INTEGRATED REPORTING <IR>: FOCUS ON INTEGRATED THINKING
A HANDBOOK FOR THE CHANGE JOURNEY
STRATEGY, GOVERNANCE, CULTURE, ORGANIZATION

Foreword by the IIRC, International Integrated Reporting Council

Scientific coordination:
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Methodos, the Change Management Company
www.methodos.com
As described in the International <IR> Framework, ‘integrated thinking is the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term” (p. 2).

We welcome the publication of this Handbook by an ad hoc multi-stakeholder Working Group of the Italian Network for Business Reporting (NIBR), led by Livia Piermattei. It rightly emphasizes the benefits of integrated thinking within <IR>. We know that it is an area of significant interest for organizations and investors globally, and we appreciate the practical approach and insight offered.

Integrated thinking is integral to the concept of Integrated Reporting – much like the riddle ‘Which came first, the chicken or the egg?’ it is impossible truly to embrace Integrated Reporting without embracing the concept of integrated thinking throughout the organization. So, although some organizations may start by increasing integrated thinking, e.g. through aligning strategy to value creation and performance across their business, others have begun with the integrated report, in the expectation that this would drive strategic alignment and integrated thinking. There is no right answer. In the end though, to be considered a good integrated report and properly to reflect the collective mind of the board, organizations will need to enhance integrated thinking and ensure the output of the report is to a high standard before they can truly say they are embracing Integrated Reporting.

Over 1,000 organizations around the world have adopted Integrated Reporting, with many of them highlighting to us the benefits of introducing integrated thinking. These benefits include a shared understanding of strategy and how value is created throughout the business,
with fewer silos and more cohesive management information and informed decision- making, enhancing accountability and performance. Boards are now actively using the multi-capital approach outlined in the <IR> Framework to make strategic decisions about resource allocation and value creation over time, communicating the trade-offs between the capitals and the outcomes for business and society.

Integrated thinking also has positive ramifications on the quality of dialogue between boards and providers of financial capital, helping to achieve greater accountability, a longer-term focus and more efficient capital flows to drive investment and productivity.

It can be tempting to champion integrated thinking and play down reporting, but to do so would be to misread the purpose and benefits of Integrated Reporting. We urge everyone working to advance the adoption of Integrated Reporting to ensure it is clear that integrated thinking is firmly at the core of Integrated Reporting. Handbooks such as this, with practical ideas, insights and action plans are crucial to building this understanding.

The IIRC believes the benefits of Integrated Reporting are strong enough to contribute to the financial stability and sustainable development agendas worldwide. We look forward to working with likeminded and forward thinking individuals, such as those that contributed to this Handbook, to achieve this. In this respect, we warmly thank the NIBR for its continuing collaboration and work in this area.

NEIL STEVENSON  
Managing Director, Global Implementation  
International Integrated Reporting Council
THE PURPOSE OF THIS HANDBOOK

There are 6 forms of capitals, which characterize the stocks of value that are changed through the activities and outputs of organizations. They are financial, manufactured, social and relationship, natural, human and intellectual. Today analysts attribute 80% of the value of stocks to the last four (the intangibles) compared to 20% of the value of stocks 40 years ago (source, Ocean Tomo various years). Unfortunately, the decision-making process in companies is still mostly focused on the tangible components of value (20%). Thus, the potential value creation of decisions, behaviors, actions and strategies is not being maximized. Many publications describe the relevance and importance of Integrated Reporting (IR) in making organizations consider all forms of value creation in their disclosure and reports. For example, the Framework published by IIRC sets out a means of reporting on value creation over time. International research reports and case studies are supporting its implementation.

To make integrated thinking concrete and “usable”, the NIBR multistakeholder Working Group decided to produce a simplified Handbook: clear and brief. Our previous research and the recommendations of IIRC suggested considering Integrated Reporting (IR) and connected integrated thinking as a Change Journey: a cultural change management process. We drew inspiration from a five-step change management model (Methodos, Harvard Business Review Italy, July-August 2014). The table on next page describes the circular, dynamic, adaptive model of the Change Journey towards Integrated Reporting (IR) for the integration of thinking and reporting with all forms of value creation. It consists of five stages; four of them determine the Journey of integrated thinking. They are strongly linked and constantly and dynamically complementary, and they are influenced by the fifth stage, that of the integrated report.

