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# Integrated Thinking Principles

Value creation through organizational resilience

# Integrated Thinking Principles:

Value creation through organizational resilience

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# Integrated Thinking Principles: Value creation through organizational resilience

## Executive Summary

Integrated thinking unites the constituent parts of an organization. It focuses the whole organization on the mutually reinforcing endeavour of value creation in the short, medium and long term. It supports stronger governance and better management, underpinned by integrated decision-making and a holistic approach to resource allocation. It balances short-term performance needs with a longer-term approach to value creation and preservation.

Version one of the Integrated Thinking Principles ('Principles') provides a structured approach, rooted in the Integrated Reporting Framework, to embed integrated thinking into an organization year-round. It helps unlock the full intrinsic value of an organization and communicate this to providers of financial capital through an integrated report, based on the Integrated Reporting Framework and international financial and sustainability accounting standards. This, in turn, may lead to better assessments by providers of financial capital of how an organization creates, preserves or erodes value over time. It can also support a stronger weighted average cost of capital (WACC) and more robust forecasts of future cash flows, which may lead to higher market capitalization.<sup>1</sup>

The business model, as the dynamo of value creation, is central to the Principles. It transforms input resources through business activities into outputs and outcomes, achieving an organization's purpose and delivering its strategy. Integrated thinking also helps align these outcomes with the distinct contribution an organization may make to the delivery of the Sustainable Development Goals (SDGs).

Six Principles surround the business model, encompassing the key activities overseen by those charged with governance and managed by executive, senior and middle management teams:

<i>PURPOSE</i>	<i>CULTURE</i>	<i>RISKS &amp; OPPORTUNITIES</i>
<i>GOVERNANCE</i>	<i>STRATEGY</i>	<i>PERFORMANCE</i>

These six Principles, which align with the architecture of the TCFD Recommendations, provide a structured approach for creating the best conditions within an organization in response to its external environment, in order to maximize value creation and preservation and minimize value erosion.

They are interconnected, offering a comprehensive leadership and management philosophy, and a gauge by which an

organization can evaluate how effectively integrated thinking is already being practised and identify areas for improvement. Embracing the Principles can lead to improved decision-making by addressing the trade-offs in resource allocation needed to create or preserve value over time.

Other tangible benefits which organizations have identified from integrated thinking include a deeper understanding and response to factors shaping value creation over various time horizons, sharper strategic execution, stronger corporate governance, a more resilient corporate culture, and achieving the organization's purpose. The Principles also provide a basis on which to create an annual integrated report and communicate the sustainability performance and impacts of an organization.

Feedback from those practising integrated thinking indicates the business benefits outweigh the time and effort required to embed it across the organization.

These Principles are supplemented by the [Transition to integrated thinking: a guide to getting started](#), which provides an overview of how to embed integrated thinking into the day-to-day processes and practices of an organization.

# Integrated Thinking Principles

## Introduction

Version one of the Integrated Thinking Principles ('Principles') represents a leadership and management philosophy focused on value creation and preservation - and the avoidance of value erosion - over time for the organization and its key stakeholders. The Principles are rooted in the concept of integrated thinking, which is defined as: '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, preservation, or erosion of value over the short, medium, and long term.'<sup>2</sup>

Integrated thinking leads to integrated decision-making and encourages the different parts of an organization to work collectively and create value over time across the variety of resources and relationships available. These include not only financial capital but also manufactured, intellectual, human, social and relationship, and the natural capital which forms the bedrock of all economic productivity. Integrated thinking also supports the alignment of this value creation with the distinct contribution an organization can make to the SDGs.

The business model is central to the Principles, as shown in Figure 1 on page 5. It is of critical importance to an organization's ability to embed integrated thinking effectively and must be clearly articulated before the six Principles can be embraced.

