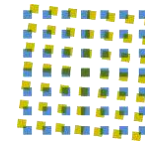


10  
YEARS OF

INTEGRATED  
REPORTING



# Developing an integrated strategy



**sustainerv**

Inspiring Meaningful Change

Sustainable value creation in an interconnected world  
The IIRC's Global Conference 2020

# About this session

- Learn how to get from integrated thinking to integrated strategy
- Hear how leading companies tackle integration
- Discuss practical experiences with multi-capital business models
- Share your own inspirations and challenges for integration

# Speakers



**Tjeerd Krumpelman**  
Global Head of Business  
Advisory, Reporting &  
Engagement  
**ABN AMRO**



**Bernd Kasemir**  
Managing Partner

**Sustainserv**



**Cora Olsen**  
Global Lead Integrated  
Reporting

**Novo Nordisk**



**Claudia Kamensky**  
Lead External  
Communications

**Clariant**

# Tjeerd Krumpelman, ABN AMRO

Integrated Thinking & Strategy Group



**“INTEGRATED REPORTING  
IS A PROCESS FOUNDED  
ON INTEGRATED THINKING.”**

**IIRC.org**



## Definition of Integrated Thinking

Integrated Thinking (IT) is the active consideration by an organization of the relationships between its various operating, 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 (IIRC, 2013)

# Integrated thinking & strategy group



**Tjeerd Krumpelman**

Chair of the Integrated Thinking and Strategy Group

**IIRC**

Global head of advisory, reporting & engagement

**ABN AMRO Group**



**Professor Cristiano Busco**

Vice-Chair of the Integrated Thinking and Strategy Group

**IIRC**

Full Professor of Accounting and Reporting,  
**LUISS Guido Carli University in Rome and University of Roehampton London Business School**



**Elena Sofra**

Assistant to Integrated Thinking and Strategy Group

**IIRC**



**Irma Malafrente**

Assistant to Integrated Thinking and Strategy Group

**IIRC**

# Group Participants overview

- **6 partners**
- **44 companies (next slide)**
- **Regular webinars**
- **15 case studies**
- **State of Play report 2020 / Update Report 2021**



# Current SIG members



# Overview State of play report

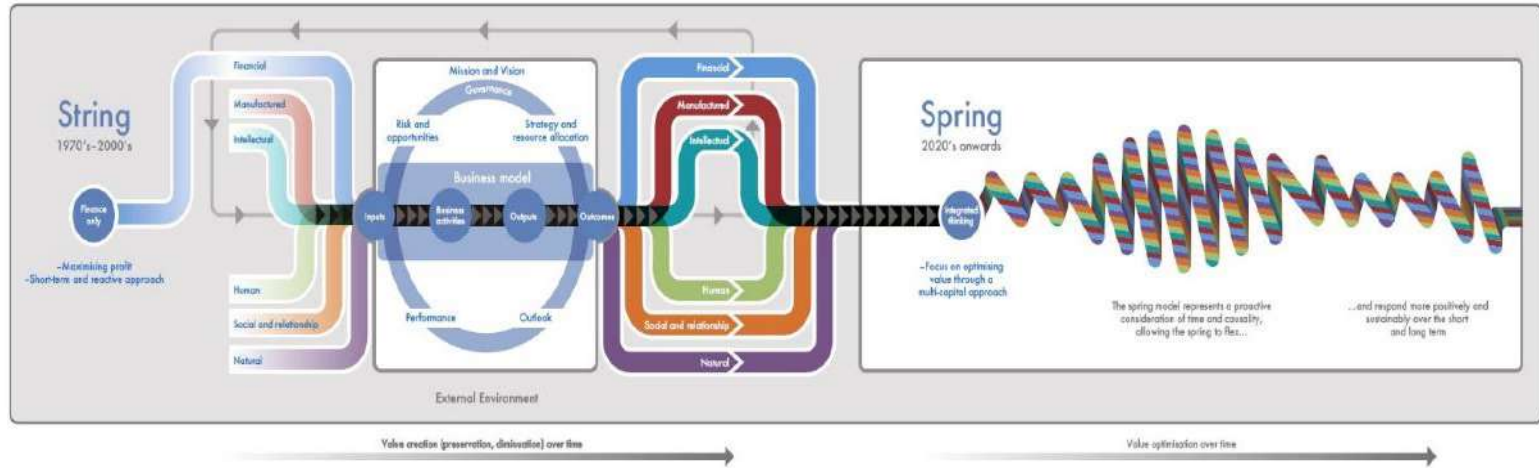
The current scenario that organizations ought to face

- A broader set of issues – more than just financial performance or product benefits
- A wider set of stakeholders – more than just a company's shareholders or customers
- Multiple time horizons – impacts need to be understood in the short, medium and long term, not just the short term.

