



CREATING VALUE WITH INTEGRATED THINKING
The Role of Professional Accountants

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The IFAC Professional Accountants in Business (PAIB) Committee serves IFAC member bodies and professional accountants worldwide who work in commerce, industry, financial services, education, and the public and not-for-profit sectors. Its aim is to promote and contribute to the value of professional accountants in business. To achieve this objective, its activities focus on:

- increasing awareness of the important roles professional accountants play in creating, enabling, preserving, and reporting value for organizations and their stakeholders; and
- supporting member bodies in enhancing the competence of their members to fulfill those roles. This is achieved by facilitating the communication and sharing of good practices and ideas.

For questions or comments about this thought paper, please contact Stathis Gould (stathisgould@ifac.org); additional resources are available in the Business Reporting section of the [IFAC Global Knowledge Gateway](#) (see subtopic “integrated reporting and thinking”).

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ISBN: 978-1-60815-255-1

Published by:



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Introduction

Significant strides are being made in broadening the discussion of business reporting with the advent and growing adoption of integrated reporting, led by the International Integrated Reporting Council (IIRC). Integrated reporting principles and practices are gaining support within many communities of stakeholders and advocates of both improved corporate governance as well as improved corporate reporting in the public and private sectors. A majority of organizations that participated in the IIRC's Pilot Programme changed their thinking about their business model and modified strategy and resource allocation decisions.

As a result, it is extremely likely that integrated reporting will begin to impact business long before it becomes a mandated reporting requirement. Professional accountants working in business and the public sector need to prepare for the impact of the dramatic changes in thinking about value creation on their world of work.

Integrated reporting seeks to change the way businesses think about creating and sustaining value. Integrated reporting research has identified today's financially oriented business reporting, and the associated processes and techniques, as a significant constraint to focusing on long-term value creation. In practical terms, efforts to encourage adoption of integrated reporting affect a significant part of what professional accountants do.

Integrated reporting changes corporate behavior through **integrated thinking**. Integrated thinking is the primary business case for integrated reporting, and the focus of this paper. Integrated thinking is not exclusively a concept for boards of directors (also known as the governing body or those charged with governance) or senior managers; it involves organizational change to require everyone in the organization to increase their contribution to a much broader, and longer term, concept of value creation through a better understanding of how value is created.

As captured by the [International Integrated Reporting <IR> Framework](#) issued in December 2013, integrated reporting is a set of principles for communicating an organization's integrated

thinking about value creation to providers of financial capital and other stakeholders.

Corporate governance codes, frameworks, and guidance around the world increasingly refer to the importance of organizations being led by effective boards that are collectively responsible for the long-term success of organizations. Long-term success and prudent oversight of an organization requires considering the legitimate interests and expectations of a wide range of stakeholders, and responding to changing expectations, opportunities, and threats that influence the future viability of an organization.

Of particular importance to professional accountants is that these uncertainties are not well captured in current financial reporting processes. Chief financial officers (CFOs) and the finance function need to consider how information about matters that affect value creation are captured and communicated in a manner that supports internal processes and decisions.

This thought leadership paper explores the role of professional accountants in facilitating and improving integrated thinking in their organization, regardless of whether their organization is planning to publish an integrated report. The focus is on accountants who work for organizations in commerce, industry, financial services, education, or the public and not-for-profit sectors in their role as *finance professional*. It provides the main aspects for consideration in implementing integrated thinking, and shifting from today's financially oriented reporting to integrated reporting.

Creating Value with Integrated Thinking: A Step toward Communicating Value with Integrated Reporting

Integrated reporting involves much more than simply changing the way organizations report. It is a process and a journey that forces organizations to focus on how to create value over time. This makes it not only broader than today's financial reporting to stakeholders but also a means to improve organizational performance.

Integrated reporting is founded on integrated thinking, which ultimately drives organizations to have a more comprehensive and compelling management-driven approach to value creation in the short, medium, and long term in several dimensions. The resulting integrated reporting improves communications, both internally and externally, about how value is created and sustained. Providers of financial capital and other stakeholders are ultimately interested in an organization's capacity for integrated thinking and their ability to execute successfully.¹ The end point—an integrated report—is the messenger.

Integrated thinking requires a clear vision of what drives value in the organization and for this vision to be consistently held throughout the organization. It involves boards of directors, senior management, and other employees proactively considering a broad range of "capitals" beyond just financial and manufactured capital. These other capitals could be referred to as resources and relationships and are represented by what is often termed non-financial or pre-financial information (see "[Six types of capital](#)").

This type of information provides an understanding of the capitals that will likely impact on financial performance, and ultimately the value created or destroyed for investors and other stakeholders.