“We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation”
Laurence Fink
CEO Black Rock, 2016
Integrated Reporting <IR>
Focus on integrated thinking: the Change Journey

- Identifying relevant Issues and Stakeholders for the Journey
- Identifying and engaging the leaders of the Journey
- Setting up an integrated report on all forms of value creation
- Defining and Implementing a Change Action Plan for the Journey
- Identifying KPIs and the Dashboard of the Journey
In the journey of integrated thinking, the Working Group decided to focus primarily on two areas of change, specifically for listed companies: the Board governance (strategy, processes and culture), on one side; the organization infrastructure (strategy, processes and culture) on the other.

So, when we decided to launch our multi-stakeholder Working Group we thought that our first step should be to research existing international initiatives on integrated thinking and governance and to connect with the groups that were responsible for these initiatives, in order to activate synergies and capitalize the experience.

We did this at a global level, with the valuable support of Neil Stevenson, International Integrated Reporting Council (IIRC) Global Implementation Director; Michael Nugent, IIRC Technical Director; Laura Girella, Italy Lead for IIRC.

Leigh Roberts of IRC South Africa and Graham Terry who, on behalf of SAICA had coordinated the first ever Exploratory Survey on integrated thinking. SAICA kindly shared the questionnaire that we used for the Handbook case studies.

Devesh Rapatiwar, Region Lead, India for IIRC and Vrushali Gaud, who coordinates the ITC Centre of Excellence of Sustainable Development of the Confederation of Indian Industry that has set up an <IR> Lab India to introduce Integrated Reporting in India (see chapter 7 of this Handbook).

Stathis Gould of IFAC (the International Federation of Accountants) who recently published “Creating value with integrated thinking - the role of Professional Accountants”.

Paola Schwizer, President of Nedcommunity, the Italian community of non-executive and independent directors that recently launched a Reflection Group on “New Leadership Models for Board Members”. With them we explored synergies in the area of Integrated Governance (see chapter 4 of this Handbook).

Ian Jameson, Region Lead, Africa for IIRC with whom we explored synergies in the area of governance.
NIBR—the Italian Network on Business Reporting (www.nibr.it), whose Secretary General is Stefano Zambon (PhD), is the Italian Association representing World Intellectual Capital/Asset Initiative (WICI-www.wici-global.com), whose goal is to raise awareness in Italy on the importance of intangibles in business reporting and contribute to its advances. NIBR promoted the creation of a multistakeholder Working Group named “Integrated Thinking and Reporting: impacts on governance, processes, culture”, whose governance and member composition is described on next page.

Members of the Working Group volunteered their time. Their backgrounds vary: from accountancy to management control, stakeholder engagement and communication, investor relations, governance, change management, sustainability, quality, regulatory and institutional affairs, reporting, risk management and financial analysis. The member organizations are listed and non-listed, consultancy, asset management companies and associations that contributed by donating the Working time of the Group members. Some of these also supported editorial and publishing costs. The Group has, since July 2015 for twelve months, organized itself in four task forces to focus on the four stages related to integrated thinking in the Change Journey for Integrated Reporting <IR>.

Every other month, a coordination meeting was held in which the research conducted by the four work streams was shared, the work plan was updated and seminars with international guests were held to share experiences on integrated thinking. The task forces met also on their own and coordinators met more frequently and in longer workshop sessions to collect and connect inputs and draft the Handbook. To boost synergies and collaboration, a NIBR Yammer Community was created to share ideas, comments, bibliographical references and documents.

We plan to keep it active, so anyone who is interested can ask us to join

www.integratedthinking.it
**NIBR MULTISTAKEHOLDER WORKING GROUP:**
Integrated thinking and reporting: impacts on governance processes, culture

**PUBLICATION:**
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Editing and graphics coordination Elisabetta Peracino and Laura Galanti (Methodos)

Scientific Coordination: Livia Piermattei, Tommaso Venturini (Methodos)
How to start the integrated thinking Journey?