Taken together, this leads to a new understanding of value, where value creation and destruction are considered throughout the value chain.



# From String model to Spring model



Visually, if we were to tie the strings together and show their changing impact over time, we could visualise the result as a **spring**.

The key challenge for management, then, is to make the spring as effective as possible in enabling the company to create value.

# Case Study Project & Integrated Thinking Assessment Module - Overview

## Case Study:

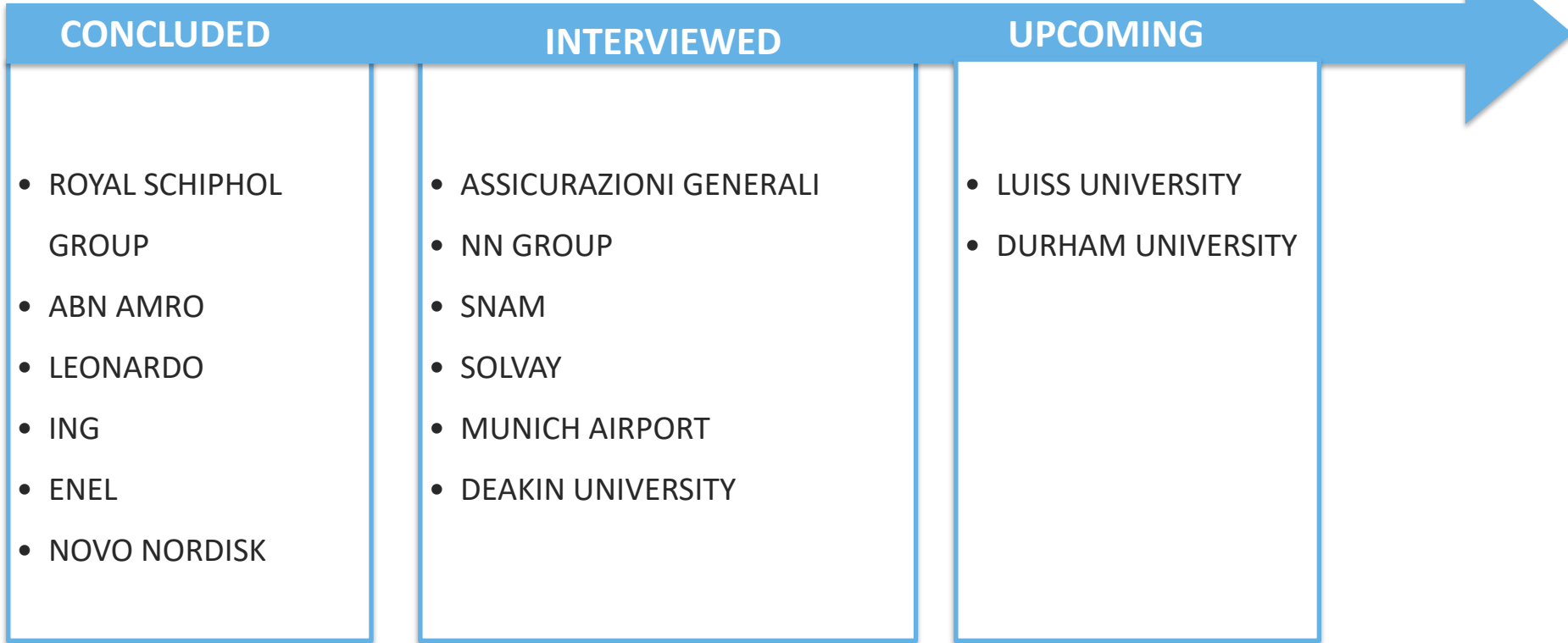
- Drivers and Historical Context
- Strategy
- Execution of the Strategy
- Integrated Thinking Innovation Assessment

## Integrated Thinking Assessment Module

Goal: to assess the extent to which integrated thinking is embedded within organizations across five key areas:

- Culture & Purpose;
- Strategy & Business Model;
- Governance & Risk;
- Processes & Practices;
- Performance Management.