The business model is both the mechanism for the delivery of an organization's strategy and an explanation of how it creates value over time. It is unique to each organization and is the starting point for the achievement of an organization's purpose, and may evolve in response to changes in its internal and external environment. Just as other aspects of the business are continually assessed and adapt to changes, the business model should also be periodically assessed by those charged with governance and the executive management team to evaluate the need for transformation.

The Principles provide a structured approach for those charged with governance to help design processes for assessing their Purpose, Governance, Culture, Strategy, Risks & Opportunities and Performance. This structure, which aligns with the architecture of the TCFD recommendations, will be equally helpful for organizations who want to benchmark their activities, and for those just beginning to embed integrated thinking who want a holistic and coherent structure with which to begin. Integrated thinking has been successfully implemented in many organizations around the world and across a wide variety of sectors. The Value Reporting Foundation's [thought leadership](#) reports on integrated thinking and expanding library of case studies illuminate the [benefits of integrated thinking](#).

The Principles are rooted in the Integrated Reporting Framework, which provides the conceptual basis

for integrated thinking. There are six interconnected Principles and three levels to each: the first level challenges those charged with governance to question how widely each of the six Principles has been adopted across their organization; the second level provides the executive management with a gauge to measure how deeply these Principles have been embedded into day-to-day operations; the third level consists of a series of questions to be addressed by senior and middle management regarding management tools, practices and processes to bring integrated thinking to life. [Case studies](#) from the Value Reporting Foundation's Integrated Thinking and Strategy Group illustrate the benefits from practical application of the Principles across the second and third levels.

Integrated thinking and the Integrated Thinking Principles, like integrated reporting, will develop and improve over time. The more that integrated thinking is embedded into an organization's activities, the more connected information will naturally flow into management reporting, analysis and decision-making. It also leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the integrated report. We encourage you to be curious about the six Principles, excited about the benefits they will yield and eager to instil this leadership and management philosophy into your organization.

# Rationale

The Principles provide those charged with governance and the executive management team of an organization, whether private sector or public sector, a multinational corporation or an SME, with a guiding star by which to chart a course focused on creating and preserving value over time and minimizing value erosion. The Principles are designed to help senior and middle management teams better understand how their actions and activities – and the decision-making which underpins both – contribute towards the creation, preservation or erosion of value over time. The Principles are founded on the idea that an organization can only truly create value over time for its key stakeholders across the various capitals if the following six areas are addressed through its business model:

<i>PURPOSE</i>	<i>CULTURE</i>	<i>RISKS &amp; OPPORTUNITIES</i>
<i>GOVERNANCE</i>	<i>STRATEGY</i>	<i>PERFORMANCE</i>

These six Principles will help those charged with governance and executive management teams of an organization navigate the trade-offs needed when managing the resources and relationships that are inputs to their business model, recognizing that value creation over time in one capital may come at the expense of value erosion in another capital. For example, when an organization improves its human capital through employee training, the related training costs reduce its financial capital in the short term but enhance the value of the organization's human capital in the longer term.

Each of these six Principles is explored across three levels: in the first level by a searching question to be addressed by those charged with governance, encouraging them to think and act in an integrated manner. Each question is further expanded through the consideration of a series of related statements, which constitute the second level of the Principles. The third level of the Principles is a series of questions regarding management tools, practices and processes which support integrated thinking across the six Principles, helping in the journey towards sustainable value creation for the organization and its key stakeholders. The second and third level of the Principles are illustrated by [case studies](#) from the Value Reporting Foundation's Integrated Thinking and Strategy Group.

Embedding the Principles from Level 1 to Level 3 in sequential order is the suggested approach to their implementation but it is recognized that different approaches may be adopted by organizations depending on their circumstances. Nonetheless, integrated thinking is an iterative process and requires that all levels are periodically assessed, regardless of the order in which they are implemented. A practical guide to support organizations to embed the Principles has been published, the [Transition to integrated thinking: a guide to getting started](#).

# Audience

The Principles are closely aligned with both the [Integrated Reporting Framework](#) and the process of integrated reporting by an entire organization.