The Integrated Thinking Journey starts with defining its foundation through 3 key steps:

1. Map the relevant issues, opportunities, risks, areas of resistance for the Journey;
2. Map internal and external stakeholders that will help or resist the journey for each of the identified issues;
3. Capitalize on the stakeholder listening and feedback tools (qualitative and quantitative surveys, interviews, etc.) that are currently used to map issues and stakeholders within the organization.

The issue mapping process for the Journey is key to strengthen awareness of and commitment to the Journey and consists of identifying challenges, topics, risks and opportunities on which to work to achieve the expected change, considering both the organization’s and its stakeholders’ perspectives.

Focus is on sustainable and long-term business approach, governance, strategy, organizational set-up and development, culture.

Our research has identified the following main issues to manage in the integrated thinking Journey:

A. Identify organization leaders to act as sponsors for the Journey
B. Define the Management by Objectives (MBO) based on the integrated thinking long-term perspective
C. Re-focus the decision-making processes based on the multi-capital value creation model

Stakeholder research must be carried out
The solutions to many of the decision-making challenges we have identified can be achieved through more integrated thinking - cutting silos to connect the relevant people and information from across the organization

(72% of 300 C-suite executives at major organisations around the world admits to at least one strategic initiative failing in the last three years because of flaws in their decision making process)

CGMA
Joining the Dots

D. Use a “focus on the issue” rather than a “silo” approach promoting cross-functional and cross-hierarchical collaboration

E. Map the change readiness level of the organization, considering strategy, governance, organizational set-up and development, culture

F. Map areas of resistance to change

G. Promote active and transparent communication integration between internal and external communications

H. Approach business reporting with the aim to integrate information through the disclosure of all the relevant or material factors of value creation, as described in the <IR> Framework

I. Consider that this transformation has a horizontal impact throughout the entire organization.

Many stakeholders in the organization can contribute to accelerating the transformation or generating resistance to change. Stakeholder mapping should be performed considering stakeholders that are both inside and outside the organization.

Stakeholder research must be carried out for each of the critical issues highlighted through the issue mapping process in three main stakeholder clusters:

A. Cross-functional: ambassadors and change agents, people engaged at various levels

B. Cross-hierarchical: leaders and most reputed and credible employees

C. Across the company: internal and external employees but also investors, analysts, regulators, local communities, etc...

3. The issue and stakeholder mapping process can use a number of supporting tools: traditional desk and/or Big Data sourced analysis, pulse surveys, interviews, focus groups, workshops, best practice and peer analysis, regulator analysis, reputation analysis, engagement surveys, organizational and social network analysis.

Many of these are already in use in different areas of the organization; their outcomes can be read in a synergistic perspective, in order to create strong foundations for the integrated thinking Journey through a systematic and organic approach, and to save on additional investments.
In the first stage of the integrated thinking journey, the areas and issues of change are mapped. For each of these, internal and external stakeholders who could facilitate or resist the change are identified, decision-makers and owners of the process, internal and external stakeholders who could facilitate or resist the change are identified.

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<td>External stakeholders</td>
<td>Strategy Planning, Research &amp; Development, Human Resources, Legal, ESG, Sustainability, Shared Services</td>
<td>Stakeholders who could facilitate or resist the change</td>
<td>Identify stakeholders who could facilitate or resist the change</td>
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<td>- Integrated governance as a complete cycle and process.</td>
<td>Board of Directors</td>
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<td>Strategy Planning, Governance</td>
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<td>STRATEGY</td>
<td>- To review and align the strategy (long-term orientation), the area of decision-makers and owners of the process, internal and external stakeholders are identified:</td>
<td>CEO</td>
<td>Lead the Team</td>
<td>Strategy Planning, Leadership Team, HR</td>
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<td>ORGANIZATIONAL SETUP AND DEVELOPMENT</td>
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<td>CEO</td>
<td>Lead the Team</td>
<td>Strategy Planning, Leadership Team, HR</td>
<td>Leadership Team</td>
<td>Align change management process and leadership</td>
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<td>- To align and align the change management process and leadership. Ensure alignment of values and actions.</td>
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<td>Strategy Planning, Leadership Team, HR</td>
<td>Leadership Team</td>
<td>Align change management process and leadership</td>
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<td>COMPANY CULTURE</td>
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<td>CEO</td>
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<td>Strategy Planning, Leadership Team, HR</td>
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In the first stage of the integrated thinking journey, the areas and issues of change are mapped. For each of these, internal and external stakeholders who could facilitate or resist the change are identified, decision-makers and owners of the process, internal and external stakeholders who could facilitate or resist the change are identified.
The 3 groups of key leaders of the integrated thinking Journey are:

1. The Board of Directors, with a "fundamental role" to activate their companies towards long-term sustainable business.

2. The Leadership team, with a specific focus on CEO and CFO.

3. A Steering committee for change with the responsibility to design and implement the change program.

A strong requirement for the integrated thinking Journey is that the leaders of the organization are committed and involved from the very beginning of its set-up.

Who should lead the integrated thinking Journey in the organization? Both hierarchical and non-hierarchical leaders should be considered.

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**The Board of Directors and the integrated thinking Journey:**

"The Board has a fundamental role to orient its organization towards long-term sustainable business, promoting integrated governance through changes in Board composition, processes and Directors’ culture"*.

- **Board composition**
  - Diversity of gender, race, demography
  - Robust skills and expertise covering also crises and turnaround, new and cross market, digital and media

- **Processes**
  - Stakeholder Governance and disclosure, ERM-Integrated Risk Management, Long-term vesting periods for MBO’s, Board evaluation, inductions and off-site meetings for strategy envisioning, succession planning, integrated reporting and Board Materiality Statement, affiliations, committees working together and integrating long-term perspective

- **Directors’ culture**
  - Change toward a strategic, global and long-term mindset
  - Openness and transparency, collaboration, teamwork, trust, support and mutual respect
  - Informal relationships
  - Independent thinking.

*(source: Nedcommunity, the Italian Association of Non-Executive and Independent Directors)*
“The whole organization was involved in the integrated thinking transformation process... Some internal stakeholders were skeptical and afraid of disclosing some data, fearing competitive disadvantage”

Guna

WAYS TO ENGAGE LEADERS:
- Elevator pitch on the opportunity to refocus the decision-making process so it gives appropriate consideration to the intangible value components and both outputs (results) and outcomes (on stakeholders)
- Integrated thinking off-site meetings to explore investors’ demands, regulatory requirements, Big Data sourced case studies, peers and best practices, public expectations on long-term activities
- Integrated thinking leadership coaching sessions to review strategic planning with long-term perspective.
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In the second stage of the integrated thinking journey, the leaders of the Change are identified and engaged. Board of Directors, Leadership Team, and stakeholders are involved. The focus is on building a culture of change and ensuring that everyone is aligned with the vision for the company's future.
IDENTIFYING KPIs AND THE DASHBOARD OF THE JOURNEY

What are the most relevant indicators to monitor and lead the effectiveness of an integrated thinking Journey? How can we develop the Dashboard to manage such indicators?

The 3 key success factors to steer the Change Action Plan for the integrated thinking Journey are:

1. Material Outcomes: if goals are clear in terms of outcomes on all forms of value creation (six capitals), it is easier to identify the right KPIs of change
2. The Dashboard: the “at-a-glance” view of KPIs
3. Leading and Lagging KPIs: drive the pervasiveness and monitor the progress of the Journey.

Considering the areas of change and the relevant issues along with the key stakeholders identified and leaders involved, we designed a “dashboard” to monitor and lead the change process, based on two sections, strictly connected in a circular process. The KPIs of the integrated thinking dashboard are part of Integrated Reporting <IR> KPIs.

FIRST SECTION > QUALITATIVE KPIs
Its purpose is to monitor the level of maturity of any organization in relation to the integrated thinking Journey. This section allows for a first “maturity assessment” at the beginning of the Journey, the “GAP analysis” based on qualitative KPIs that measure outcomes on all forms of value creation (six capitals). Qualitative KPIs are also used at the end of the journey in order to run a “maturity re-assessment”.

The grade of maturity can be made evident, for each critical aspect, through three colors: green, orange, red that respectively stand for: mature, in progress, not started.

SECOND SECTION > LEADING & LAGGING KPIs
When the organization finalizes the first GAP analysis, a first set of information is available in order to design, plan and execute actions for each relevant issue.