# Case Study Project - Update



# Q&A Session

**10**  
YEARS OF

**INTEGRATED  
REPORTING**



A close-up photograph of a fountain pen and its cap resting on a wooden surface. The pen is positioned diagonally from the top left towards the bottom center. The cap is lying horizontally to the right of the pen. The lighting is soft, highlighting the textures of the wood and the metallic sheen of the pen. The overall color palette is muted, with browns, greys, and a hint of teal.

# RESULTS OF INTEGRATED THINKING & STRATEGY

# THE BENEFITS OF INTEGRATED THINKING FOR REPORTING

## Management reporting

Ability to steer non-financials, evidence based. Non-financials can be used as pre financials

## Risk reporting

Strategic Risk Assessment aligned and more thorough

## Integrated reporting

Alignment of management- (internal), external-, and risk reporting





## INTEGRATED THINKING IMPLEMENTATION: AN ONGOING PROCESS...

# How to create value:



# Different forms of value and stakeholders

## What value?

---



Financial



Manufactured



Intellectual



Human



Social



Natural

## For whom?

---



Clients



Employees



Investors



Society-at-large

# How to create value in five steps

1. What do we want? Long term value creation
2. For whom? Our Stakeholders -> Who are they?
3. On what? Material topics -> what is relevant to stakeholders?
4. How? Ask them! Research, dialogue, transparent progress
5. Next steps? Act, Communicate and repeat process



