

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

C O N T E N T S

FOREWORD BY THE INTERNATIONAL INTEGRATED REPORTING COUNCIL	4/5
THE PURPOSE OF THIS HANDBOOK	6
CHAPTER 01 - A GLOBAL APPROACH	8
CHAPTER 02 - METHODOLOGY	9
CHAPTER 03 - TASK FORCE 1 - IDENTIFYING RELEVANT ISSUES AND STAKEHOLDERS	11
CHAPTER 04 - TASK FORCE 2 - IDENTIFYING AND ENGAGING LEADERS	14
CHAPTER 05 - TASK FORCE 3 - IDENTIFYING KPIs AND THE DASHBOARD OF THE JOURNEY	17
CHAPTER 06 - TASK FORCE 4 - DEFINING AND IMPLEMENTING A CHANGE ACTION PLAN FOR THE JOURNEY	21
THE INTEGRATED THINKING JOURNEY TABLE	24/25
CHAPTER 07 - INTEGRATED REPORT	26
KEY TERMS - REFERENCES	27

FOREWORD

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.

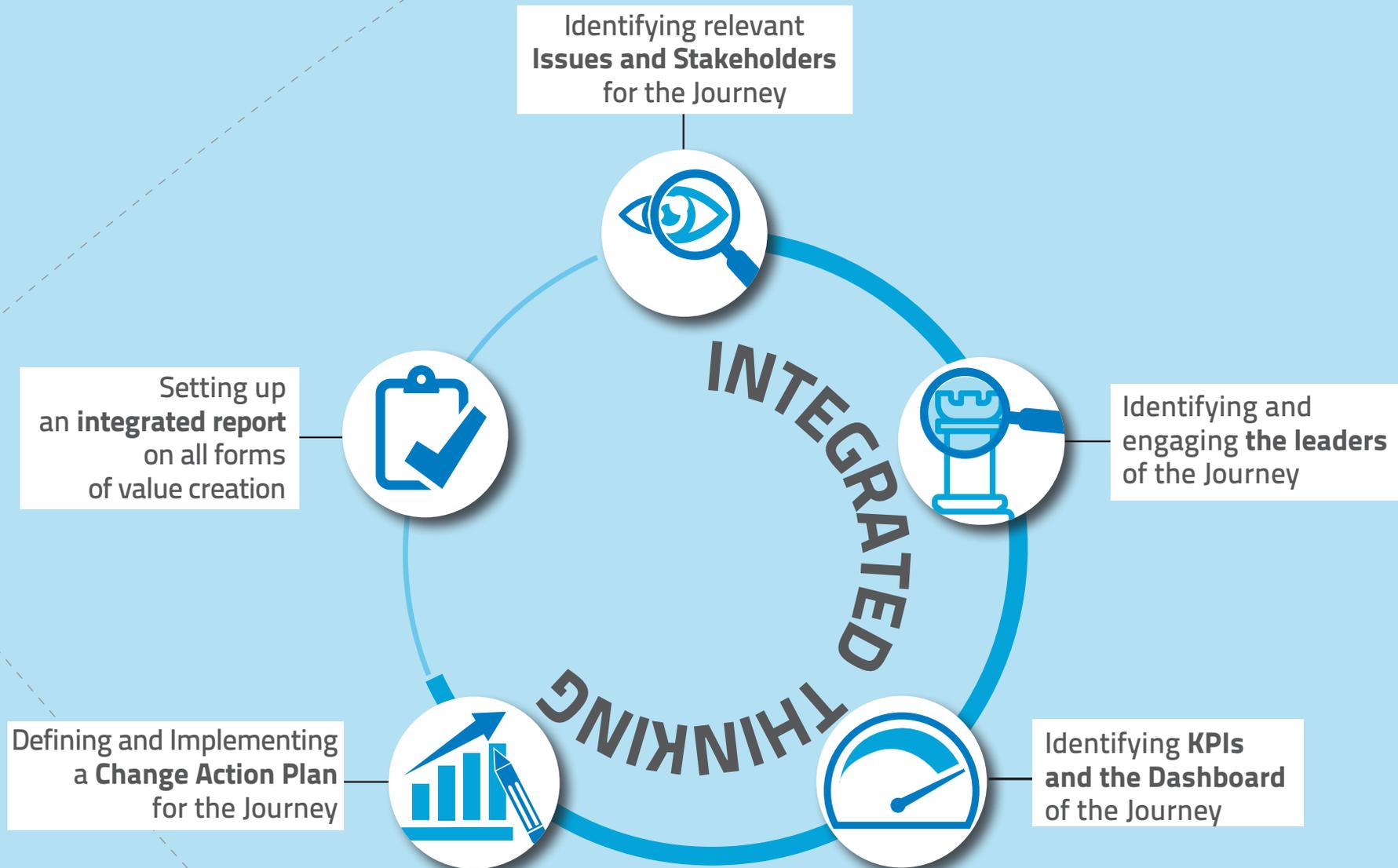
To make integrated thinking concrete and “usable”, the NIBR multistakeholder Working Group decided to produce a simplified Handbook: clear and brief. Our previous research and the recommendations of IIRC suggested considering **Integrated Reporting <IR> and connected integrated thinking as a Change Journey: 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



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 CONNECTED WITH

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 Rapartiwar, 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.

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**.

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.