It is important that leading and lagging KPIs are designed for each key area of change and each related issue. Only this approach can lead the Change Steering Committee to develop the framework of the dashboard.

Leading and lagging KPIs measure the
“pervasiveness” and the “progress” of the integrated thinking Journey and, at the end, provide the organization’s Steering Committee for Change and leaders with a clear picture of how actions determine the Change in all forms of value creation.

Pervasiveness is measured through leading KPIs (how do we reach our goal?), designed to monitor what actions have been planned and implemented in order to reach expected goals. Leading KPIs are measured according to a scale defined by the organization, with the purpose of evaluating the pervasiveness reached by each action and the commitment level obtained.

Once the organization has started to carry out its change actions, it is in a position to measure the progress of the Journey through lagging KPIs (how do we measure our results?). These are designed to measure how each action affects one or more capitals (their outcomes).

The following example shows how leading and lagging KPIs can work in terms of material outcomes on different forms of capital:

- **Organization purpose** (the goal we aim to reach): reduce the energy consumption.
- **Leading KPIs**: related to training and communication initiatives addressed to the Organization as a whole, including top management, in order to increase awareness on the benefits deriving from a careful use of the energy resources and to increase proactivity. **Metrics**: target percentage for number of people/levels involved in each department.
- **Lagging KPIs**: they measure the progress of the Journey in terms of outcomes. On next page you can find a few examples of the interaction between leading and lagging KPIs on some forms of material outcomes. Measures will be introduced only where there are material outcomes against relevant capitals.

“We (...) created a dashboard analytics solution in which all data can get accessed”

SAP
Marking on a matrix, as shown in the picture below, the pervasiveness and the progress of each action in terms of "outcomes", the organization is able to identify its positioning along the integrated thinking Journey.

This matrix allows the organization to understand how the relevant forms of value creation are affected by and affect the integrated thinking transformation Journey and to re-assess the first GAP analysis performed at the beginning of the Journey.

Leading and lagging KPIs measure the “pervasiveness and progress” of the integrated thinking Journey. 

1. Financial capital: energy costs decrease. Metrics: monthly energy costs compared before and after the training and awareness initiatives have taken place.
2. Manufactured capital: re-engineering of some manufacturing processes in order to improve the reduction of energy consumption. Metrics: energy consumed vs. each piece of production before and after.
3. Intellectual capital: awareness, training and re-engineering initiatives also improve the organization know-how. Metrics: number of new projects that affect energy consumption developed by the R&D department after the program.
4. Human capital: increased awareness about the benefits resulting from careful energy consumption behaviors (inside and outside the organization). Metrics: energy consumed vs. each headcount before and after.
5. Social and relationship capital: increased stakeholder awareness about the Organization's effort in order to reach a sustainable energy consumption policy. Metrics: results from surveys, number of new customers, focus group to determine local reputation of the organization.
6. Natural capital: reduction of greenhouse gases emissions from generation and use of electricity, heat or steam. Metrics: Tons/MWh before and after the program.
In this stage of the integrated thinking Journey, the outcomes on all forms of value creation (6 capitals) of the different actions that are part of the change program are outlined. This allows the KPIs of change that will be part of the integrated thinking Journey Dashboard to be easily defined.
DEFINING AND IMPLEMENTING A CHANGE ACTION PLAN FOR THE JOURNEY

What kind of actions should be part of the organization change plan to engage relevant stakeholders and enable the introduction of integrated thinking and Integrated Reporting <IR>?

The 5 key success factors of a change action plan for integrated thinking are:

1. An organic and comprehensive action plan engaging internal and external stakeholders
2. Comprehensive cultural changes do not happen overnight; it takes time to go from awareness, to capability, to full engagement on integrated thinking and reporting
3. Multifunctional Steering Committee for Change
4. Specific and measurable targets and KPIs to monitor and lead the change
5. Capitalization of existing tools and initiatives.