Achieving integrated thinking is no easy task. It involves understanding the connections between these capitals and different approaches to creating value through changes to business models. It is implemented by integrated planning and decision making, both of which require an understanding of the significant opportunities and risks leading to better planning and decision-making processes, which in turn defines and connects the capitals used to create value. This level of integration depends on connecting people, functions, information (financial and operational, internal and external), and systems.

Integrated thinking should result in increased organizational alignment toward strategic goals and value creation in the context of the changing business environment. The result is greater confidence in making value creating decisions for the short, medium, and long term based on relevant quality information and analysis and robust and connected internal processes.

A wide range of organizations, including listed, unlisted, and those in the public sector, have started to apply integrated thinking as a mark of good governance. This is particularly evident in countries, such as South Africa, where integrated reporting principles are embedded into the [Code of Corporate Governance](#). Organizations with effective integrated reports typically have reached a degree of maturity in their integrated thinking. Examples of integrated reporting innovators can be found in the IIRC's [Integrated Reporting Examples Database](#).

[Realizing the Benefits: The Impact of Integrated Reporting](#) provides evidence of the nature of the benefits of integrated thinking and reporting. The IIRC's Pilot Programme, which ran for three years, yielded a great deal of research from participating organizations. This research and first-hand experience shows that many organizations captured the benefits of integrated thinking, including a range of strategic and operational benefits. For example:

- 71% of participants experienced strategic benefits from implementing integrated reporting, the most important being a change

¹ Providers of financial capital include equity and debt holders and others who provide financial capital, both existing and potential, including lenders and other creditors. This includes the ultimate beneficiaries of investments, collective asset owners, and asset or fund managers.

in conversations between the board and management;

- 79% reported improvements in management information and decision making, and 96% experienced a positive impact from connecting departments and broadening perspectives; and
- Of those organizations that have published an integrated report, 79% have seen an improvement in their board's understanding of how the organization creates value.

As a result of their integrated reporting, a majority of organizations that participated in the Pilot Programme changed their thinking about their business model and modified their strategy and resource allocation decisions.²

² Since the launch of the International <IR> Framework in 2013, the IIRC's [<IR> Business Network](#) has replaced the Pilot Programme and includes organizations who are embracing integrated thinking and driving innovation in integrated reporting.

Six types of capital

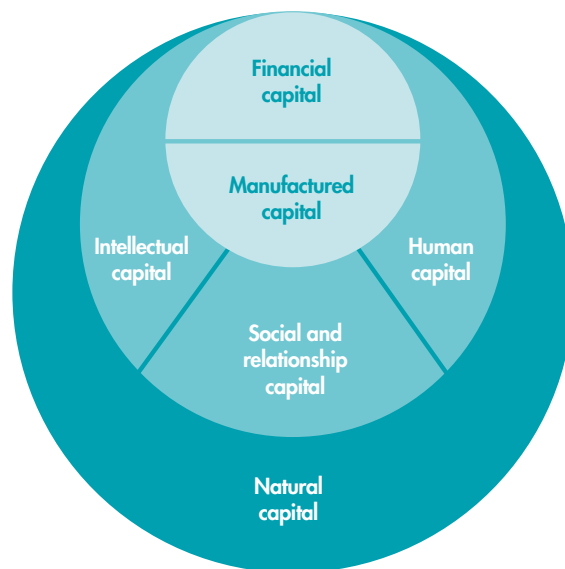
All organizations depend on various forms of capital for their success. The IIRC has defined six different types of capitals that represent stocks of value that are increased, decreased, or transformed through the activities and outputs of the organization. The diagram below is one way to depict the capitals and is not intended to imply a hierarchy. Rather, organizations will rely on and deploy multiple capitals to create value for itself and others.

Financial and manufactured capitals are those reported on most frequently by organizations. Other capitals—covering intellectual, social and relationship, and human capitals—are linked to the activities of humans. Natural capital represents the exogenous environment in which the remaining capitals sit. Natural capital is most obviously relevant to the business models of extractive industries, which draw directly on natural resources, but is also relevant to other organizations that rely on renewable and non-renewable resources and processes to provide goods or services.

Not all capitals are equally relevant or applicable to all organizations. While most organizations interact with all capitals to some extent, these interactions might be relatively minor or so indirect that they are not sufficiently important to include in integrated thinking and, ultimately, in an integrated report.

More Information on the capitals:

- The IIRC's <IR> Banking Network's [Applying the Integrated Reporting Concept of Capitals](#) shows how the capitals relate to the banking sector, and current practices for banks' reporting on the capitals.
- [Integrated Reporting, Elevating Value](#) from EY provides a guide to integrated reporting through the lens of a multiple capital approach to value creation.