Their primary audience are those charged with governance, executive management, and senior and middle management. They may lead the corporate centre, a regional or country entity, an operating unit, or a site; they will be responsible for significant decision-making, such as entry into a new market, the launch of a new product or the location of a new factory. The Principles will work best, however, when they are embraced across the organization and they resonate with every employee, as well as other key stakeholders, who form the broader audience of the Principles.

The Principles, as a leadership and management philosophy, should be instilled in the organization's culture and inform all decisions taken by it which contribute towards value creation and preservation over time for an organization and its key stakeholders. They also provide a mechanism for linking the achievement of the targets associated with key performance indicators (KPIs) and incentive structures.

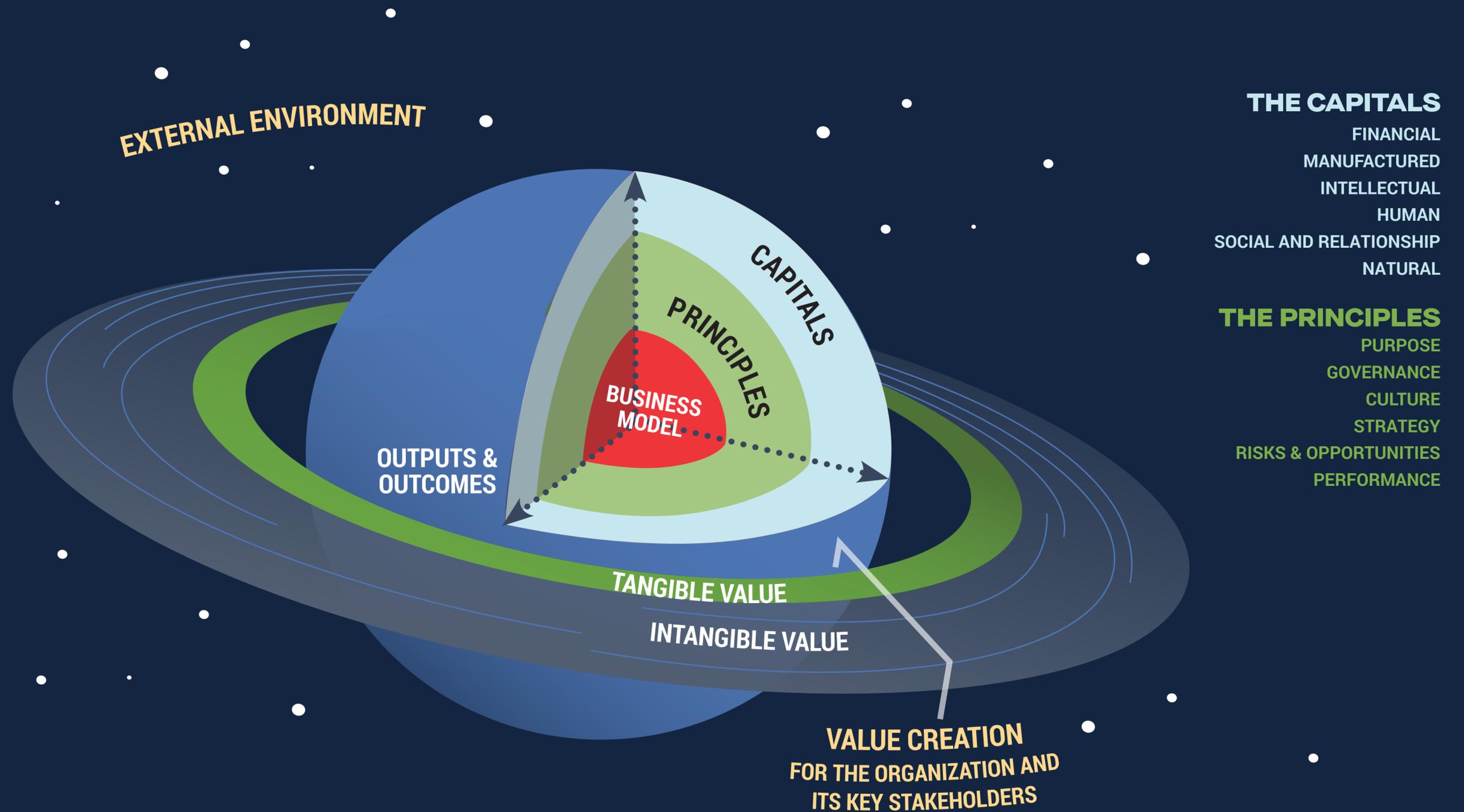
An organization is depicted here as a planet orbiting the solar system of its **external environment**.