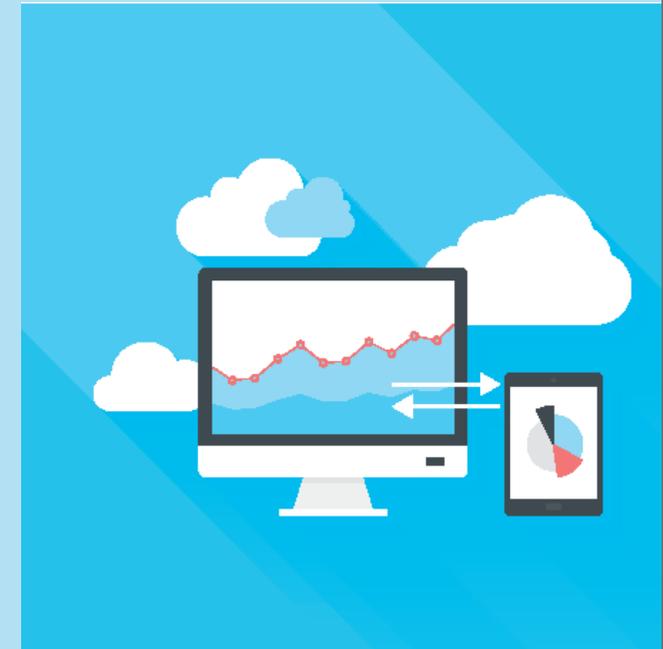
NIBR promoted the creation of a **multistakeholder Working Group named "Integrated Thinking and Reporting: impacts on governance, processes, culture"**, whose governance and member composition is described on next page.

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:

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

 <p>TASK FORCE 1 Identifying relevant issues and stakeholders for the Journey</p>	 <p>TASK FORCE 2 Identifying and engaging the leaders of the Journey</p>	 <p>TASK FORCE 3 Identifying KPIs and the Dashboard of the Journey</p>	 <p>TASK FORCE 4 Defining and Implementing a Change Action Plan for the Journey</p>
<p>COORDINATORS <i>Stefania Lallai</i> Costa Crociere <i>Susanna Galli</i> Novamont</p>	<p>COORDINATOR <i>Roberta De Natale</i> Methodos</p>	<p>COORDINATOR <i>Carlo Vasile</i> Vivida & Partners</p>	<p>COORDINATOR <i>Marcello Colla</i> Etica SGR</p>
<p>MEMBERS <i>Fabio Bianconi and Andrea di Segni</i> Morrow Sodali Matteo Colombi Publicacqua</p>	<p>MEMBERS <i>Simona Bondanza,</i> Costa Edutainment <i>Glauco Degli Abbati</i> Telecom Italia <i>Vittorio Santacroce</i> Ic2</p>	<p>MEMBERS <i>Stefano Bolcati</i> Amplifon <i>Liliana Cavatorta</i> Gruppo Unipol <i>Andrea Gasperini</i> Aiaf (Association of Italian Financial Analysts)</p>	<p>MEMBERS <i>Isabella Cristina</i> Mixura <i>Domenico Lenzi</i> Publicacqua <i>Andrea Ragazzini</i> Stafer and PLEF (Planet Life Economy Foundation)</p>

Editing and graphics coordination Elisabetta Peracino and Laura Galanti (Methodos)

Scientific Coordination: Livia Piermattei, Tommaso Venturini (Methodos)



IDENTIFYING RELEVANT ISSUES AND STAKEHOLDERS

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.

1. 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**
 — — — — —

- 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.
- 2.** 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.

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

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 are identified: decision-makers and owners of the process, internal and external stakeholders who could facilitate or resist the change.

AREAS	ISSUES	DECISION MAKER	OWNERSHIP	INTERNAL STAKEHOLDER	EXTERNAL STAKEHOLDER	ACTIONS TO BE IMPLEMENTED
SUSTAINABLE AND LONG-TERM BUSINESS APPROACH	Management Objective (MBO) vs. short-term for C-Suites, key leaders, sales force	Board of Directors	Board of Directors Remuneration Committee, HR	CEO, Leadership Team, Sales Forces	Institutional investors, trade unions, analysts	
	External factors such as social, cultural, political and economic changes affect the organization's ability to create value in the short, medium or long-term. context complexity; higher and faster degree of change needed.	Board of Directors, CEO	Leadership Team	Leadership Team	Strategic Planning, Enterprise Risk Management, Research & Development, Sustainability Officer	Relevant stakeholders based on stakeholders and materiality, EESG, Big Data analysts and scientists
GOVERNANCE	Unique Selling Value Proposition (USVP) from reason to buy to reason to believe	Leadership Team	MTG	Sales, Marketing & Communications, Sustainability Officer	Customers, clients, opinion leaders, investors, local communities, survey providers, supply chain	
	Integrated governance competencies and procedures	Board of Directors	General Counsel	CEO, Investor Relations, Enterprise Risk Management	Best practices industry representatives and associations, investors, analysts, consultants	
STRATEGY	To achieve objectives, the strategic form of value creation (i.e. capital, operational, financial, etc.) must be defined all forms of value creation (i.e. operational, financial, etc.) must be cascaded into an effective strategy cascading.	CEO	Leadership Team	Strategic Planning, Investor Relations, Marketing, Sales, HR, other collaborating functions	Best practices in integrated thinking, investors, financial analysts, consultants	
	Form a sales to an integrated approach; develop connectivity throughout the organization, among departments, business units, and capabilities; as well as stakeholders (involving internal and external stakeholders)	CEO	Leadership Team	ICT, Research & Development, HR, Business Divisions	Best practices, culture and organization consultants	
ORGANIZATIONAL DEVELOPMENT	Organic approach to change governance monitoring and leading committee; change competencies in the team for the integrated thinking journey	Leadership Team	Multi-stakeholder Change Steering Committee	CEO, Business Leaders, Sustainability Officer, other collaborating functions	Investors, financial analysts, consultants	
	ESG regulations increased in the EU (Directive on non-financial and diversity information for large companies) and developed forward thinking to boost competitiveness- beyond compliance	Board of Directors	Chief Financial Officer and Legal Office	Internal Audit, Compliance, Sustainability Officer	Regulators, industry representatives and associations	
COMPANY'S CULTURE	Give evidence and tell the story of all forms of the value creation (i.e. operational, financial, etc.) in a transparent manner, with feeds and interactions with stakeholders	CEO	Chief Financial Officer	Business Leaders and staff functions	Investors, financial analysts, Big Data, assurance providers, consultants	
	Long-Term Vision	Board of Directors	General Counsel	Investor Relations, Human Resources	Best cases, investors, consultants	
COMPANY'S CULTURE	Shared generation of Sustainable Business culture	CEO	Leadership Team	Chief Financial Officer, Human Resources, Employees (with approval from the Board of Directors) Sustainability Officer	Investors, analysts, suppliers, consultants	
	Walk the talk and address resistance to change in Leadership Team	CEO	Leadership Team	Investor Relations, Human Resources	Best cases, investors, consultants	
COMPANY'S CULTURE	Integrated thinking change readiness and engagement of extended employee populations to map levels of maturity and resistance	HR	HR Sustainability Officer	Managers, Employees	Investors, analysts, consultants	
	Transparency and Cohesiveness between internal and external communications	COMMS	COMMS	Investor Relations, General Counsel	Shareholders, investors, local communities and important stakeholders	

IDENTIFYING AND ENGAGING LEADERS



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

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.

