Living your purpose
A roadmap to integrated thinking and reporting
Every journey needs a map. To that end, we have set out a roadmap that highlights both integrated thinking (embedding considerations of planet, people, and prosperity into a company’s governance, strategy, risk management, and metrics and targets) and integrated reporting (a journey to authentic reporting on purpose and the 4Ps). Our roadmap reflects that the reporting journey is an iterative process, requiring a multi-year approach, regular evaluation, and modifications to enhance both thinking and reporting.

Before embarking, the first step is to set the foundation by performing an inventory of what is currently reported and carrying out a gap analysis; defining milestones and an implementation plan to steer the journey; and establishing processes for monitoring progress over time and for continuous improvement of reporting.
Useful considerations

- Where is the reporting expertise across your organization?
- Have you identified opportunities to integrate reporting activities?
- Should you set up a cross-functional steering committee to enhance management oversight?
- Have you established the right process so that information reported externally reflects the agenda and decisions of management and the board?

Actions:

- Identify senior executive sponsor
- Evaluate governance structure and oversight of both internal and external reporting processes to establish clear and transparent governance principles that inform disclosure
- Evaluate the risk of ‘greenwashing’ (where performance does not stand up to claims made) to obtain comfort over balance, consistency, and completeness of disclosure
- Help ensure that those charged with governance review the corporate reporting package as a whole to promote integrity of reporting
Actions:

- Identify and map key stakeholders in addition to investors/providers of financial capital
- Engage with stakeholders to determine their needs and expectations. Establish how the materiality process factors in considerations of planet, people, and prosperity as they relate to enterprise value creation
- Consider how wider impacts on the economy, environment, and people might affect performance and prospects for value creation
Developing integrated thinking: Governance

Successful adoption of integrated thinking starts with making the commitment and establishing appropriate governance and oversight. This means creating clear ownership and assessing the composition of the board to help ensure it has the right skills and experience to cover the aspects of integrated thinking. Bringing in new members to shore up expertise or foster diversity may be needed.

The board should establish clear and transparent governance and accountability principles, informed by the following steps:

- Examine and if needed amend the purpose of the company to address planet, people, and prosperity. This should take account of public commitments made (targets, codes, initiatives where the company is a signatory).
- Begin the process of aligning culture and values to purpose.

Incorporate into the board agenda stakeholder concerns and their implications for the company’s near- and long-term strategy and performance.

- Set audacious targets that respond to the company’s purpose and the considerations of planet, people, and prosperity.
- In the board’s oversight responsibilities around strategy, risk management, controls, and data processes, help ensure that considerations of planet, people, and prosperity are considered and incorporated. Assure the quality of information brought to the board.
- Establish concrete metrics at the business unit, geography, and individual level where appropriate, and incentivize action by embedding these metrics and considerations in:
  - The Board’s processes for capital allocation decisions
  - Remuneration policies
  - Board effectiveness evaluation exercises
- Monitor the changing legal and regulatory landscape on the duties of directors and the board in relation to the considerations of planet, people, and prosperity.
Reporting outcome: Application of principles of governance

Report on the following aspects of governance:

- How the board sets and oversees corporate purpose, culture, and values, including whether the board’s agenda comprehensively covers considerations of planet, people, and prosperity
- Governing body composition and diversity, including competencies across the pillars of planet, people, and prosperity
- Oversight of ethical behavior and anti-corruption, including training; initiatives taken to address corruption; mechanisms for seeking advice and reporting concerns about unethical or unlawful behavior; and transparency on incidents of corruption
- How the board embeds considerations of planet, people, and prosperity in its oversight of risks and opportunities, and how the company establishes its risk appetite (e.g., how considerations of planet, people, and prosperity are embedded in decision-making, including capital allocation, such as expenditures, acquisitions, and divestments)

Useful considerations

- What jurisdictional requirements to report against established corporate governance frameworks apply, and how might they already address the 4Ps?
- Do you show how considerations of planet, people, and prosperity are embedded in performance criteria for executive remuneration?
- Are you transparent on participation in public policy development and lobbying and how such activities align to the purpose, public positions, and goals of the company?
- Is there transparency about losses from matters that had a negative impact (including those arising from unethical behavior)?
- Do you report on how considerations of planet, people, and prosperity are embedded in decision-making, including capital allocation, such as expenditures, acquisitions, and divestments?
- Do you report on whether the board’s agenda includes regular reviews against the 4Ps?
Enhancing integrated thinking: Strategy

Embedding the considerations of planet, people, and prosperity into the heart of business strategy has the potential to enhance the organization’s competitive position and enable it to capitalize on new opportunities, as well as burnish its reputation and appeal to employees and customers. Scenario modelling techniques provide a well-established method for developing strategies that are both flexible and robust, which in turn can help assess implications and organizational resilience.