5 GUIDELINES FOR THE CHANGE ACTION PLAN

A. From silos to system: increase cross-functional and cross-hierarchical collaboration in order to share knowledge, also through the enhancement of digital collaborative tools

B. Restart from values: rethink the company’s mission statement and connected behavior in light of Integrated thinking and outcomes on all forms of value creation (6 capitals)

C. Systems thinking approach: focus on how the different components of the change interact with each other.

D. Go beyond compliance: strengthen organization awareness of ESG regulations and other stakeholders’ requirements. To create value in the long term, in fact, it is necessary to go “beyond compliance”, being always one (or two) steps ahead of present requirements, whenever possible contributing to shape future regulations

E. Introduce Integrated Report: lead the organization to report on performance in an innovative way, through an integrated report that takes into account outcomes on all material forms of capitals.
5 PILLARS FOR THE CHANGE ACTION PLAN

1. Create and promote an integrated thinking leadership model throughout the company (see chapter 04).

2. Internal and external stakeholders: integrated thinking should orient each communications tool: listening tools, ambassador programs, newsletters, roadshows, internal and external meetings. It might not be necessary to develop new tools, but rather to integrate and reorient the existing ones. It could also be important to make people constantly aware about change, by narrating the progress of the change roadmap (on and off-line) based on the Change Dashboard.

3. Training for change: use existing and innovative training to orient people towards integrated thinking, use staff exchange as a training tool, design specific, cross-functional training programs, promote digitalization and sustainable innovation to support integrated thinking.

4. HR for change: use HR tools to drive the organization towards a more systemic and integrated mindset, developing MBO's and rewarding programs to promote the centrality of all forms of value creation (6 capitals), cross-functional teams, integrated project management. Locate and shake the hidden energies in the organization through the launch of collaborative platforms for innovation.

5. Change task forces: promote cross functional and hierarchical collaboration and data sharing also through specific task forces and case studies, such as internal/functional pilot integrated reports.

“Internal processes have been impacted as well. One example is our internal integrated report. It is a kind of “atom” of our integrated report: a single department tells its story about how it helps in creating value. We have a department mission, its positioning inside the Generali organization, its strategic targets linked to the general strategy. All this information is available to every business partner and becomes part of our scorecard. Our unit started it, but since 2015 other units have been working on their own internal integrated reports. Not only is this an innovative organizational tool, useful with stakeholders both internal and external, but it is also an effective way of cascading integrated thinking and strategy into the organization”

Generali
In the fourth section of the integrated thinking Journey, the actions that can be carried out for each of the critical issues are identified. Actions are part of a Change Action Plan that has to be organic and systemic.
# THE INTEGRATED THINKING JOURNEY TABLE

**Sustainable and Long-Term Business Approach**

<table>
<thead>
<tr>
<th>AREAS</th>
<th>ISSUES</th>
<th>DECISION MAKER</th>
<th>OWNERSHIP</th>
<th>INTERNAL STAKEHOLDER</th>
<th>EXTERNAL STAKEHOLDER</th>
<th>ACTIONS TO BE IMPLEMENTED</th>
<th>ALL FORMS OF VALUE OUTCOMES: SOME EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>External factors such as social, cultural, technological, environmental and political changes affect the organization’s ability to create value in the short, medium or long-term, leading to increased business context complexity; higher and faster degree of change needed.</td>
<td>Board of Directors, CEO</td>
<td>Leadership Team</td>
<td>Relevant stakeholders based on stakeholder mapping, consultants and ESG, Big Data analysts and scientists</td>
<td>Integrated Big Data sourced and systematic analysis of the inputs coming from the company stakeholders (payers, best practices, regulators, media, other stakeholders) to identify in advance risks and opportunities and provide constantly updated issue mapping (organizational Materiality Statement)</td>
<td>Financial: • Enhanced value creation capability through the engagement process Social and relationship: • Alignment between organization strategy and stakeholder expectations Intellectual: • More extended consideration for long-term innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Unique Selling Value Proposition (USVP) from reason to buy to reason to believe</td>
<td>Leadership Team</td>
<td>MKTG</td>
<td>Customers, clients, opinion leaders, investors, local communities, consultants, survey providers, supply chain</td>
<td>Qualitative and quantitative surveys on stakeholder perception evolution from reason to buy to reason to believe</td>
<td>Financial: • Enhanced value creation capability through the engagement process Social and relationship: • Enhanced loyalty and engagement and reputation of stakeholders Intellectual: • More extended consideration for long-term innovation</td>
<td></td>
</tr>
<tr>
<td>Governance</td>
<td>Integrated governance competencies and procedures</td>
<td>Board of Directors</td>
<td>General Counsel</td>
<td>Best practices/industry representatives and associations, investors, analysts, consultants</td>
<td>Assessment, review and integration of the governance structure based on the six capitals approach</td>
<td>Financial: • Better value creation over the long-term Social and relationship: • Organization reputation Intellectual: • Development of specific sustainable business know-how by the management and a better understanding of the organization’s value creation process Natural: • Better management of the natural resources and a better interaction between the organization and its environment</td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td>To review and integrate the strategic or industrial plan to increase all forms of value creation (six capitals), embed all forms of value creation (six capitals) into the business model, effective strategy cascading</td>
<td>CEO</td>
<td>Leadership Team</td>
<td>Best practices in integrated thinking, investors, financial analysts, consultants</td>
<td>Analyze integrated thinking best practices and related business performance</td>
<td>Financial: • Better value creation over the long-term Social and relationship: • Organization reputation Intellectual: • Development of specific know-how by the management and a better understanding of the company’s value creation process Natural: • Better management of the natural resources and a better interaction between the organization and its environment</td>
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This table is designed to provide detailed and handy information that illustrates the integrated Thinking Journey. It describes the main areas of change in the organization, the most critical issues and the internal and external stakeholders to consider in the change action plan, the plan’s actions and initiatives and its outcomes.
**SUSTAINABLE AND DEVELOPMENT**