1. 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

2. The Leadership team, empowered by the Board, inspires and sponsors the change.

The **Leadership team’s role** is to “walk the talk” of the integrated thinking decision-making process, becoming its “Champion” and weakening resistance to change and **to give clear direction to the change steering committee**. Key leaders in the change are the CEO and CFO who can connect the integrated thinking Journey with business reporting; they should develop a clear understanding of what Integrated Reporting <IR> is and why they are doing it.

3. The Steering Committee for Change: multifunctional and non-hierarchical, identified by the Leadership Team. Its key responsibilities are to design, lead, monitor the implementation of the Journey and assure its re-direction where needed (also through the Change Dashboard, see chapter 5). Members can be drawn from existing financial, annual, sustainability and internal reporting teams and need to be integrated with expertise related to HR, strategy, stakeholder governance. All members should be key individuals with a comprehensive knowledge of the business.

The Steering Committee for Change leads the whole Integrated Reporting <IR> Change Journey: the four stages related to integrated thinking and the integrated report.

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.

AREAS	ISSUES	DECISION MAKER	OWNERSHIP	INTERNAL STAKEHOLDER	EXTERNAL STAKEHOLDER	ACTIONS TO BE IMPLEMENTED	ALL FORMS OF VALUE OUTCOMES: SOME EXAMPLES
SUSTAINABLE AND LONG-TERM BUSINESS APPROACH	Management Objective (MBO) vs. short-term for C-Suites, Key leaders, sales force	Board of Directors	Board of Directors Remuneration Committee, HR	CEO, Leadership Team, Sales Forces	Institutional investors, trade unions, analysts	<ul style="list-style-type: none"> HR management and the integration of all factors of value creation Management and HR present HR management and sk/capital approach Integration of the new requirements Decision-making process and KPIs, ESOP (Employee Stock Ownership Plan), MBO long-term vesting period 	<p>Financial:</p> <ul style="list-style-type: none"> Impacts on expectations towards stock pricing in financial analysts perspective Investor perspective of potential risk mitigation over the long-term Company sales force and sales force abilities to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Impact on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company sales Better management of the natural resources and better interaction between the organization and its environment <p>Natural:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation <p>Intellectual:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Alignment between organization strategy and stakeholder expectations in medium and long-term Integration as an organization that "leads the change"
	External factors such as social, cultural and political changes affect the organization's ability to create value in the short, medium or long-term. context complexity: higher and faster degree of change needed.	Board of Directors, CEO	Leadership Team	Leadership Team	Strategic Planning, Enterprise Risk Management, Research & Development, Sustainability Officer	Relevant stakeholders based on stakeholders mapping, EESG, Big Data analysts and scientists	<ul style="list-style-type: none"> Integrated Big Data sourced and analyzed from the company, stakeholders (best practices, regulators, media, other stakeholders) to identify in advance risks and opportunities Qualitative and quantitative surveys on reason to buy to reason to believe Best practice-sharing (internal and external) Skilling proposition review in order to make it more stakeholder centered Assessment of the business process and competency in all forms of value creation (sk/capital) and related behaviors
GOVERNANCE	Unique Selling Value Proposition (USVP) from reason to buy to reason to believe	Leadership Team	MOTG	Sales, Marketing & Communications, Sustainability Officer	Customers, clients, opinion leaders, investors, local communities, survey providers, supply chain	<ul style="list-style-type: none"> Assessment review and integration of the company structure based on the six capitals approach Integrated thinking, change readiness analysis of Board of Directors 	<p>Financial:</p> <ul style="list-style-type: none"> Investor perspective of potential risk mitigation over the long-term Company sales force and sales force abilities to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Impact on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company sales Better management of the natural resources and better interaction between the organization and its environment <p>Natural:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation <p>Intellectual:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Alignment between organization strategy and stakeholder expectations in medium and long-term Integration as an organization that "leads the change"
	Integrated governance competencies and procedures	Board of Directors	General Counsel	CEO, Investor Relations, Enterprise Risk Management	Best practices (industry associations, investors, analysts, consultants)	<ul style="list-style-type: none"> Analysis: integrated thinking, best practices and related business performance Integrate strategic, industrial plan and creation (sk/capital) Assess already-existing integrated change resistance and efforts 	<p>Financial:</p> <ul style="list-style-type: none"> Investor perspective of potential risk mitigation over the long-term Company sales force and sales force abilities to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Impact on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company sales Better management of the natural resources and better interaction between the organization and its environment <p>Natural:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation <p>Intellectual:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Alignment between organization strategy and stakeholder expectations in medium and long-term Integration as an organization that "leads the change"
STRATEGY	To review objectives, the strategic approach to increase the forms of value creation (sk/capital), create a competitive advantage, effective strategy cascading.	CEO	Leadership Team	Strategic Planning, Investor Relations, HR, Sustainability Officer, other collaborating functions	Best practices in integrated thinking, investors, financial analysts, consultants	<ul style="list-style-type: none"> Identify a steering committee or similar body to monitor and facilitate the journey Set up an organic change program Competence and integrate them if necessary through training Relevant leading and laggung KPIs Elevator pitch for CEO/Chairman 	<p>Financial:</p> <ul style="list-style-type: none"> Investor perspective of potential risk mitigation over the long-term Company sales force and sales force abilities to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Impact on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company sales Better management of the natural resources and better interaction between the organization and its environment <p>Natural:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation <p>Intellectual:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Alignment between organization strategy and stakeholder expectations in medium and long-term Integration as an organization that "leads the change"
	Form sales to an integrated approach: develop connectivity throughout the organization, among all forms of value creation (sk/capital) and external stakeholders (involving internal and external stakeholders)	CEO	Leadership Team	ICT, Research & Development, HR, Business Divisions	ICT, Research & Development, Business Divisions	Best practices, culture and organization consultants	<ul style="list-style-type: none"> Increase inclusiveness and multi-body to monitor and facilitate the journey on the existing and fill in the gaps Approach from fraction to knowledge sharing Leverage ICT to facilitate collaboration hierarchies, groups, company borders (eg. introduction or enhancement of smart working)
ORGANIZATIONAL DEVELOPMENT	Organic approach to change governance monitoring and leading appointed in the change steering committee: change competencies in the team to manage integrated thinking journey	Leadership Team	Multi-stakeholder Change Steering Committee	CEO, Business Leaders, Sustainability Officer, other collaborating functions	Investors, financial analysts, consultants	<ul style="list-style-type: none"> Dedicated off-site meetings to define long-term vision for the company 	<p>Financial:</p> <ul style="list-style-type: none"> Investor perspective of potential risk mitigation over the long-term Company sales force and sales force abilities to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Impact on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company sales Better management of the natural resources and better interaction between the organization and its environment <p>Natural:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation <p>Intellectual:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Alignment between organization strategy and stakeholder expectations in medium and long-term Integration as an organization that "leads the change"
	Shared generation of Sustainable Business culture	Board of Directors	General Counsel	Investor Relations, Human Resources	Best cases, investors, consultants	<ul style="list-style-type: none"> Off-site meetings dedicated to rethinking the business model and the forms of value creation (sk/capital) Set-up of an organic and comprehensive cultural change plan 	<p>Financial:</p> <ul style="list-style-type: none"> Investor perspective of potential risk mitigation over the long-term Company sales force and sales force abilities to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Impact on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company sales Better management of the natural resources and better interaction between the organization and its environment <p>Natural:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation <p>Intellectual:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Alignment between organization strategy and stakeholder expectations in medium and long-term Integration as an organization that "leads the change"
COMPANY'S CULTURE							