Strategy should be supported by goals that respond to the considerations of planet, people, and prosperity, and then provide the path to achieving the organization’s purpose. The goal-setting exercise should be robust and rigorous to help ensure such goals are credible. These goals should be set and aligned with the scientific consensus about what’s needed, when applicable. Following the methodologies of third-party organizations, such as the Science-Based Targets Initiative can add additional rigor and credibility to goal-setting efforts. Ambitious long-run targets will likely be needed, but also focus on near-term (one-year, five-year) goals.

Evolving the company’s strategy to address planet, people, and prosperity can have far-reaching consequences, necessitating a thorough evaluation of other parts of the business, including:

- The cost, availability, and limits on the use of resources, including understanding how the strategy will be financed (e.g., incremental pricing on capex and opex models or additional R&D investments)
- The need for business transformation encompassing operations, systems, and processes
- Potential trade-offs that will arise and how any negative impacts can be minimized
- Opportunities for cross-sector collaboration to address industry-wide barriers to enhancing impact (e.g., in the supply chain)
- The flexibility of the strategy and business model (including in relation to the supply chain) to address impacts from major events, political or regulatory interventions, and industry disruptors

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Useful considerations

- What has stakeholder engagement revealed and which specific expectations regarding reporting were expressed?
- Is the value creation process in the <IR> Framework a useful approach?
- Can the COSO framework on enterprise risk management (ERM), internal controls, and fraud deterrence help embed considerations of planet, people, and prosperity?
- How does the strategy connect to reporting on business viability and resilience, corporate governance, and financial performance?
- Are you reporting on how the business balances long-term viability and value creation with short-term competitiveness and profitability (including trade-offs, e.g., among planet, people, and prosperity)?
Risk management is a critical component of the long-term viability and resiliency of an organization. As with governance, a cross-functional management team should be established with expertise covering the considerations of planet, people, and prosperity. However, this risk assessment process should not be separate or standalone, but rather embedded into the overall ERM process.

This approach can significantly expand the scope of potential risks and opportunities that should be evaluated. The data sources leveraged will also be broader than those typically used when considering operational and financial risk management.

Some specific considerations that should be addressed as part of this process include:

- Understanding which risks can be mitigated through appropriate strategies and those risks that are systemic in nature and need to be viewed more generically
- Ensuring appropriate ownership of these new risks and formalizing reporting and communication processes, including to the board as part of risk reporting
- Enhancing the risk management framework to establish appropriate controls capable of capturing emerging and dynamic high-impact risks across the pillars of planet, people, and prosperity
- Considering how technology might assist in risk sensing, monitoring, and mitigation

This broadened risk management effort should in turn prompt a reevaluation of the company’s risk appetite and an update to its risk register. Relevant risks across the dimensions of planet, people, and prosperity should be considered with respect to the company’s entire value chain and across a range of time horizons, bringing to bear appropriate expertise (including external experts) and stakeholders from outside of the risk function.
Reporting outcome: Risk management

- Report on how considerations of planet, people, and prosperity have been incorporated into the assessment of risk
- Describe the key and emerging risks that relate to planet, people, and prosperity, including the financial size and scale of those risks
- Explain how these identified risks are being managed or mitigated
- Report on management processes and internal controls in relation to planet, people, and prosperity

Useful considerations

- Have you set out what the time horizons and boundaries are applied to risk management processes?
- Have you highlighted the role internal audit plays in assessing the effectiveness of the risk management process over the 4Ps?
Metrics and targets are vital to measure progress against goals and provide a mechanism to monitor associated risks and opportunities. They are a key means of communicating to stakeholders, enabling them to assess not only the organization’s performance but also to compare across industries.