The Roles of Professional Accountants

Integrated thinking and reporting are significant opportunities for the more than one million professional accountants working in a variety of leadership, management, and operational roles.³ The opportunity is to focus on creating value for organizations and their stakeholders, as well as showing how that value is created.

As CFOs and finance leaders increasingly evolve into business partners and organizational integrators and navigators, as outlined in IFAC's [The Role and Expectations of a CFO: A Global Debate on Preparing Accountants for Financial Leadership](#), integrated reporting falls under their purview. Integrated thinking and reporting provides a way and additional incentive for CFOs, and their finance teams, to focus on the information and decisions that matter to the organization and its potential success. For finance teams that have begun to shift toward business partnership with all areas of their organization, the principles and concepts of integrated thinking and reporting are a natural progression on their journey.

This perspective is by David Hodnett, Finance Director of Barclays Africa Group, in a recent *Accountancy SA* article, "[Integrated Reporting: The Role of the CFO](#)":

"I am accountable for reporting on the performance of the company, including the information that our executive management and board consider in decision making. By leading the integration of performance measurement of the other capitals, the CFO is able to enhance reporting beyond just financial capital." —David Hodnett

More broadly, professional accountants can facilitate an understanding of value creation through their information collection, analysis, and decision-support activities, which ultimately help move

toward integrated reporting. By directly contributing to an organization's efforts to sustain and create value in a broader perspective than traditional finance and accounting measures, professional accountants can be perceived as more fully meeting the needs of their employers and of society. The information and analysis they provide to support decisions needs to include a better and more expansive understanding of the disparate sources and drivers of longer-term value to enable better strategy and implementation through changes to the business model.

³ [Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success](#) highlights the diverse roles professional accountants in business perform as creators, enablers, preservers, and reporters of sustainable value creation for organizations

Integrated Thinking through the Eyes of the CFO and Finance Function

The process of integration helps to ensure that what is managed internally, and then reported externally, is clear and connected to the reality of an organization's strategy and operations, and is better aligned to internal decision making throughout the organization.

Integrated thinking can present organizational, cultural, technical, communication, analytic, and performance management challenges and may take significant time and effort to develop. However, the benefits of integrated thinking cannot be realized by using the shortcut of merely bolting together information from different internal and external reports to create an integrated report. It requires a convergence of different mindsets from people with different expertise, professional backgrounds, and perspectives across the board, top management, and broadly throughout management and the workforce.

Senior management, with the support of the CFO, can facilitate integrated thinking by connecting different parts of an organization, and relevant processes and systems, to deliver effective and integrated decision making, internal reporting, and external reporting processes.

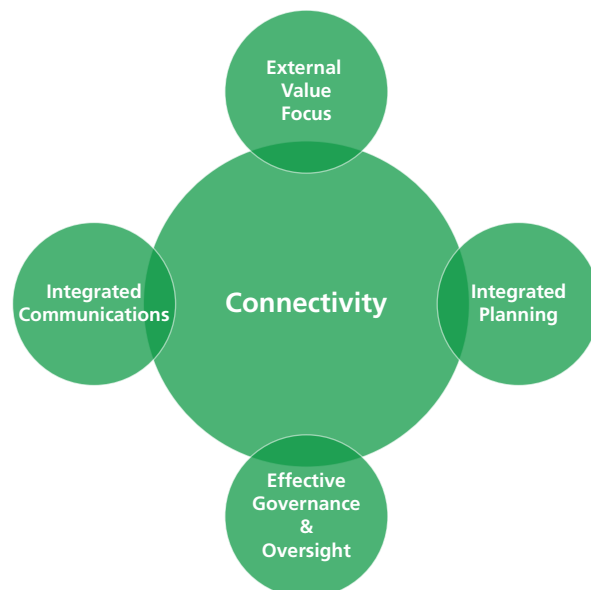
Above all, CFOs and finance functions need to develop a respect for an integrated perspective. They have long been the custodian of the "business perspective" in organizations due to their central position in financial reporting, financing/treasury activities, budgeting, and financial analysis. As the finance function embraces and takes action to restructure its activities to support integrated thinking and the principles of integrated reporting, its actions in reaching out to improve planning and management sends a powerful message to the organization as a whole. A proactive, thoughtful, and supportive move toward integrated thinking by the CFO and finance function is a critical step in bringing about integrated thinking more widely across the organization.

THE CONTRIBUTION OF CFOS AND FINANCE FUNCTIONS TO INTEGRATED THINKING

CFOs and their finance functions play a central role in supporting integrated thinking in the following areas.