# INTEGRATED THINKING AND INTEGRATED REPORTING BRINGS BETTER DECISION-MAKING

THAT ULTIMATELY  
LEADS TO  
LONG-TERM  
VALUE CREATION

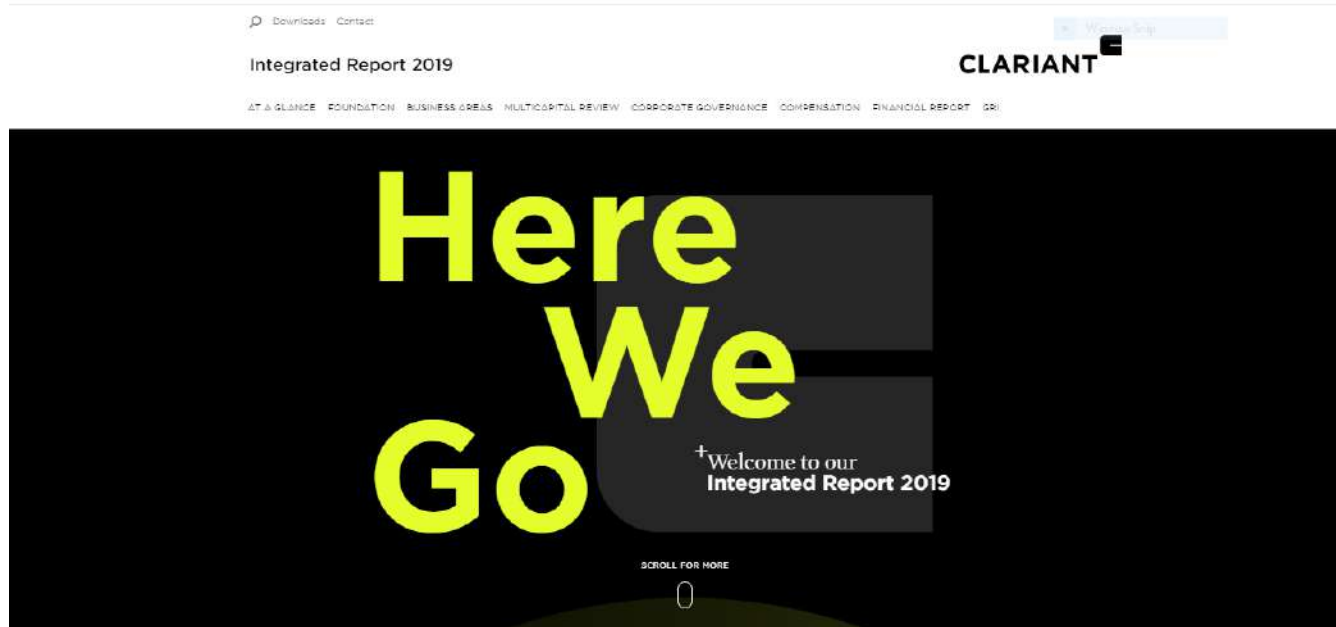


# Claudia Kamensky, Clariant

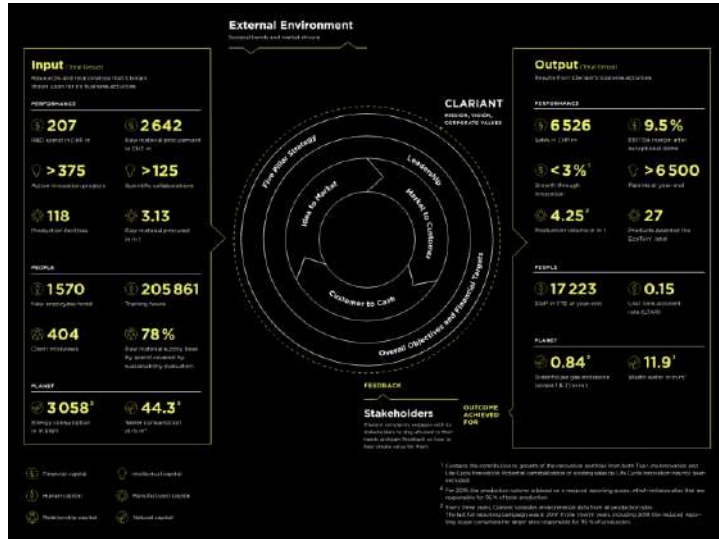
Integrated reporting as a catalyst for integrated thinking

**CLARIANT** 

# Integrated reporting as a catalyst for integrated thinking: Clariant's Integrated Report

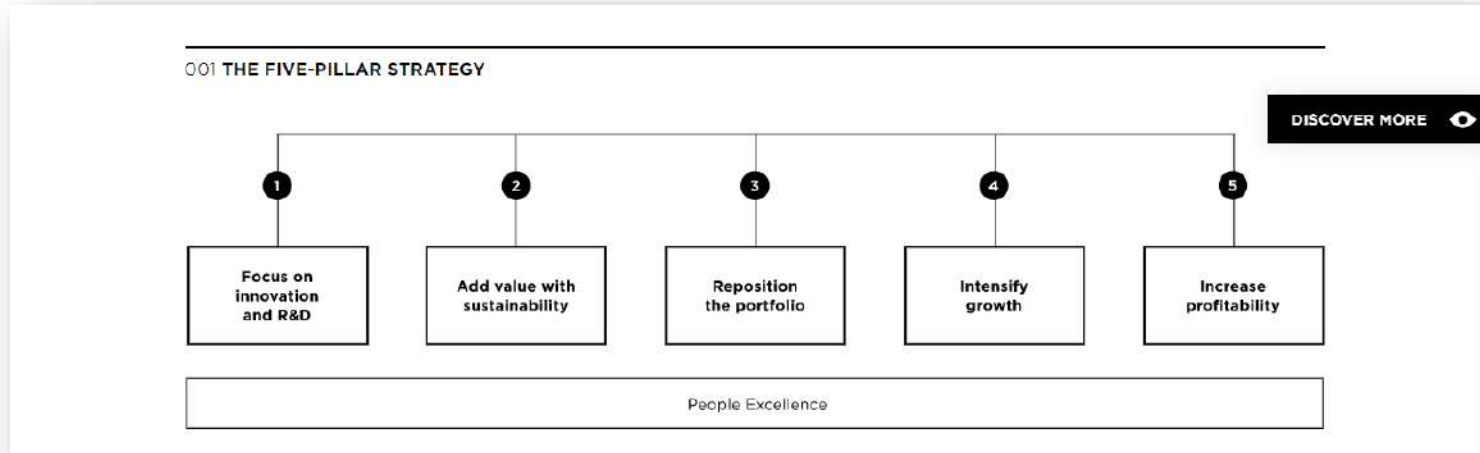


# Operating an integrated business model



- With the introduction of integrated reporting in 2016, Clariant's business model was visualized for the first time.
- In the inner circles represent Clariant's identity with its Corporate vision, mission, values, Corporate strategy, overall objectives and financial targets, leadership culture, the three value creation phases, as well as the business areas.
- The external environment and the exchange with stakeholders about their needs influence the company.
- The resources Clariant utilizes to run its business (*Input*) and the results from its activities (*Output*) are structured along the three dimensions Performance, People, Planet.
- The six capitals and the most important KPIs were assigned to these three dimensions.
- In 2019 the outcome for the stakeholders was not yet specified, but this will change now.