**Integrated governance competencies**

**STRATEGY**

**YOUR OPINION IS IMPORTANT:**

**Integrated thinking change readiness**

**Walk the Talk and address resistance**

**To review and integrate the strategic forms of value creation (six capitals); throughout the organization, among organization’s ability to create value and develop forward thinking to boost competitiveness: “beyond compliance”**

**Give evidence and tell the story of all forms of the value creation (six capitals) process in real-time, in a transparent manner, with feeds and interactions with stakeholders**

**ORGANIZATIONAL SET-UP AND DEVELOPMENT**

**Long-Term Vision**

**COMPANY’S CULTURE**

**From a silos to an integrated approach; develop connectivity throughout the organization, among all forms of value creation (six capitals), across organization borders (involving internal and external stakeholders)**

**Organic approach to change governance monitoring and leading the change process; key leaders appointed in the change steering committee; change competencies in the team to facilitate the integrated thinking journey**

**ESG regulations increased 8x in the last two years (source: Refinitiv/Datarman 2015); incumbent EU Directive on non-financial and diversity information for large and listed companies; think ahead and develop forward thinking to boost competitiveness: “beyond compliance”**

**Give evidence and tell the story of all forms of the value creation (six capitals) process in real-time, in a transparent manner, with feeds and interactions with stakeholders**

**CEO**

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<th>Leadership Team</th>
<th>ICT, Research &amp; Development, HR, Business Divisions</th>
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<td>Multi-stakeholder Change Steering Committee</td>
<td>CFO, HR, Business Leaders, Sustainability Officer, other collaborating functions</td>
<td>Investors, financial analysts, consultants</td>
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<td>Board of Directors</td>
<td>Chief Financial Officer and Legal Office</td>
<td>Internal Audit, Compliance, Sustainability Officer</td>
<td>Investors, financial analysts, Big Data analysts, and analysts, assurance providers, consultants</td>
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<td>Chief Financial Officer</td>
<td>Business Leaders and staff functions</td>
<td>Investors, financial analysts, Big Data analysts, and analysts, assurance providers, consultants</td>
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**THE INTEGRATED THINKING JOURNEY TABLE**

**Board of Directors**

**General Counsel**

**Chief Financial Officer, General Counsel, Human Resources, Employees (with approval from the Board of Directors) Sustainability Officer**

**Investors, analysts, suppliers, consultants**

**CEO**

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**Long-Term Vision**

**Board of Directors**

**General Counsel**

**CEO**

**Shared generation of Sustainable Business culture**

**Walk the Talk and address resistance to change in Leadership Team**

**Integrated thinking change readiness and engagement of extended employee populations to map levels of maturity and resistance**