The **business model** is at the core of an organization, which is its system of transforming inputs, through its business activities, into **outputs and outcomes**. These inputs, outputs and outcomes are all shaped by the forces of the external environment.

The six **Principles**, which surround the business model and encourage the different parts of an organization to work collectively, enhance decision-making and deepen an organization's understanding of how its activities impact the various **capitals** and lead to value creation, preservation or erosion over time.

The Principles lead to a better comprehension of how an organization creates **tangible and intangible value**, which constitute **value creation for the organization and its key stakeholders**.<sup>3</sup>

**Figure 1. How the Integrated Thinking Principles support value creation**



# Structure

The Principles are structured on three levels:

## Level 1: The Principles

Whom? **Those charged with governance**

What? The business model is of central importance, as it underpins integrated thinking and enables value creation over time. The six Principles are applied directly to the business model, and in Level 1 are illustrated with a question by which those charged with governance can gauge how effectively and meaningfully integrated thinking has been embedded into their organization.

## Level 2: Assessment

Whom? **Executive management**

What? The second level of each of the six Principles involves a series of statements further exploring the questions from the first level. These statements enable the executive management team to continue their assessment of the extent of integrated thinking within their organization. Adoption of the Principles is an iterative process and it is envisaged that these statements would be revisited periodically to gauge progress towards greater integrated thinking maturity. Hyperlinks connect this level and Level 3 with case studies from the Integrated Thinking and Strategy Group, highlighting inspiring examples of the practical application of each of the six Principles.

## Level 3: Operationalizing the Principles

Whom? **Senior and middle management**

What? The third level drills down into the second level and is a process-based integrated thinking methodology. This level addresses through probing questions the key business processes and critical activities associated with implementing and operationalizing each of the six Principles. This level represents management tools, practices and processes that can inform decision-making and enable a formal assessment of the maturity of integrated thinking. It is likely that these will be embedded into an organization over a multi-year timeframe, with this level of the Principles facilitating an annual evaluation of integrated thinking and serving as a source of future development activities.

# Level 1: The Principles



# Level 1: The Principles

## PURPOSE

Why do we exist and what is our unique contribution to the needs of society and the environment?

## GOVERNANCE

How do those charged with governance make a distinctive contribution to value creation for the organization and its key stakeholders? How is our strategic execution enabled by our organizational structure, cross-functional teaming, decision-making processes, and risk and opportunity management processes?

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 1: The Principles

## CULTURE

How do we identify our key stakeholders, and how do we embed a culture that earns their trust and aligns with our core values?

## STRATEGY

How does our organization define where it wants to go and how it intends to get there? How do we seize opportunities, mitigate risks, and maximize the resources available to us to meet the needs of our customers and key stakeholders through the products we make and the services we provide, whilst creating value in the short, medium, and long term?

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 1: The Principles

## RISKS & OPPORTUNITIES

How do we assess the impact of internal and external risks and opportunities on our business model, operations and strategy in the short, medium and long term?

## PERFORMANCE

How do we measure, manage, act upon and communicate the value we have created for our providers of financial capital and other key stakeholders?

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 2: Assessment

## PURPOSE

Our organizational purpose is unique and clearly articulated. It is brought to life in the interactions of those charged with governance, executive, senior and middle management, staff, customers, suppliers, host governments and local communities.