CONNECTIVITY

A connected approach supports the other four key areas of integrated thinking: an external value



focus, integrated planning, effective governance and oversight, and integrated communications.

Integrated thinking depends on greater connectivity throughout the organization. With their broader view of an organization, the CFO and the finance function can begin to ensure that all aspects involving people, processes, and systems are better connected.

Greater connectivity between management and reporting processes, and between different organizational functions, involves developing an integrated planning approach that brings together people with different expertise and professional backgrounds, and with different perspectives of the organization. CFOs and the finance function are well positioned to make important connections between different elements of planning, including better understanding and management of uncertainty and risk, and the links to strategic planning and operational and financial performance.

Each part of the organization, including those involved in strategy and planning, finance and accounting, investor relations, operations, communications and marketing, information technology, public and media relations, and sustainability need to understand their roles and responsibilities for communicating more broadly and effectively within an integrated planning structure. They need sufficient understanding of the operation of the planning processes and systems, as well as the related risks and controls relevant to their area of responsibility, in order to fulfill their responsibilities.⁴ Process and systems integration also helps ensure that the same piece of information is incorporated in a consistent manner, regardless of the purpose and nature of the report.

⁴ [Realizing the Benefits: The Impact of Integrated Reporting](#) shows that finance, sustainability, investor relations, and the board had, in that order, the most active participation across all stages of the integrated reporting process.

A more connected planning and communication approach addresses the challenge of thinking and reporting occurring in silos where:

- finance and accounting function prepare financial reports;
- those involved in sustainability and environmental management report on the sustainability impacts of an organization;
- company secretaries and general and legal counsel report on regulatory and compliance disclosures; and
- those in planning and risk management report on risk issues.

A disconnected approach can lead to important drivers of value being omitted from both information provided to management and external reports.

The principles of systems thinking can be usefully applied to integrated thinking. Many organizations use systems thinking in other contexts, such as implementing quality and environmental management systems – such an approach is considered in the publication [Integrated Thinking. An Exploratory Survey from the South African Institute of Chartered Accountants](#).

EXTERNAL VALUE FOCUS

Resilient and agile organizations typically have internal processes and information that provide a relentless focus on creating sustainable value in the context of the external environment. Identifying and understanding relevant matters for decision making involves bringing together information and analysis from various sources including:

- Analyzing the impact of mega trends and changes in the business environment;
- Understanding the impact their products and services have on society and on markets;
- Understanding what impacts the organization's reputation and public perception, and the overall customer experience;

- Understanding and assimilating the perspectives of providers of financial capital and other stakeholders; and
- Incorporating all of these into the organization's management processes.

An external focus is a critical starting point for identifying and articulating how value is created and destroyed. The integrated reporting value creation model is made up of the organization's strategy, opportunities and risks, business model, and the interdependencies of various forms of capital that underpin its ability to deliver value—including resources, capabilities, and competencies—needed to deliver the strategy and strategic objectives in the context of changing circumstances and environmental factors and trends.

The Value Creation Process

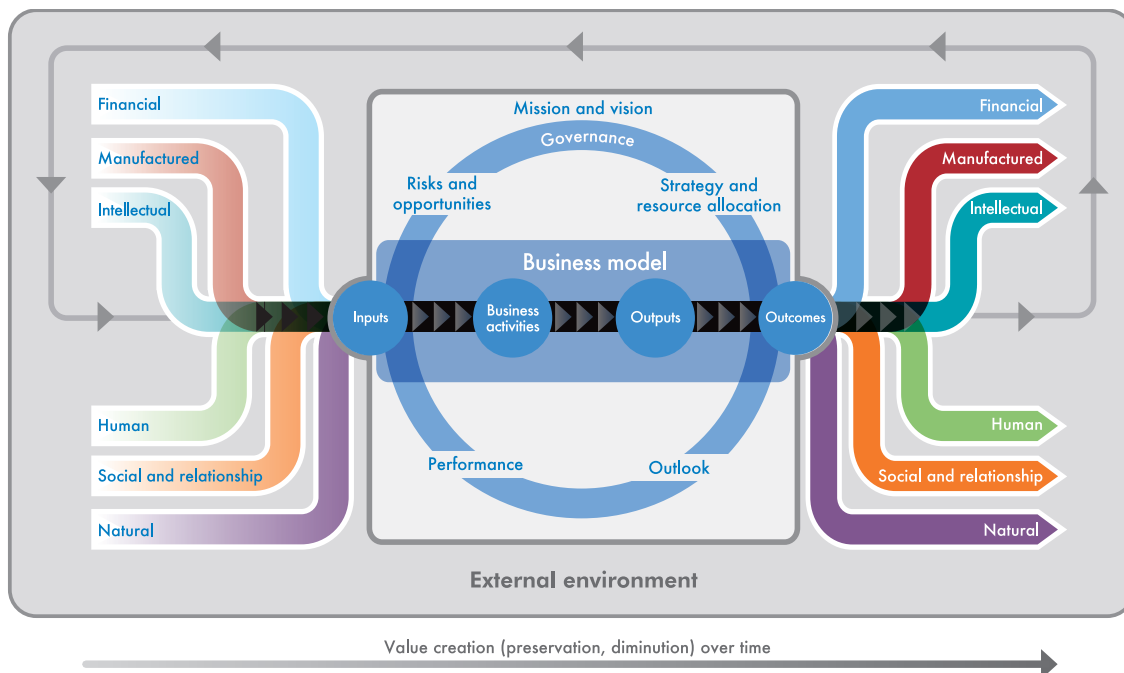
The integrated reporting materiality process is based on facilitating the board and management team's understanding and assessment of the relevant drivers of value. Determining material information for disclosure in integrated reporting is inextricably

