: the investors increasingly ask questions on sustainability
- Solvay believes in a link between employees and productivity; however, it cannot be quantified
- High board involvement: regular training and information sessions on sustainability with the board members and the governance chapter was updated to integrate responsibility for sustainability.

Tips from this case study and from the exchanges during the workshop

- Integrated dashboard is a pre-requisite for integrated reporting
- Do not confuse strategy with targets: both words have same letters except for "y" (why)
- Importance of language used for gaining executive support
- Providing a set of concepts and terms to talk about sustainability can advance integrated thinking within the company
- Monetizing the non-financial indicators enables to see the value
- Finding the right KPIs is a challenge
- Convince the CFO: use his language and show mid and long term financial impacts.

Speaker	Rebecca Self, CFO Sustainable Finance, HSBC
Facilitator	Mark Gough, Executive Director, Natural Capital Coalition

HSBC case study

The motivation for embedding an integrated approach at HSBC came from an announcement in 2017 of a new sustainability strategy, which aimed to support their clients transitioning to a low carbon economy, while also supporting the Paris Agreement and the UN SDGs.

Key takeaways

Explanations and clarifications from the case study

- An important driver for the adoption of the integrated approach was the participation of HSBC business leaders in the World Economic Forum
- Although the company had already developed a Green Bonds financing scheme in 2015, much of the focus was on environmental issues. The new focus on SDGs mean that the company issues SDG Bonds where the use of proceeds from the bonds are all aimed at the SDGs
- HSBC's initial response to the TCFD focused on governance, strategy and risk management, demonstrating its integrated approach to these issues. The bank expects its disclosures under this framework will evolve and expand over time
- The focus of sustainable finance within the bank is on achieving the commitments that have been made; for example, the provision of USD100bn for the development of lo-carbon / clean technologies, sourcing 100% of its electricity from renewable sources by 2030, and reducing exposure to thermal coal by discontinuing financing of thermal coal mines.

Tips from this case study and from the exchanges during the workshop

- Crawl, walk, run
- Defining stakeholders is important. At HSBC, these are clients (a broad definition that takes into account retail, private bank and business customers), employees and investors. The rest of the world is defined as society-at-large
- Perhaps new stakeholders are needed: the planet and/or suppliers. Who would represent the planet as a stakeholder?
- There are different systems of reporting in place at the moment, and they are not all integrated. The company could benefit from bringing them together further.

6 Final word

If you have read this far, I hope you agree that the Paris <IR> Network meeting was really special. The work of the group is taking us to a new understanding of what business looks like in a world that recognises the rightful place of each of the multiple capitals.

Our ask of you:

a) Put your hand up if you are willing to join the task force which will shape and influence the first iteration of a model for integrated thinking. We expect to meet in early 2019.

b) Again, put your hand up if you are willing to add your name to the growing list of those developing case studies of how their companies are already dealing with multiple capital challenges in their business practices and management

c) Perhaps you would rather respond to the work that others do – please join the webinars of the wider group over the next few months, where you will hear more case studies and learn more of the work we are doing to develop a model for integrated thinking

d) Our next in-person meeting of the whole group will be in May 2019. We will publish timing and location details as soon as we are able to confirm them. We expect our meeting to align with the programme of the next Integrated Reporting conference so that one visit will give you a chance to attend our meeting and the conference.

Perhaps, you are not part of our group yet. Perhaps somebody shared this document with you, and you are wondering if you can get involved. Just ask. Send an email to Brigitte (brigitte.raffegeau@theiirc.org) or Jyoti (jyoti.banerjee@theiirc.org) to find out more about how your organization can join in this important work.

November 2018

<IR> Network

There are over 1,750 participants in <IR> Networks internationally, who are leading the way in adopting integrated reporting with transformational effects not just on the way they report, but on the way they think and act.

The main global <IR> Network, run by the IIRC, is comprised of businesses committed to the adoption of integrated reporting. This Network is ensuring the market relevance of integrated thinking and the integrated report and is open to businesses across the world that want to progress integrated reporting in their organizations. Participants have an opportunity to access resources and expertise, network with leading businesses to learn from other's implementation experience and share insights to help inspire new integrated reporting adopters.

It offers the chance for businesses to explore the opportunities and challenges of adopting integrated reporting in a variety of ways, such as:

- Networking with and learning from peers
- Sharing experiences and leading practice
- Accessing crucial investor insights
- Analysis and critique of integrated reports to inform future progress
- Gaining important expert perspectives
- Opportunities to engage with in depth special interest groups to innovate in key areas.

Find out more about the IIRC and the <IR> Network at our website: www.integratedreporting.org.

Integrated reporting enhances the way organizations think, plan and report.

This publication was published by the International Integrated Reporting Council (the IIRC).
It may be downloaded free of charge from the IIRC website: www.integratedreporting.org.
The IIRC does not accept responsibility for loss caused to any person who acts, or refrains from acting, in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.
Copyright ©2018 by the International Integrated Reporting Council (the IIRC). All rights reserved.
Permission is granted to make copies of this work, provided that such copies are for personal or educational use and are not sold or disseminated and provided that each copy bears the following credit line: "Copyright ©2018 by the International Integrated Reporting Council (the IIRC).
All rights reserved. Used with permission of the IIRC. Contact the IIRC (info@theiirc.org) for permission to reproduce, store, transmit or make other uses of this document." Otherwise, prior written permission from the IIRC is required to reproduce, store, transmit or make other uses of this document, except as permitted by law. Contact: info@theiirc.org