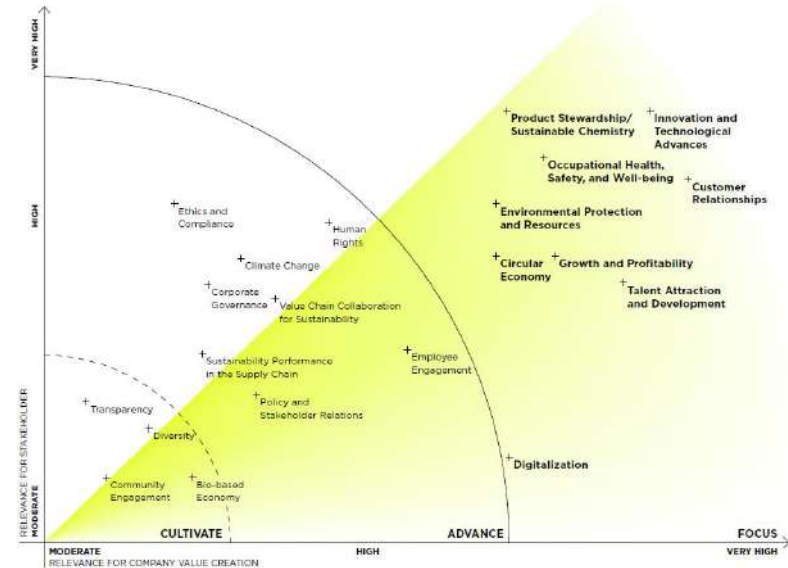
# Corporate strategy to steer the course



- Clariant's Corporate strategy with its five strategic pillars provides guidance for achieving the overall objectives and financial targets.
- The integration of *Add value with sustainability* into the strategy in 2014 acted as a catalyst for integrated reporting.
- Execution on the strategic pillars utilizes and impacts all types of capitals.
- The different pillars are particularly related to certain capitals types especially regarding the outcomes achieved.

# Most material topics for long-term value creation determine reporting structure

- In-depth materiality assessment of economic, environmental, and social topics in 2017.
- Based on internationally recognized standards (IIRC, GRI, SASB, Un Global Compact, UN SDG, and a peer review).
- Annual review and adjustment according to current trends and developments (Digitalization and Circular Economy were moved from advanced to focus Topics)
- Clariant reports on each material topic in the "Focus" and "Advance" categories in the [Multicapital Review](#) of the IR and outlines a management approach as well as corresponding, topic-specific disclosures in the [GRI Report](#).



# Derivation of KPIs exemplified by the focus topic of Innovation & Technological Advances

BRAND VALUE	CAPITAL	MATERIAL TOPIC	INPUT KPI	OUTPUT KPI
<b>Performance</b>	Financial	Growth & Profitability	R&D Expenditures	Growth through Innovation
			R&D Expenditures as Share of Sales	
	Intellectual	Innovation & Tech. Advances	Active Innovation Projects	Patents (year-end)
		Digitalization	Class 1 Projects	Trademarks (year-end)
	Manufactured	Product Stewardship	R&D Centers	
			Technical Centers	
<b>People</b>	Human	Talent Attraction & Development	Staff in R&D	Innovation Black Belts
		Employee Engagement		
		OHS & Well-being		
	Relationship	Customer Relationship	Scientific Collaborations	
		Ethic & Compliance		
		Policy & Stakeholder Relations		
		Sustainable Supply Chain		
		Human Rights		
<b>Planet</b>	Natural	Environm. Protection & Res.		
		Climate Change		
		Circular Economy		