## GOVERNANCE

The objectives and critical success factors of those charged with governance are clearly defined.

Our executive management, organizational structures, cross-functional teaming and decision-making processes support those charged with governance in executing our strategy and delivering our strategic objectives.

We recognize that value creation for one type of capital may create, preserve or erode value creation across another type of capital.

Our governance structures and processes support the decision-making which enables us to navigate the necessary trade-offs between the capitals.

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 2: Assessment

## STRATEGY

We scan the horizon for strategic opportunities.

We have identified our strategic objectives and gauged how their achievement will enable us to achieve our purpose and contribute to the SDGs.

Our sustainability priorities are aligned with our business strategy.

We understand how the material issues associated with our business model affect our ability to execute our strategy.

We understand how our products and services meet our customers' needs.

We consider how our strategic actions affect our broader stakeholders.

We generate competitive advantage through our innovation, unique insights and perspectives, and our ability to bring our products and services to market in an effective and efficient way, whilst also generating a financial surplus.

## CULTURE

Our conduct and how we do things are consistent with our purpose.

Our organizational culture creates trust, inspires innovation and aligns with our business partners and broader stakeholders. We recognize the critical interdependency between value creation, preservation and erosion across all of our resources and relationships.

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 2: Assessment

## RISKS & OPPORTUNITIES

We routinely assess the impact of the external environment on the robustness of our business model and our operations, and our ability to execute our strategy, deliver our strategic objectives and create value over time.

We also routinely assess the impact of our business model, operations and strategy on the external environment.

## PERFORMANCE

Our KPIs and management information measure how well we are delivering against our strategic objectives. They also measure the value we are creating, preserving or eroding across the capitals which are material to our business model.

We measure and report our contribution to the SDGs.

Our incentive structures are aligned with enterprise value creation and value creation for other key stakeholders.

Our integrated report communicates the short-, medium- and long-term value we have created, preserved or eroded for our providers of financial capital and other key stakeholders.

Our integrated report describes its basis of preparation and presentation.

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 3: Operationalizing the Principles

## Key business processes and critical activities

### PURPOSE

- Is our organizational purpose motivational? How does it guide the way our organization conducts its business? Is it as relevant across the organization as it is for those charged with governance? Is it also relevant among business partners and stakeholders?
- Is the consistency between our organization's decision-making, resource allocation and purpose routinely reviewed by those charged with governance?

### GOVERNANCE

- How do those charged with governance regularly review the governance structures and processes and identify opportunities to improve them? Is the diversity of skills and experience of those charged with governance reviewed to enable them effectively to guide the executive management team and also hold them to account for the delivery of our organization's strategy?
- Does our organization assess strategic opportunities with the same degree of rigour as strategic risks?
- Do the decision-making processes of those charged with governance assess value creation, preservation and erosion across all the capitals which are material to the decision being taken, and do they balance the necessary trade-offs between the capitals?
- Do those charged with governance ensure that our organization's incentive structures are aligned with long-term enterprise value creation, including, where practicable, long-term value creation for broader stakeholders?
- Do teams work collectively to deliver our organization's strategic objectives and actively break down functional siloes where these exist, fostering connectivity and enabling our organization holistically to assess, measure and report its progress in delivering its critical success factors through its financial and sustainability-related KPIs?
- Is our integrated report assured by an independent third party?

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 3: Operationalizing the Principles

## Key business processes and critical activities

### CULTURE

- How do those charged with governance assess how effectively our organization lives according to its values? Are annual employee surveys and regular pulse surveys used to this extent? Do those charged with governance effectively take action where there are areas of concern?
- How do those charged with governance enforce policies on ethical behaviour and transparency, taking action if policies are breached?
- Do those charged with governance assess the degree of alignment of our organization's corporate culture and that of its key suppliers and customers when making significant business decisions?
- Have those charged with governance identified the relevant stakeholders, and their legitimate needs and interests, as part of a stakeholder engagement and materiality assessment process?
- Does our organization's materiality assessment identify those matters with the greatest positive or negative potential to impact enterprise value creation and value creation for providers of financial capital and other key stakeholders?