In the second stage of the integrated thinking Journey, the leaders of the Change are identified and engaged: Board of Directors, Leadership Team, Steering Committee for Change.



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.

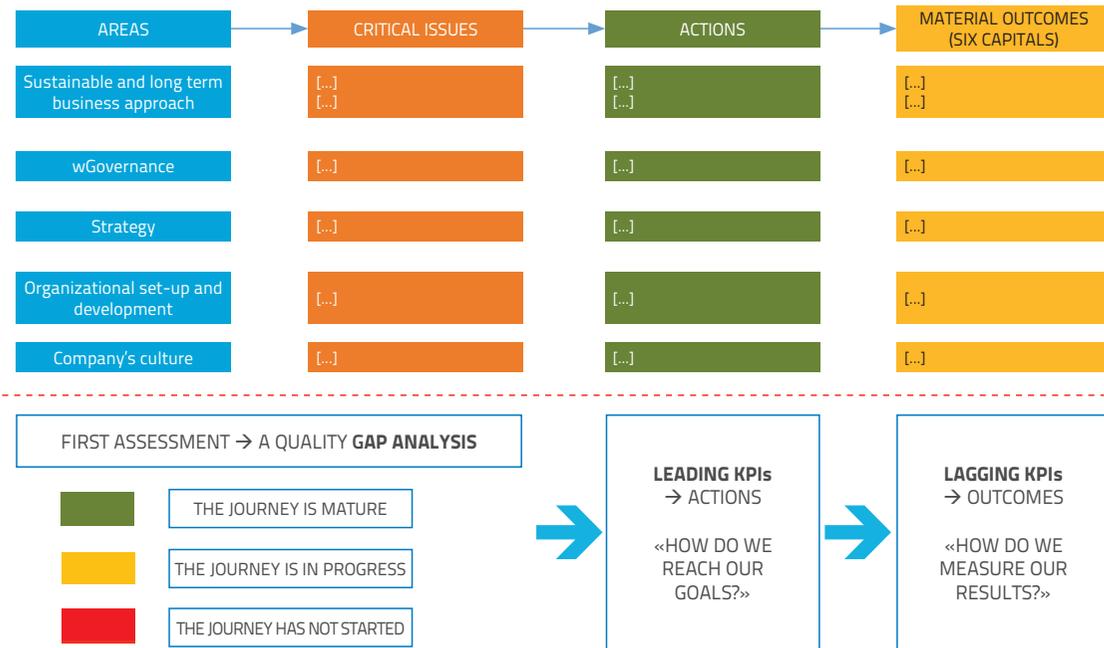
Leading and lagging KPIs measure the

“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 DASHBOARD: OVERALL PICTURE



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

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.