linked to integrated thinking and the process of identifying and managing relevant matters based on their ability to affect value creation (see also upcoming guidance from the IIRC and IFAC, *Materiality in <IR>*, which will be available on the IFAC Global Knowledge Gateway).

Interface, a producer of floor covering for commercial locations, is an example of an organization transforming its value creation model for the benefit of customers, society, and the company using innovative ways of working to drive relevant insights. The move from traditional carpet manufacturing, which is energy intensive and relies on fossil fuel-based raw materials, to an adapted business model based on new resource inputs with polymeric material that can be remanufactured back into new products, has involved a process of integrated thinking based on understanding:

- the capitals Interface depends upon, and affects, and which can provide a source of differentiation and
- how Interface can continue creating value with an adapted business model utilizing new

The value creation process



International <IR> Framework, December 2013, International Integrated Reporting Council

inputs and processes leading to a product and associated service delivery model that creates value for customers, investors, and society.

For additional details on how Interface is changing its processes and using integrated reporting and thinking, see "[A Circular Economy Must Drive Management Accounting in the 21st Century](#)" on the [IFAC Global Knowledge Gateway](#)).

The process of defining and measuring value is evolving. Many of the six capitals in the International <IR> Framework do not have established or standardized metrics. CFOs and their finance teams can ensure that internal measurement and evaluation approaches connect to organizational goals, and can eventually be reflected in an integrated report. Two interesting examples of different approaches are highlighted in [Measuring and Demonstrating Value](#).

Measuring and Demonstrating Value

Integrated thinking and integrated reporting are set in the context of both the ability of an organization to create value for itself, which may be in terms of reputation, opportunity, and risk, revenue, sales, costs, and cash flows, and a broader view of shared or societal value. Understanding and articulating the connections between value created by organizations for themselves, and value created for a wide range of external stakeholders can be a particular challenge for publicly listed companies that have a primary focus on providing acceptable returns to shareholders. Various organizations are experimenting on how to understand and communicate value created in different dimensions. Two examples are:

- *Nestlé*
Nestlé pursues [shared value commitments](#) based on a belief that for a company to prosper over the long term and create value for shareholders, it must create value for society at the same time. Nestlé's approach and commitments are outlined in its report, [Nestlé in Society: Creating Shared Value and Meeting Our Commitments 2014. Feedback from participants](#) of the IIRC's Pilot Programme showed understanding and articulating "shared value" as one of the most challenging areas facing organizations.
- *The UK Crown Estates*
The Crown Estate, a semi-independent, incorporated public body that manages an extensive property portfolio, approaches measuring value based on [Total Contribution](#), a methodology that measures and communicates its environmental, social, and economic impact. By measuring and valuing these impacts, the Crown Estate shows how it manages its material issues and adds value to its business and society. Integrating the way it measures value is one aspect of The Crown Estate's overall priorities for achieving integrated thinking, which complements another of its key priorities—developing the way it measures performance using robust indicators for all strategic objectives.

INTEGRATING PLANNING

The insights gained from an external value focus form the basis of integrated planning, which should incorporate a comprehensive process of identifying and managing significant matters affecting value creation over the short, medium, and long term.

Integrated planning allows the board and senior and other management to be aware of the significant risks and opportunities the organization needs to

manage proactively as part of their decision making. Ultimately, relevant matters potentially impacting value need to be built into setting organizational objectives and targets, managing risk and opportunity, undertaking project and investment appraisals, aligning performance to objectives with relevant performance measures, and information

collection systems and key metrics for internal processes.