**Transparency and Coherence between internal and external communications**

**Your Opinion is Important**: Please feel free to email the Scientific Coordinators at info@inthegratedthinking.it or to connect to www.in锡ortedthinking.it to share your feedback, suggestions, comments or to ask for further information.
This Handbook is focused on the integrated thinking Journey as a key component of the Change Journey towards Integrated Reporting <IR>. In this perspective, the four stages of integrated thinking and the fifth of integrated report are like the two faces of Janus: both are needed to make-up the circular, dynamic, adaptive model of the Change Journey towards Integrated Reporting <IR> in order for the organization to integrate all forms of value creation in strategy, governance, culture and processes. In fact, if the integrated thinking change Journey is aligned with the reporting process; it will naturally lead to an effective approach to produce the integrated report. At the same time, by doing the integrated report organizations can become aware of the need to achieve integrated thinking and increasingly become engaged with this need.

In the international networking research that this multistakeholder Group carried out, the work of <IR> Lab India appeared particularly interesting and complementary to the goal of this Handbook. We in fact had decided to focus mainly on the stages of integrated thinking in the Change Journey; they focused instead on developing and producing the integrated report. We therefore thought it could be important to reference their soon-to-be-published guidance document for Integrated Reporting <IR>, which will include further practical guidance for practitioners to get started.

The Confederation of Indian Industry set up <IR> Lab India in collaboration with the IIRC, to introduce Integrated Reporting to India. <IR> Lab is developing a guidance document that has definitive steps, examples and key principles on implementing <IR> in India. With a strong focus on the practical aspects of the integrated report, including a methodology and examples, the intent is to get practitioners started on the <IR> Framework established by the IIRC. This guide will have universal applicability and relevance.

www.sustainabledevelopment.in
KEY TERMS

- **EESG**: all the factors of value creation: Economic, Environmental, Social, Governance.

- **Integrated governance**: the recent evolution in the governance practice, processes and culture in order to take into consideration all the factors of value creation. (UNEP-FI, A new model of Governance for Sustainability).

- **Integrated Report**: a concise communication to illustrate strategy, governance, performance and prospects of an organization that is about how they create value in the short, medium and long-term. An Integrated Report can form part of a Business Report. Refer to the International <IR> Framework for formal definitions.

- **International Integrated Reporting Framework**: principles and international guidelines on Integrated Reporting published in December 2013 by the International Integrated Reporting Council (IIRC).

- **Integrated thinking**: the integration within Integrated Reporting of the all forms of value creation and their connections into the decision-making process of leaders in companies, so as to limit risks of detracting value and to enhance opportunities for creating additional value.

- **Multicapital outcomes**: results and consequences (positive and negative), internal and external, on different forms of capital, generated by the organization.

- **Outputs**: products and services that the organization produces and sells.

- **Materiality analysis**: analysis to identify areas where the organization can generate the most value or potentially risks the strongest loss of value.

- **Stakeholders**: different clusters of people with interest in an organization or in whom the organization is interested (employees, customers, suppliers, banks and investors, institutions, public administrations, local communities, environment).

- **Value creation process**: process that allows an organization to use its capitals (inputs) to generate value (output and outcomes) for different stakeholder categories.

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- **IFAC-International Federation of Accountants**, Creating Value with integrated thinking. The role of professional accountants, 2015


- **IIRC-The International Integrated Reporting Council/Black Sun**, Realizing the benefits. The Impact of Integrated Reporting, 2014


- **Top Legal with scientific coordination of Methodos, Nedcommunity, Morrow Sodali**: Integrated Governance Index, first edition: http://igi.toplegal.it/home-english-version/ (last visit June 28th, 2016).


The NIBR intends to be the reference point in Italy for companies and all types of organizations that aim to undertake a managerial and cultural growth in their Business and Integrated Reporting, with particular reference to the measurement and representation of their intangibles and their unique value creation mechanisms.

In this respect, NIBR has also actively participated in the preparation of the ‘WICI Intangibles Reporting Framework’ which has been released by WICI in September 2016 (freely available on www.wici-global.com).

We would like to take this opportunity to thank all the companies and the people who were so kind to share their experiences with us in the interviews we held during the research phase for this Handbook.

Lessons learned from

Auchan, DeA Capital, Dellas, Gruppo Generali, Guna, Sap, Gruppo UniCredit