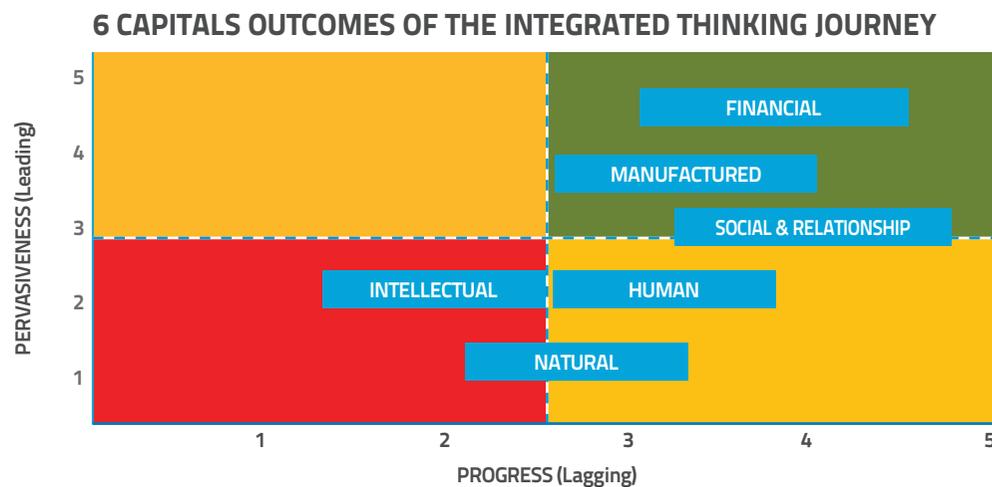
(continues on page 19)

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.

(continued from page 18)

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.



Leading and lagging KPIs measure the "pervasiveness and progress" of the integrated thinking Journey

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.

AREAS	INTERNAL STAKEHOLDER	EXTERNAL STAKEHOLDER	ACTIONS TO BE IMPLEMENTED	ALL FORMS OF VALUE OUTCOMES - SOME EXAMPLES
SUSTAINABLE AND LONG-TERM BUSINESS APPROACH				<p>Financial:</p> <ul style="list-style-type: none"> • Impact on expectations towards stock pricing in financial analysts • Investor perspective of potential risk mitigation over the long-term • Stronger link of sales force and executive salaries to value creation for <p>Social and relationship:</p> <ul style="list-style-type: none"> • Positive impact on company reputation • Less turnover and more engagement of sales force and company executives • Better management of the natural resources and better interaction between the organization and its environment • Increased consideration for long-term innovation <p>Financial:</p> <ul style="list-style-type: none"> • Higher quality risks and opportunities analysis • Better value creation over the long-term <p>Social and relationship:</p> <ul style="list-style-type: none"> • Better communication strategy and stakeholder expectations in medium and long-term • Reputation as an organization that "leads the change" • Better management of the natural resources and better interaction between the organization and its environment
				<p>Financial:</p> <ul style="list-style-type: none"> • Improved value creation capability through the engagement process • Enhanced loyalty and engagement and reputation of stakeholders • Engagement
GOVERNANCE				<p>Financial:</p> <ul style="list-style-type: none"> • Better value creation over the long-term • Impact on expectations towards stock pricing in financial analysts <p>Social and relationship:</p> <ul style="list-style-type: none"> • Better interaction reputation • Development of specific sustainable business know-how by the organization <p>Natural:</p> <ul style="list-style-type: none"> • Better management of the natural resources and a better interaction between the organization and its environment <p>Financial:</p> <ul style="list-style-type: none"> • Better value creation over the long-term • Maximization of benefits with minimized financial effort • Impact on expectations towards stock pricing in financial analysts • Investor perspective of potential risk mitigation over the long-term <p>Social and relationship:</p> <ul style="list-style-type: none"> • Better interaction reputation • Development of specific know-how by the management and a better engagement at all levels • Development of a "sense of belonging" to the organization and • Better management of the natural resources and a better interaction between the organization and its environment
				<p>Financial:</p> <ul style="list-style-type: none"> • Better efficiency through fewer journeys • Increased value creation through better-informed teams <p>Human:</p> <ul style="list-style-type: none"> • Development of better out-of-the-box thinking capability <p>Social and relationship:</p> <ul style="list-style-type: none"> • Better understanding of the customers' needs • Intellectual • Development of innovation capability at every level of the organization <p>Financial:</p> <ul style="list-style-type: none"> • Investment in change management could generate costs in the short- • Potential positive long-term impact for a more efficient and effective (reporting) organization. This might include reorganization where a • Potential risk mitigation over the long-term <p>Social and relationship:</p> <ul style="list-style-type: none"> • Better organization reputation • Human: • Engagement
ORGANIZATIONAL SET-UP AND DEVELOPMENT				<p>Financial:</p> <ul style="list-style-type: none"> • Reduced risks of litigation and fines <p>Social and relationship:</p> <ul style="list-style-type: none"> • Reputation as a company that goes "beyond compliance" • Better relations with regulators <p>Social and relationship:</p> <ul style="list-style-type: none"> • Investors better able to evaluate the organization real value and its • Impact on stock value <p>Human:</p> <ul style="list-style-type: none"> • Better connection of information and collaboration among the functions <p>All capitals:</p> <ul style="list-style-type: none"> • Better connection of information and as such of the departments • Better management of the outcomes <p>Social and relationship:</p> <ul style="list-style-type: none"> • Organization reputation • Human: • Engagement <p>Financial:</p> <ul style="list-style-type: none"> • Litigation risks mitigation • Better reputation • Company Reputation <p>Natural:</p> <ul style="list-style-type: none"> • Supply chain (better monitoring of externalities) <p>Human:</p> <ul style="list-style-type: none"> • Engagement due to the creation of a link between employee values and the targets and goals of the organization <p>Social and relationship:</p> <ul style="list-style-type: none"> • Organization reputation • Human: • Engagement
				<p>Social and relationship:</p> <ul style="list-style-type: none"> • Increased stakeholder engagement • Human: • Engagement
COMPANY'S CULTURE				<p>Financial:</p> <ul style="list-style-type: none"> • Improved value creation capability through the engagement process <p>Social and Relationship:</p> <ul style="list-style-type: none"> • Reputation and consistency • Human: • Engagement



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.