Executing integrated thinking involves creating integrated planning processes that help to define and connect how the six capitals are relevant to the organization and the multiple and complex connections between them, and for those moving to integrated reporting, the eight content elements in the International <IR> Framework.

The CFO and finance function traditionally has the definitive input on the impact of decisions on the financial statements. Value creation based on today's financial statements often leads to short-term thinking focused only on achieving near-term shareholder value in the capital markets. Integrated thinking requires decision-support information reflecting causal resource and process relationships, not just interpretation according to financial reporting standards.

Changes in the business environment will effect planning and how performance is managed and measured. For example, due to changing consumer preferences or changes in the competitive environment, the business model of a telecommunications company might evolve from one based on subsidizing the sale of mobile phones with a higher service charge to providing financed phones where the customer pays full price for the phone over time with a lower service charge. A key performance measure in the former business model might be average revenue per user. However, in the latter business model this measure would no longer capture the full value of the ongoing customer cash flow to the business. New metrics to explain new business models and the effect on value need to be rapidly fed into workforce communication, performance management, and internal reporting systems. This then leads to changes in the governance, risk management, decision making, and internal controls over these new aspects of reporting. It would also require an integrated reporting approach to external stakeholders.

Integrating relevant and material matters throughout the planning and management process involves an integrated approach to:

Risk Management

Managing risk is an integral part of decision making and managing an organization, and needs to be seen as such. [*From Bolt-on to Built-in: Managing Risk as an Integral Part of Managing an Organization*](#) highlights the benefits of properly integrating the management of risk, including internal control, into the governance, management, and operations of an organization, and provides ideas on how such integration can be achieved with practical examples. Integrated thinking involves making decisions around setting and achieving objectives to create sustainable value and growth, with managing risk integrated throughout. This means that information on risks should be *connected* to objectives and the ability to create value over time.

Budgeting

Restructuring budgeting processes to reflect the integrated planning process and a broader set of capitals is critical since the budget process defines the practical application of planning, near-term strategy implementation, and expected performance. The budgeting process involves the development of action plans, targets, and performance measures.

As part of the budgeting process, the CFO and finance function need to be comfortable with measuring the relevant capitals and challenging the validity and usefulness of performance indicators used to represent those capitals. Their focus needs to be on measuring the extent to which the organization has achieved its strategic objectives and its outcomes in terms of effects on the capitals. Quantitative indicators, such as KPIs and monetized metrics, need to be designed to provide information on how an organization creates value and how it uses and affects various capitals.

In advising on and establishing relevant financial and non-financial performance metrics, CFOs and their finance teams need to ensure the budgeting process is dynamic and provides individual managers with the flexibility to seize opportunities as they become apparent and make appropriate tradeoffs among their portfolio of performance objectives.

Within this process, financial targets should not derail achieving critical goals that are less financially measurable.

Performance Management

Integrated thinking typically leads to new areas of performance needing measurement and monitoring. In these areas, it is important to consider how to obtain the necessary information and analysis, and present it in a manner that allows managers at all levels to use it to make effective decisions. Performance metrics and control structures need to be established for the new information so the level of performance can be highlighted to the appropriate levels of management for action. An integrated performance report or dashboard can be an effective way of presenting relevant management information from across the organization. Connectivity in management reporting can be aided by a connectivity matrix as suggested by PwC in their guide [Implementing Integrated Reporting](#). The approach is designed to help represent an organization's value creation process

from beginning to end, showing how different elements are connected.

Accounting has traditionally involved assigning monetary values to allow disparate resources and activities to be compared. Integrated reporting builds upon this ability and requires innovative thinking about measurement of value. Some areas of performance, such as around the six capitals, and how they relate to each other may need careful consideration and interpretation for an organization to establish integrated thinking. For those implementing integrated reporting at the same time as integrated thinking, this challenge may lead initially to frequent revision of reporting processes. It could take multiple reporting efforts for an organization to be comfortable with the measures that reflect how it uses and affects its important capitals, as well as the trade-offs between the capitals, in its value creation process.

The IIRC's <IR> Banking Network's [Applying the Integrated Reporting Concept of Capitals](#) highlights the KPIs related to the six capitals banks reported in a survey. Survey results show that banks typically

Creating an Integrated Planning Approach to Evaluate Costs and Benefits

Finance functions typically establish the template, support the development, and undertake the final analytical review for investments in new projects or initiatives. While the organization may not be ready to adopt fully integrated reporting for external reporting purposes, new projects and initiatives are normally a high visibility activity and present an opportunity to inject a forward looking and broader perspective in decision making. While financial considerations may still be the primary decision criterion, adding the integrated reporting capitals to evaluations also ensures the finance function is perceived as proactive and forward looking by senior management and the board, and helps to raise awareness of the importance of a broader range of resources and relationships.