# Into the new

# Cora Olsen, Novo Nordisk

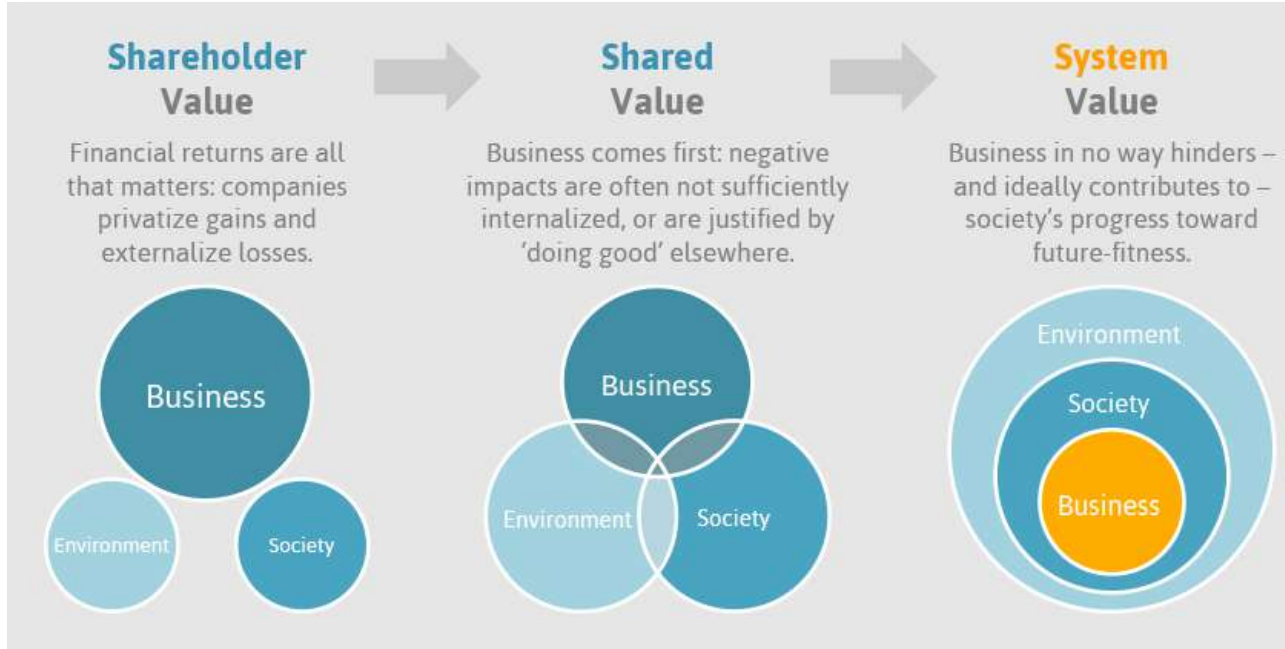
A perspective on integrated thinking, management and strategy



# The road to business integration in 5 steps

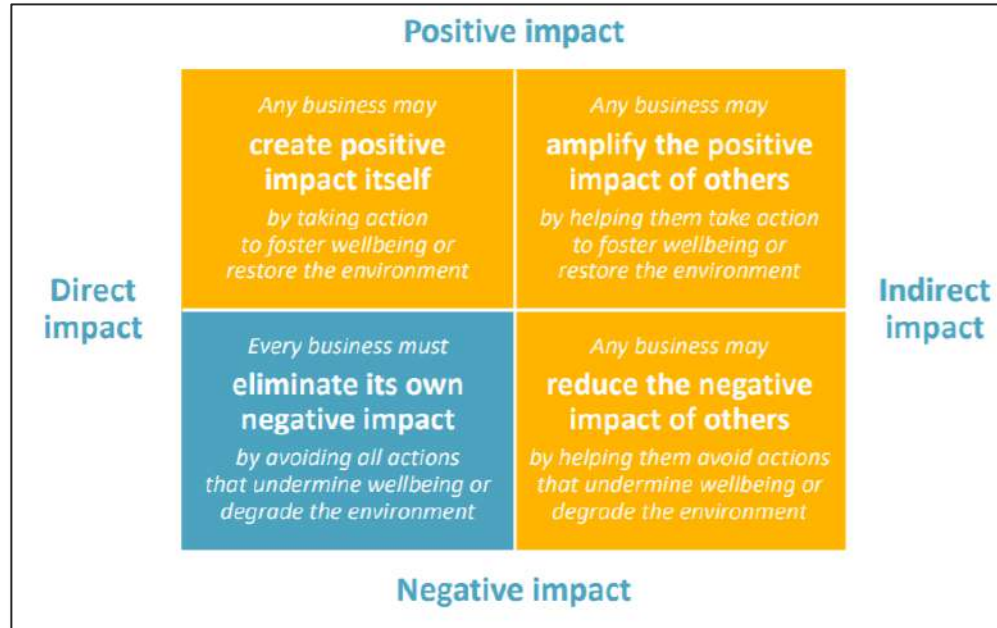
- 1 Understand the context – the system within which the business operates
- 2 Get clarity on the positive and negative impacts from the business
- 3 Define strategy and priorities
- 4 Embed in management processes
- 5 Repeat

# 1. Understand the context – the system within which the business operates



'Future-Fit Business Benchmark Methodology Guide' by the Future-Fit Foundation

## 2. Get clarity on the positive and negative impacts from the business



'Future-Fit Business Benchmark Methodology Guide' by the Future-Fit Foundation



**Break-Even Goals**  
The minimum a company *must* strive to do to contribute *enough* toward an environmentally restorative, socially just and economically inclusive future.