CHANGE PILLARS



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

AREAS	ISSUES	DECISION MAKER	OWNERSHIP	INTERNAL STAKEHOLDER	EXTERNAL STAKEHOLDER	ACTIONS TO BE IMPLEMENTED	ALL FORMS OF VALUE OUTCOMES: SOME EXAMPLES
SUSTAINABLE AND LONG-TERM BUSINESS APPROACH						<ul style="list-style-type: none"> HR management led the integration of all factors of value creation Lead a gap analysis between present HR integration and six capitals approach Scheduling of the new requirements, based on the current business cycle (Employee Stock Ownership Plan), MBO long-term vesting period 	
						<ul style="list-style-type: none"> Integrated Big Data sourced and systemic analysis of the inputs coming from the company stakeholders (execs, stakeholders) to identify in advance risks and opportunities and provide constantly updated reporting board Qualitative and quantitative surveys on stakeholder perception evolution from the past 5 years (internal and external) Best practice sharing (internal and external) Strategic process review in order to make more stakeholder oriented Action plan to increase sales awareness and competency in all forms of value creation (six capital and related behaviors) 	
						<ul style="list-style-type: none"> Assessment, review and filtration of the current structure based on the six capitals approach Introduction of specific monitoring tools Integration of the integrated thinking readiness analysis of Board of Directors 	
GOVERNANCE						<ul style="list-style-type: none"> Analyze integrated thinking best practices and related business Integrate strategic or industrial plan and business model with all forms of value creation Assess already-existing integrated thinking initiatives in order to minimize change resistance and efforts 	
STRATEGY						<ul style="list-style-type: none"> Increase inclusiveness and multi-functionality in working teams Identify new opportunities to capitalize on the new efforts in integrated thinking approach, from function to knowledge Rethink research and development approach, from function to knowledge Leverage ICT to facilitate collaboration and sharing across functions, besides (eg. introduction or enhancement of smart working) 	
ORGANIZATIONAL SET-UP AND DEVELOPMENT						<ul style="list-style-type: none"> Identify a steering committee or similar structure for the integrated thinking journey Set up an organic change program Lead an assessment of change readiness Identify and integrate them if necessary through business cases Set up a dashboard for change with relevant leading and laggng KPIs Executive Plan for CEO/Chairman 	
						<ul style="list-style-type: none"> Deployment of hard and soft EESG regulations monitoring, networking and advocacy 	
						<ul style="list-style-type: none"> Evolution from separate reporting to integrated reporting Definition of procedures in order to identify, acquire and manage relevant issues and their integration with real-time updates 	
COMPANY'S CULTURE						<ul style="list-style-type: none"> Dedicated off-site meetings to define long-term vision for the company 	
						<ul style="list-style-type: none"> Off-site meetings dedicated to rethinking the mission statement and code of ethics of the organization to integrate all forms of value creation Set-up of an organic and comprehensive cultural change plan 	
						<ul style="list-style-type: none"> Integrated thinking change readiness analysis of Leadership Team Integration of change sessions on all forms of value creation and connected behaviors (Walk the Talk) Integrated thinking change readiness assessment of extended employee network (Internal and external) Communications tools and processes (Internal and external) Assessment of the value creation (six capitals) and integrated behaviors embedded in all company training and development programs Internal and external Champions Network, internal champions Best practices (other companies) sharing 	
						<ul style="list-style-type: none"> Issue and stakeholder mapping Identification of KPIs of different engagement initiatives 	

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

Scientific Coordination Livia Piermattei and Tommaso Venturini ■ Methodos, the Change Management Company

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.

AREAS	ISSUES	DECISION MAKER	OWNERSHIP	INTERNAL STAKEHOLDER	EXTERNAL STAKEHOLDER	ACTIONS TO BE IMPLEMENTED	ALL FORMS OF VALUE OUTCOMES: SOME EXAMPLES
SUSTAINABLE AND LONG-TERM BUSINESS APPROACH	Management By Objective (MBO) long-term vesting period vs. short-term for C-Suites, key leaders, sales force	Board of Directors	Board of Directors Remuneration Committee, HR	CEO, Leadership Team, Sales Force	Institutional investors, trade unions, analysts	<ul style="list-style-type: none"> HR management and the integration of all factors of value creation Lead a gap analysis between present HR management and six capitals approach integration Scheduling of the new requirements, decision-making, process and KPIs, ESOP (Employee Stock Ownership Plan), MBO long-term vesting period 	<p>Financial:</p> <ul style="list-style-type: none"> Impacts on expectations towards stock pricing in financial analysts perspective Investor perspective of potential risk mitigation over the long-term Stronger link of sales force and executive salaries to value creation for the company <p>Social and relationship:</p> <ul style="list-style-type: none"> Positive impacts on company reputation <p>Human:</p> <ul style="list-style-type: none"> Less turnover and more engagement of sales force and company executives <p>Natural:</p> <ul style="list-style-type: none"> Better management of the natural resources and better interaction between the organization and its environment <p>Intellectual:</p> <ul style="list-style-type: none"> More extended consideration for long-term innovation
	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.	Board of Directors, CEO	Leadership Team	Strategic Planning, Enterprise Risk Management, Research & Development Sustainability Officer	Relevant stakeholders based on stakeholder mapping, consultants and ESG, Big Data analysts and scientists	<ul style="list-style-type: none"> Integrated Big Data sourced and systemic analysis of the inputs coming from the company stakeholders (peers, best practices, regulators, media, other stakeholders) to identify in advance risks and opportunities and provide constantly updated issue mapping (eg: Board Materiality Statement) 	<p>Financial:</p> <ul style="list-style-type: none"> Higher quality risks and opportunities analysis Better value creation over the long-term <p>Social and relationship:</p> <ul style="list-style-type: none"> Alignment between organization strategy and stakeholder expectations in medium and long-term Reputation as an organization that "leads the change" <p>Natural:</p> <ul style="list-style-type: none"> Better management of the natural resources and better interaction between the organization and its environment
	Unique Selling Value Proposition (USVP): from reason to buy to reason to believe	Leadership Team	MKTG	Sales, Marketing & Communication dpts, Sustainability Officer	Customers, clients, opinion leaders, investors, local communities, consultants, survey providers, supply chain	<ul style="list-style-type: none"> Qualitative and quantitative surveys on stakeholder perception evolution from reason to buy to reason to believe Best practice sharing (internal and external) Selling proposition review in order to make it more stakeholder centered Action plan to increase sales awareness and competency in all forms of value creation (six capitals) and related behaviors 	<p>Financial:</p> <ul style="list-style-type: none"> Enhanced value creation capability through the engagement process <p>Social and relationship:</p> <ul style="list-style-type: none"> Enhanced loyalty and engagement and reputation of stakeholders <p>Human:</p> <ul style="list-style-type: none"> Engagement
GOVERNANCE	Integrated governance competencies and procedures	Board of Directors	General Counsel	CEO, Investor Relations, Enterprise Risk Management	Best practices, industry representatives and associations, investors, analysts, consultants	<ul style="list-style-type: none"> Assessment, review and integration of the governance structure based on the six capitals approach Introduction of specific monitoring tools based on the same approach Integrated thinking change readiness analysis of Board of Directors 	<p>Financial:</p> <ul style="list-style-type: none"> Better value creation over the long-term Impacts on expectations toward stock pricing in financial analysts perspectives Investor perspective of potential risk mitigation over the long-term <p>Social and relationship:</p> <ul style="list-style-type: none"> Organization reputation <p>Human:</p> <ul style="list-style-type: none"> Development of specific sustainable business know-how by the management and a better understanding of the organization's value creation process <p>Natural:</p> <ul style="list-style-type: none"> Better management of the natural resources and a better interaction between the organization and its environment
STRATEGY	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	CEO	Leadership Team	Strategic Planning Chief Financial Officer, Investor Relations, already existing integrated thinking best practices, Enterprise Risk Management, with approval from the Board of Directors	Best practices in integrated thinking, investors, financial analysts, consultants	<ul style="list-style-type: none"> Analyze integrated thinking best practices and related business performance Integrate strategic or industrial plan and business model with all forms of value creation (six capitals) Assess already-existing integrated thinking initiatives in order to minimize change resistance and efforts 	<p>Financial:</p> <ul style="list-style-type: none"> Better value creation over the long-term Maximization of benefit with minimized financial effort Impacts on expectations towards stock pricing in financial analysts perspective Investor perspective of potential risk mitigation over the long-term <p>Social and relationship:</p> <ul style="list-style-type: none"> Organization reputation <p>Human:</p> <ul style="list-style-type: none"> Development of specific know-how by the management and a better understanding of the company's value creation process Development of a "sense of belonging" to the organization and engagement at all levels <p>Natural:</p> <ul style="list-style-type: none"> Better management of the natural resources and a better interaction between the organization and its environment