See [Project and Investment Appraisal for Sustainable Value Creation](#)

Using Integrated Thinking to Manage Activities

[Leading Practices in Integrated Reporting](#), from the Institute of Management Accountants, looks at SAP, a German multinational software corporation, and how its integrated reporting and *Integrated Report 2013* demonstrate an understanding of integrated cause-and-effect chains within the process of value creation. This helps SAP manage process and activities in a more effective way and, most importantly, build awareness of the heterogeneous capitals, resources, and relationships used and affected. This is also discussed in [Value to the Board](#), part of the IIRC Creating Value Series.

provide KPIs reflecting outputs and outcomes, but tend to overlook inputs and net contribution. Unsurprisingly, the greatest consistency in KPIs relates to financial capital, while quantitative KPIs for the other capitals tend to vary. For example, the KPIs reported under social and relationship capital vary from customer to supplier to community initiative statistics.

EFFECTIVE GOVERNANCE AND OVERSIGHT

Board commitment, backed by management ownership of integrated thinking facilitated by CFOs, establishes the basis for integrated reporting. The change in dialogue as integrated thinking becomes established should gradually instill confidence among investors and other stakeholders. The eventual adoption of integrated reporting leading to an integrated report should result in a leap in credibility among stakeholders arising from the governance and oversight applied to the reporting process and the demonstration that integrated reporting reflects information that is actively used and relevant to an organization.

Appropriate governance and oversight structures ensure effective processes and accountabilities for all organizational initiatives and ultimately lead to better performance. External stakeholders will increasingly demand integrated business reports as evidence of management strength and integrated thinking. One consideration is that an integrated reporting environment will include much more focus on the importance and credibility of non-financial data, or data that has not previously been subjected to the oversight of the board and its audit committee.

CFOs and their finance functions can begin to educate and train other parts of organizations about how to ensure their non-financial data achieves the same quality and credibility as financial data. There also needs to be a clear allocation of roles and responsibilities between finance and data owners throughout the organization. Importantly, improved data quality leads to more trust in non-financial data, and therefore encourages its greater use and application.

Effective governance starts with ownership by the board of its responsibility to both integrated thinking and reporting. The audit committee has a significant role in overseeing the reporting process and related risk to maintaining effective processes and accountabilities across all forms of reporting and disclosure to financial capital providers. By establishing and maintaining effective risk management and internal control over all relevant reporting processes and systems and beginning to expand into the wider range of data and issues encompassed by the International <IR> Framework, the audit committee can also ensure that all organizational information moves toward the highest level of quality.

INTEGRATED COMMUNICATIONS

Integrated thinking requires strong governance and leadership to ensure an organization is communicating effectively on the full range of issues impacting value creation across the broad range of the six capitals. This is a new perspective for many organizations, and the shift from a financial focus requires communication by leadership in ways that significantly influence the organization's behavior, and that flow naturally from an integrated planning approach.

The CFO and finance organization can play a significant role assisting the organization's board and senior management's creation of a more integrated environment by reinforcing the relevance of the capitals in the performance management cycle. Even if producing an integrated report is not on the near-term agenda for the organization, reports articulating the progress in relevant capitals aligned to organizational goals and objectives should be consistently included within financial and regulated reports to ensure the organization begins to think in a more integrated manner.

Integrated thinking should lead to better disclosure rather than more disclosure by linking to the information used by internal decision makers. Integrated thinking also leads to increasing useful disclosure to external providers of financial capital and other stakeholders and more effective investor

relations based more on the material non-financial issues that drive value creation over time.

Integrated communications extends to regulated reporting and disclosures, including management commentary providing context for financial statements and operational performance.⁵ Such reports should also demonstrate an organization's capacity for integrated thinking to investors, creditors, and other stakeholders.

Ultimately, integrated thinking and reporting should lead to a mindset and approach enabling greater connectivity within the organization that is obvious in its external reporting.

NEXT STEPS FOR THE PROFESSION AND PROFESSIONAL ACCOUNTANTS

This is an exciting time to be a professional accountant. The enhanced role the CFO and finance team will play in facilitating integrated thinking and reporting, as part of sustainable value creation and

improved dialogue with all providers of capital and key stakeholders, should result in a stronger and more rewarding finance profession *at the heart of the organization*.

CFOs and finance functions can undertake various activities to bring about integrated thinking. As organizations experiment with integrated thinking and reporting, their experiences also evolve. Consequently, IFAC will continue working through the profession to engage with CFOs and finance functions on their experiences with integrated thinking and how it is practically applied in organizations. Their experiences will help inform the profession in its quest to develop support and guidance.