Targets should be set that incorporate the considerations of planet, people, and prosperity, and reflect the purpose and public commitments made by the company. It may also be beneficial to align these targets to the UN’s Sustainable Development Goals or, for emissions reductions, science-based targets. In addition to targets, metrics should be established to help track performance, aligned to leading third-party standards and frameworks (for example, TCFD and the SASB), keeping apprised of the fast-moving evolution of these metrics.

Once metrics and targets are set, organizations will need to implement systems, processes, and controls for collecting information and enhance management accounting and reporting to include the new measures. These processes should include identifying gaps in measurement and tools and methodologies that could address them. Metrics and targets should also be reflected in incentives for directors and managers; benchmarked against peers to help ensure industry comparability; and included within management accounting to enhance reporting.
• Report on the identified metrics and targets which support the commitments made, using the subset of metrics that are material and looking to industry-agnostic WEF-IBC metrics and industry-specific SASB disclosures as starting points.
• Evaluate whether the selected metrics support the materiality assessment and report on those that are material.

Useful considerations:
• To what extent are metrics relating to planet, people, and prosperity financially relevant and relate to the risks and opportunities identified?
• Have you evaluated whether the selected metrics support the materiality assessment?
• Are you disclosing the material strategic milestones achieved in the year or expected to be achieved in the following year, and how they have contributed or are expected to contribute to long-term value?
• Are metrics aligned to the targets and commitments made by the company?
• Are you reporting using consistent and comparable metrics and methodologies period-to-period (including balanced disclosures on value creation and erosion)?
• Are you regularly benchmarking to peers to increase comparability across the sector?
• How, if at all, are metrics on planet, people, and prosperity incorporated into remuneration policies, and are these consistent with the overall targets and metrics set for the company?
Actions:
- Perform a diagnostic of your existing systems, processes, and controls to understand the gaps
- Develop and document policies, procedures, and control activities in relation to 4Ps and put in place steps to monitor them
- Develop a sound process for collecting, arranging, and optimizing information quickly and reliably
- Build an integrated dashboard to combine existing internal reports into one overarching report
- Understand the impact on systems and controls, including governance and oversight
- Assess maturity of the data collection process across the 4Ps to establish readiness for reporting and external assurance

Useful considerations
- Are you addressing findings from internal audits and external assurance in relation to the 4Ps to enhance data quality and clarity of reporting?
**Actions:**

- Map current reporting to stakeholder needs and expectations in relation to reporting
- Consider holistically the package of reports and communications to investors and other stakeholders to help ensure consistency and coherence
- Consider delivery channels to optimize the value of the reporting package, including digital solutions, such as a portal to allow enhanced interface and user experience
- Align financial and sustainability reporting cycles, especially where the information reported is relevant to enterprise value creation, to improve timeliness of data and its ability to inform decision-making
- Address how information on enterprise value connects to financial information
- Initiate an assurance readiness evaluation and establish a plan to move toward limited assurance and then reasonable assurance
- Develop a plan for continuous improvement

**Useful considerations**

- Are you focusing on material information that is clearly aligned to the purpose and strategy to enhance decision-making usefulness?
- Is reported information communicated clearly and concisely?
- Are disclosures entity-specific (avoiding boilerplate content)?
- Have you considered appropriate signposting and cross-referencing to enhance users' understanding?
- Have you considered the <IR> Framework to improve connectivity of disclosures on governance, strategy, performance, and prospects?
Reporting process: Assess readiness for mandatory reporting

**Actions:**

- Enhance the process for monitoring developments in standards as they are formalized, issued, and mandated by regulators
- Evaluate what you already report compared to new requirements, including impact on KPIs and governance arrangements
- Evaluate methodologies currently used for metrics and targets compared to new requirements.
- Adjust and formalize systems and controls to enhance data capture
- Review how disclosure and reporting need to be adjusted, especially how the location of required disclosures compares to current reporting
- Obtain the appropriate level of assurance to enhance confidence in the reported information

**Useful considerations**

- Is your process sufficiently robust to deliver information that meets expected attributes of mandatory reporting (faithful representation, relevance, materiality, comparability, verifiability, timeliness, and understandability)?
- Do you have appropriate connectivity in your approach to audit and any assurance provided?