ORGANIZATIONAL SET-UP AND DEVELOPMENT	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)	CEO	Leadership Team	ICT, Research & Development, HR, Business Divisions	Best practices, culture and organization consultants	<ul style="list-style-type: none"> Increase inclusiveness and multi-functionality in working teams Pilot the new organization to capitalize on the existing and fill in the gaps Rethink research and development approach, from function to knowledge sharing Leverage ICT to facilitate collaboration and sharing across functions, hierarchies, groups, company borders (eg. introduction or enhancement of smart working) 	Financial: <ul style="list-style-type: none"> Better efficiency through fewer journeys Increased value creation through better-informed teams Human: <ul style="list-style-type: none"> Development of better out-of-the-box thinking capability Social and relationship: <ul style="list-style-type: none"> Better understanding of the customers' needs Intellectual: <ul style="list-style-type: none"> Development of innovation capability at every level of the organization
	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	Leadership Team	Multi-stakeholder Change Steering Committee	CFO, HR, Business Leaders, Sustainability Officer, other collaborating functions	Investors, financial analysts, consultants	<ul style="list-style-type: none"> Identify a steering committee or similar body to monitor and facilitate the journey Set up an organic change program Lead an assessment of change competencies and integrate them if necessary through training Set up a dashboard for change with relevant leading and lagging KPIs Elevator pitch for CEO/Chairman 	Financial: <ul style="list-style-type: none"> Investment in change management could generate costs in the short-term Potential positive long-term impact for a more efficient and effective (reporting) organization. This might include reorganization where a benefit is identified. Potential risk mitigation over the long-term Social and relationship: <ul style="list-style-type: none"> Organization reputation Human: <ul style="list-style-type: none"> Engagement
	ESG regulations increased 8x in the last two years (source: eRevalue/ Datamaran 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"	Board of Directors	Chief Financial Officer and Legal Office	Internal Audit, Compliance, Sustainability Officer	Regulators, auditors, suppliers, industry representatives and associations	<ul style="list-style-type: none"> Development of hard and soft EESG regulations monitoring, networking and advocacy 	Financial: <ul style="list-style-type: none"> Reduced risks of litigation and fines Social and relationship: <ul style="list-style-type: none"> Reputation as a company that goes "beyond compliance" Better relations with regulators
	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	Chief Financial Officer	Business Leaders and staff functions	Investors, financial analysts, Big Data scientists and analysts, assurance providers, consultants	<ul style="list-style-type: none"> Evolution from separate reporting to integrated reporting Definition of procedures in order to identify, acquire and manage relevant data and KPIs and to report in a transparent manner with real-time updates 	Social and relationship: <ul style="list-style-type: none"> Investors: better able to evaluate the organization real value and its impact on stock value Human: <ul style="list-style-type: none"> Better connection of information and collaboration among the functions of the organization Better connection of information and as such of the departments All capitals: <ul style="list-style-type: none"> Better management of the outcomes
COMPANY'S CULTURE	Long-Term Vision	Board of Directors	General Counsel	Investor Relations, Human Resources	Best cases, investors, consultants	<ul style="list-style-type: none"> Dedicated off-site meetings to define long-term vision for the company 	Social and relationship: <ul style="list-style-type: none"> Organization reputation Human: <ul style="list-style-type: none"> Engagement
	Shared generation of Sustainable Business culture	CEO	Leadership Team	Chief Financial Officer, General Counsel, Human Resources, Employees (with approval from the Board of Directors) Sustainability Officer	Investors, analysts, suppliers, consultants	<ul style="list-style-type: none"> Off-site meetings dedicated to rethinking the mission statement and code of ethics of the organization to integrate all forms of value creation (six capitals) Set-up of an organic and comprehensive cultural change plan 	Financial: <ul style="list-style-type: none"> Litigation risks mitigation Social and relationship: <ul style="list-style-type: none"> Company Reputation Natural: <ul style="list-style-type: none"> Supply chain (better monitoring of externalities) Human: <ul style="list-style-type: none"> Engagement due to the creation of a link between employee values and the targets and goals of the organization
	Walk the Talk and address resistance to change in Leadership Team	CEO	Leadership Team	Investor Relations, Human Resources	Best cases, investors, consultants	<ul style="list-style-type: none"> Integrated thinking change readiness analysis of Leadership Team Integrated leadership coaching sessions on all forms of value creation and connected behaviors (Walk the Talk)" 	Social and relationship: <ul style="list-style-type: none"> Organization reputation Human: <ul style="list-style-type: none"> Engagement
	Integrated thinking change readiness and engagement of extended employee populations to map levels of maturity and resistance	HR	HR, Sustainability Officer	Managers, Employees	Investors, analysts, consultants	<ul style="list-style-type: none"> Integrated thinking change readiness assessment of extended employee populations (listening tools, ONA, etc) Communications tools and processes (internal and external) Training on all forms of value creation (six capitals) and integrated behaviors embedded in all company training and inductions Integrated thinking Ambassadors Network, internal champions Best practices (other companies) sharing 	Social and relationship: <ul style="list-style-type: none"> Reputation and increased stakeholder engagement Human: <ul style="list-style-type: none"> Engagement
	Transparency and Coherence between internal and external communications	COMMS	COMMS	Investor Relations, General Counsel	Shareholders, investors, local communities and other relevant stakeholders	<ul style="list-style-type: none"> Issue and stakeholder mapping, integrated thinking engagement plan, identification of KPIs of different engagement initiatives 	Financial: <ul style="list-style-type: none"> Enhanced value creation capability through the engagement process Social and Relationship: <ul style="list-style-type: none"> Reputation and consistency Human: <ul style="list-style-type: none"> Engagement