IFAC will continue to engage the profession on further developing and promoting integrated thinking and reporting via the [Professional Accountancy Organization \(PAO\) Integrated Reporting Network](#).

⁵ Examples of management commentary include *Management Discussion and Analysis* in the US and Canada, *Strategic Report* in the UK, and *Operating and Financial Review* in Australia.

Useful Resources

The listing below highlights a selection of resources that accountants and others will find useful in facilitating integrated thinking and reporting. Cited resources, tools, and articles, some of which will be familiar to accountants, can be found on the [IFAC Global Knowledge Gateway in the Business Reporting topic](https://www.ifac.org/Gateway) (see “integrated reporting and thinking” subtopic).



International Integrated Reporting Council

- International <IR> Framework
- <IR> Creating Value Series brings together trends, research, market views, and case studies on integrated reporting as part of an ongoing series of publications highlighting the practical outcomes of adopting integrated reporting.
 - *Value to Investors* demonstrates the link between investment decisions, corporate behavior, and reporting.
 - *Value to the Board* provides a rich resource for organizations adopting integrated reporting.
 - *Realizing the Benefits: The Impact of Integrated Reporting* provides a comprehensive review of lessons learned from the experiences of IIRC Pilot Programme organizations.

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- *Principles for Effective Business Reporting Processes* offers guidance in achieving a dynamic and circular management process for enhancing reporting processes.
- *The Role and Expectations of a CFO: A Global Debate on Preparing Accountants for Financial Leadership* features five principles highlighting the changing expectations, scope, and mandate of the CFO and finance leadership roles and

recommends actions professional accountancy organizations and employers can take to prepare professional accountants for career progression to finance leadership.

International Auditing and Assurance Standards Board® (IAASB®)

- *Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting* informs stakeholders about the IAASB’s ongoing work to explore assurance on integrated reporting and other emerging developments in external reporting.

Association of Chartered Certified Accountants (ACCA)

- *Accountants and Strategic Leadership* explores the possible impacts that integrated reporting may have on the role of the finance professional.

Chartered Accountants Australia and New Zealand

- *Integrated Reporting: A Guide for Audit Committees in Australia and New Zealand* highlights key questions for audit committees and boards to ask of management.

Chartered Global Management Accountant (CGMA)

- *The <IR> Landscape: Executive Perceptions of Integrated Reporting* provides results of a survey of senior executives and their perceptions of integrated reporting as a reporting framework.
- *CGMA Briefing: Integrated Thinking* provides the business case for integrated reporting and thinking.

Chartered Institute of Management Accountants (CIMA) and Tomorrow’s Company

- *Tomorrow’s Business Success: Using Integrated Reporting to Help Create Value and Effectively Tell the Full Story* is a guide for chairs, CEOs, and CFOs enabling them to consider how integrated reporting can help the future success of their business.

Deloitte

- *A Directors’ Guide to Integrated Reporting* provides guidance on how to unleash the real

benefits that businesses have seen behind integrated reporting.

EY

- *Integrated Reporting, Elevating Value* a guide to integrated reporting through the lens of a multiple capital approach to value creation.

Forbes

- “Debating the Value of Integrated Reporting For CFOs and Investors”

Government of the Netherlands, Ministry of Economic Affairs

- *Good Practices Transparency Benchmark* promotes corporate reporting in the Netherlands by benchmarking the largest companies in the Netherlands against 40 different criteria.

Institute of Chartered Accountants of England and Wales (ICAEW)

- Rethinking Capitals website provides resources that explore different forms of capital and their interactions.

Integrated Reporting Committee of South Africa

- *Preparing an Integrated Report—A Starter’s Guide* assists new preparers of integrated reports with suggestions for planning and preparing an integrated report drawing on the wisdom of some of South Africa’s most experienced reporters.

International Corporate Governance Network

- *Global Governance Principles* include Integrated Reporting.

KPMG

- Integrated reporting collection of publications introducing the benefits of Integrated Reporting and how to implement it.

Natural Capital Coalition

- Natural Capital Protocol Draft Framework and Principles is being developed to help business improve decision making. A standardized framework and methodology will be applicable to all sectors and geographies, and supported by sector specific guidance.

PwC

- *Implementing Integrated Reporting: PwC’s Practical Guide to a New Business Language* provides guidance on implementing a holistic business management system based on integrated reporting.

South African Institute of Chartered Accountants (SAICA)

- *Integrated Thinking, An Exploratory Survey* examines the benefits that South African companies are experiencing using integrated thinking.

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