Energy	Energy is from renewable sources
Water	Water use is environmentally responsible and socially equitable
Natural Resources	Natural resources are managed to respect the welfare of ecosystems, people and animals
Pollution	Operational emissions do not harm people or the environment
	Operations emit no greenhouse gases
	Products emit no greenhouse gases
Ecosystems	Products do not harm people or the environment
	Operations do not encroach on ecosystems or communities
Waste	Operational waste is eliminated
	Products can be repurposed
People	Community health is safeguarded
	Employee health is safeguarded
	Employees are paid at least a living wage
	Employees are subject to fair employment terms
	Employees are not subject to discrimination
	Employee concerns are actively solicited, impartially judged and transparently addressed
	Product communications are honest, ethical, and promote responsible use
Product concerns are actively solicited, impartially judged and transparently addressed	
Systems	Procurement safeguards the pursuit of future-fitness
	Financial assets safeguard the pursuit of future-fitness
	Lobbying and corporate influence safeguard the pursuit of future-fitness
	The right tax is paid in the right place at the right time
	Business is conducted ethically






**Positive Pursuits**  
The ways a company  
may choose to go beyond  
its minimum obligations, to  
deliver outcomes that  
speed up society's progress

Energy	Others <b>depend less on non-renewable energy</b>
	More people have <b>access to energy</b>
Water	Others <b>contribute less to water stress</b>
	More people have <b>access to clean water</b>
Natural Resources	Others <b>depend less on inadequately-managed natural resources</b>
Pollution	Others generate <b>fewer greenhouse gas emissions</b>
	<b>Greenhouse gases are removed</b> from the atmosphere
	Others generate <b>fewer harmful emissions</b>
	<b>Harmful emissions are removed</b> from the environment
Ecosystems	Others cause <b>less ecosystem degradation</b>
	<b>Ecosystems are regenerated</b>
	Others cause <b>less damage to areas of high social or cultural value</b>
Waste	<b>Areas of high social or cultural value are restored</b>
	Others generate <b>less waste</b>
	<b>Waste is reclaimed</b> and repurposed
People	More people are <b>healthy and safe from harm</b>
	<b>People's capabilities</b> are strengthened
	More people have <b>access to economic opportunity</b>
	<b>Individual freedoms are upheld</b> for more people
Systems	<b>Social cohesion</b> is strengthened
	<b>Governance</b> is strengthened in pursuit of future-fitness
	<b>Infrastructure</b> is strengthened in pursuit of future-fitness
	<b>Market mechanisms</b> more effectively signal and reward the pursuit of future-fitness
	<b>Social norms</b> increasingly align to support the pursuit of future-fitness

## 3. Define strategy and priorities

**Strategic aspirations for 2025**

 Purpose and sustainability	 Innovation and therapeutic focus	 Commercial execution	 Financials
<ul style="list-style-type: none"><li>• Being respected for adding value to society</li><li>• Progress towards zero environmental impact</li><li>• Ensure distinct core capabilities and evolve culture</li></ul>	<ul style="list-style-type: none"><li>• Further raise the innovation-bar for diabetes treatment</li><li>• Develop a leading portfolio of superior treatment solutions for obesity</li><li>• Strengthen and progress the Biopharm pipeline</li><li>• Establish presence in Other serious chronic diseases focusing on cardiovascular disease, non-alcoholic steato-hepatitis and chronic kidney disease</li></ul>	<ul style="list-style-type: none"><li>• Strengthen Diabetes care leadership – aim at a global value market share of more than 1/3</li><li>• Strengthen Obesity care leadership and double current sales<sup>1</sup></li><li>• Secure a sustained growth outlook for Biopharm</li></ul>	<ul style="list-style-type: none"><li>• Deliver solid sales and operating profit growth<ul style="list-style-type: none"><li>– Deliver 6–10% sales growth in International Operations</li><li>– Transform 70% of sales in the USA<sup>2</sup></li></ul></li><li>• Drive operational efficiencies across the value chain to enable investments in future growth assets</li><li>• Deliver free cash flow to enable attractive capital allocation to shareholders</li></ul>