### STRATEGY

- How do those charged with governance identify future strategic opportunities presented by our organization's operating environment, including in its supply chain and broader value chain, during the strategic planning process?
- Are our organization's strategy and strategic objectives clearly defined, forward-looking and responsive to longer-term drivers of value creation, preservation and erosion such as technological, societal and environmental changes?
- Are our strategy and strategic objectives aligned with the distinct contribution our organization can make to the SDGs?
- How do those charged with governance regularly assess our organization's strategic decision-making processes, to ensure the achievement of the strategic objectives is helping to fulfill the organizational purpose?
- Does our organization undertake a periodic assessment of its material issues, and has it assessed how these may affect its ability to execute its strategy?
- Does our organization invest in innovative products and services and nurture a culture of innovation through its purpose and values?
- How does our organization manage its operations efficiently, taking account of all its dependencies and impacts on its material capitals?

## Business Model

*Creating value today,  
sustaining value tomorrow\**

# Level 3: Operationalizing the Principles

## Key business processes and critical activities

### RISKS & OPPORTUNITIES

- How has our organization identified the material internal and external issues which create risks and opportunities for its business model? When operational risks materialize or significant losses are suffered, does our organization perform a root-cause analysis to understand what needs to be reengineered or improved?
- Do those charged with governance complete a regular cross-functional assessment of our organization's material issues and how they affect its ability to create and preserve value?
- How do those charged with governance model the impact of our organization's material risks and opportunities, such as climate change scenarios and technological and societal changes, on our future performance? And do they recalibrate the business model and strategic objectives based on the insights yielded by these processes?

### PERFORMANCE

- Does our organization measure its progress towards the achievement of our strategic objectives using KPIs and discuss these during regular executive management team meetings?
- Does our organization use KPIs to measure the value it has created, preserved or eroded over time across its material capitals? Does our organization report all these KPIs and draw on them in decision-making and resource allocation?
- Has our organization identified the SDGs most relevant to its operations, supply chain, and products and services? Does it measure its contribution to the delivery of the SDGs and communicate this to its stakeholders? How does it do so?
- Do our organization's management systems accurately and completely collect financial and sustainability-related performance information, with appropriate controls in place to ensure the quality and integrity of the data?
- Is the quality, relevance, and reliability of the information with which our organization manages the business formally assessed? And how has this been done?
- Does our organization prepare an annual integrated report in accordance with the Integrated Reporting Framework?
- Does our organization's integrated report include a description of the materiality determination process, reporting boundary and methods used to quantify or evaluate material matters?

## Business Model

*Creating value today,  
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2022