YOUR OPINION IS IMPORTANT: Please feel free to email the Scientific Coordinators at info@integratedthinking.it or to connect to www.integratedthinking.it to share your feedback, suggestions, comments or to ask for further information.

INTEGRATED REPORT



What is the relationship between integrated thinking and integrated report? How connected are they in the Integrated Reporting <IR> Change Journey?

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.

“We felt that the focus of financial reporting did not allow the organization to fully explain its values and approach to business, particularly the link between strategy, performance and business”

Dellas

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.

REFERENCES

- Accounting for Sustainability,**
<http://www.accountingforsustainability.org/integrated-thinking/10-main-elements-to-embed-sustainability> (last visit: April 1, 2016)
- Chartered Global Management Accountant,** *Integrated thinking. The next step on Integrated Reporting, 2014.*
<http://www.erevalue.com/blog/> (last visit: April 1, 2016)
- Robert G. Eccles, Beiting Cheng, Daniela Saltzman (ed.),** *The landscape of Integrated Reporting. Reflections and next steps, contribution by Livia Piermattei, Harvard Business School, 2010*
- IFAC-International Federation of Accountants,** *Creating Value with integrated thinking. The role of professional accountants, 2015*
- IFAC-Stathis Gould,** *A Vision for Integrated Thinking and the Role of Finance Professionals, February 1, 2016. Published on:*
<https://www.ifac.org/global-knowledge-gateway/business-reporting/discussion/vision-integrated-thinking-and-role-finance> (last visit: April 1, 2016)
- IFAC-Stathis Gould,** *Corporate Governance and Transparency-The Chicken or the Egg of Sustainable Development?, November 30, 2015. Published on:*
<https://www.ifac.org/global-knowledge-gateway/governance/discussion/corporate-governance-and-transparency-chicken-or-egg> (last visit April 1, 2016)
- IIRC-The International Integrated Reporting Council/Black Sun,** *Realizing the benefits. The Impact of Integrated Reporting, 2014*
- IIRC-The International Integrated Reporting Council,** *The Integrated Reporting Framework,*
<http://integratedreporting.org/resource/international-ir-framework/> (last visit April 1, 2016)
- International Corporate Governance Network,** *ICGN Guidance on Integrated Business Reporting, 2015*
- Methodos,** *Change Management. Time to change, Harvard Business Review Italy (special issue nr. 7-8), 2014,*
<http://www.methodos.com/en/change-management-time-to-change/> (last visit April 1, 2016)
- Toni Muzi Falconi, James E. Grunig, Emilio Galli Zugaro, Joao Duarte,** *Global Stakeholder Relationships Governance. An Infrastructure, Palgrave Macmillan, 2014*
- The South African Institute of Chartered Accountants,** *Integrated thinking. An exploratory survey, 2015.*
- 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).
- UNEP-FI,** *A new model of Governance for Sustainability, a report by the Asset Management Working Group of the United Nations Environment Programme Finance Initiative June 2014*

NIBR

Network Italiano
Business Reporting

The Italian Network for Business Reporting (Network Italiano Business Reporting - NIBR - www.nibr.it) who set up a multistakeholder Working Group and promoted the publication of this Handbook, represents the official Italian jurisdiction of both the "World Intellectual Capital/Assets Initiative" (WICI) Global Network, (www.wici-global.com) and the "World Intellectual Capital Initiative Network for Europe" (WICI Europe).

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

 **amplifon**

 **costa**
edutainment experience

 **Etica SGR**
GRUPPO BANCA POPOLARE ETICA

 **METHODOS**
THE CHANGE MANAGEMENT COMPANY

M O R R O W
S O D A L I

 **NOVAMONT**

 **Publiacqua**

 **STAFER**

 **Unipol**
GRUPPO

 **VIVIDA** & Partners