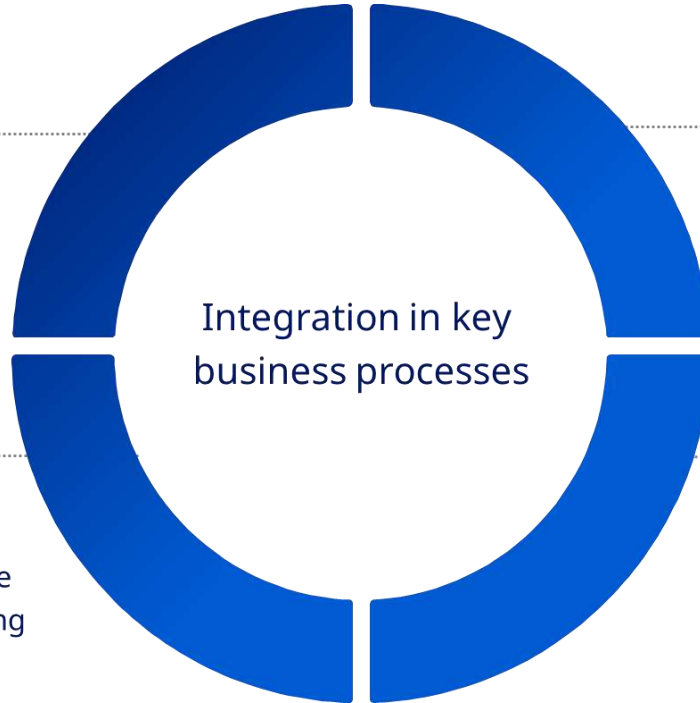
## 4. Embed in management process

### Stakeholders

- Trend spotting
- Stakeholder engagement
- Partnerships

### Performance

- Balanced Scorecard
- Personal performance goals
- Long-term incentive programme
- Quarterly management reporting
- Annual reporting



### Governance

- Articles of Association
  - Novo Nordisk Way
- Policies and strategies
- Boards and Committee
- Annual strategy review by the Board of Directors

### Aspirations & goals

- Strategic long-term targets and 2020 aspirations
- Specific short-term targets

## 5. Repeat

Reflections and recap:

- ESG does not equal sustainability
- Less bad performance/best in class vs. necessary performance
- Understanding not just risks TO business, but also risks FROM business
- Language is important: focus must be on issues
- Applying a systems view to understand (Future-Fit Business Benchmark) value creation and erosion
  - negative impacts and positive impacts
  - the inter-connectedness of issues
- Change management is often incremental unless a crisis occur
- Changing culture, changing behavior is difficult and requires continuous top-down focus
- Overcoming short-termism
- A natural part of decision-making and actions

# Bernd Kasemir, SustainServ

Strategy Integration – beyond “multi-capitalism”



**sustainServ**  
Inspiring Meaningful Change

# Multi-capital integration: necessary, not sufficient



**1. STRATEGY/REPORTING ALIGNMENT**



**2. FUTURE-ORIENTATION**



**3. IMPACT-FOCUS**

# Aligning strategy and report development



## 1. STRATEGY/REPORTING ALIGNMENT

As strategy evolves, reporting needs to fully reflect that. ADD strategy elements that are not reported yet. PRUNE „integrated story-telling“ that is not really strategically relevant.

*Integrated Strategy & Integrated Reporting*



## 2. FUTURE-ORIENTATION



## 3. IMPACT-FOCUS

# Articulating resilience under scenarios

## 1. STRATEGY/REPORTING ALIGNMENT

As strategy evolves, reporting needs to fully reflect that. ADD strategy elements that are not reported yet. PRUNE „integrated story-telling“ that is not really strategically relevant.

*Integrated Strategy & Integrated Reporting*

## 2. FUTURE-ORIENTATION

Why will your corporate strategy be successful in a changing world? Articulate resilience of your integrated business model under plausible SCENARIOS.

*Integrated Strategy & Scenario Requirements in TCFD/TNFD/...*

## 3. IMPACT-FOCUS

# Assuming Responsibility for Impacts

## 1. STRATEGY/REPORTING ALIGNMENT

As strategy evolves, reporting needs to fully reflect that. ADD strategy elements that are not reported yet. PRUNE „integrated story-telling“ that is not really strategically relevant.

*Integrated Strategy & Integrated Reporting*

## 2. FUTURE-ORIENTATION

Why will your corporate strategy be successful in a changing world? Articulate resilience of your integrated business model under plausible SCENARIOS.

*Integrated Strategy & Scenario Requirements in TCFD/TNFD/...*

## 3. IMPACT-FOCUS

How is corporate activity planned, managed and communicated in the context of a LARGER WHOLE?

*Integrated Strategy & ?*

*Each company needs own meaningful approach, building on SDGs, PASI, Impact Management Project ...*



Any Questions?