# **Integrated Thinking Principles:** Value creation through organizational resilience

## **Appendix**

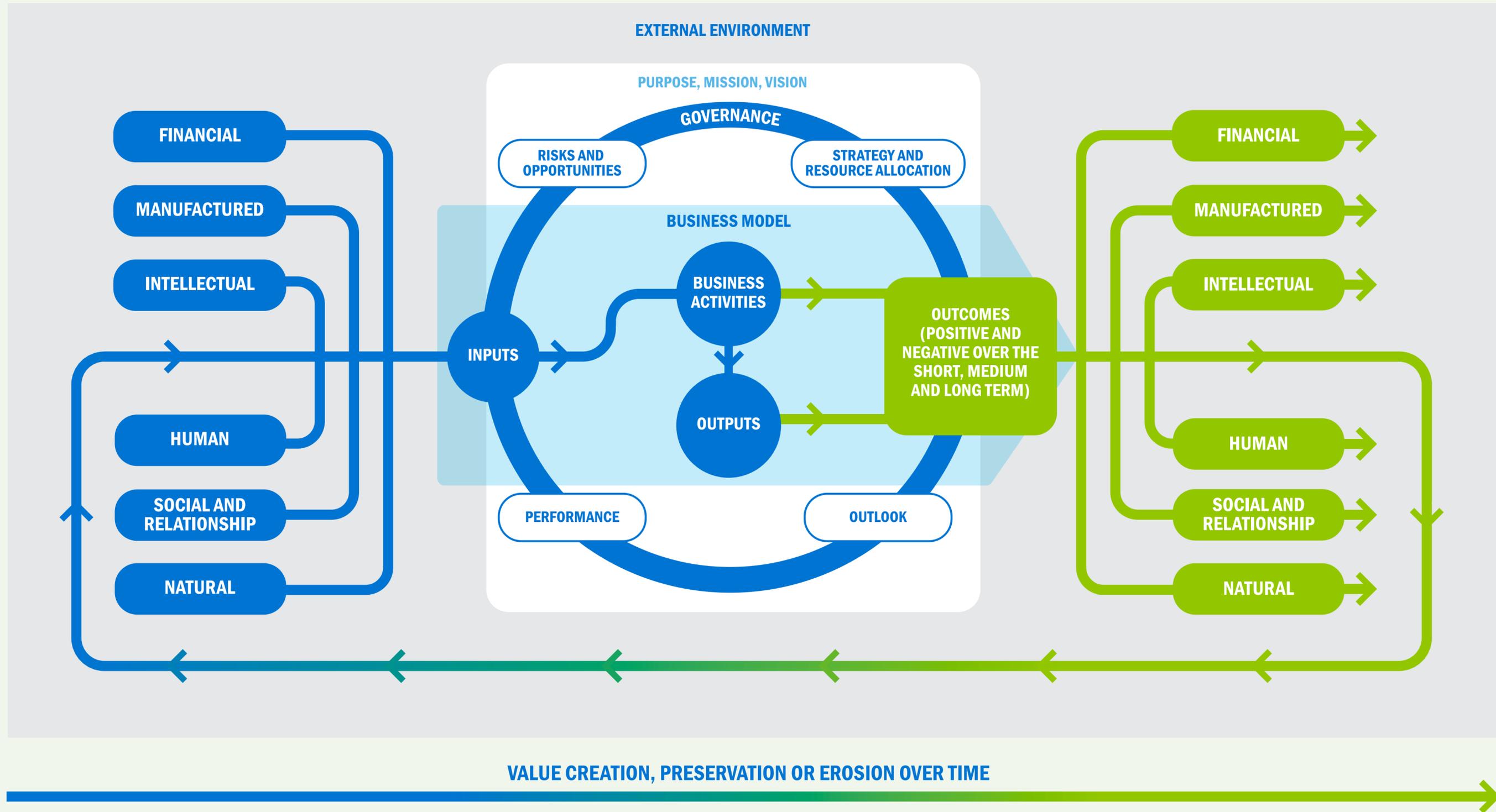


Figure 2. Process through which value is created, preserved or eroded. Integrated Reporting Framework (January 2021), p. 22.

# Glossary

## Business model

'An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.'

[Integrated Reporting Framework](#) (January 2021), p. 41.

## Business partners

Tier-one suppliers and customers with whom an organization does regular business.

## Business processes

A business process emphasises how work is done rather than what is done. It is also a structuring of activities across time and place to transform inputs (such as knowledge, people and materials) into outputs for customers and outcomes for other stakeholders. Business objectives, business processes and outcomes all have associated critical success factors and business risks. Business processes contain process-level objectives, business risks and KPIs.

## Capitals

'Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs. The capitals are categorized in the Integrated Reporting Framework as financial, manufactured, intellectual, human, social and relationship, and natural.'

[Integrated Reporting Framework](#) (January 2021), p. 53.

## Creating value today, sustaining value tomorrow

The Brundtland Report laid the foundation stone of the international sustainability movement in 1987, when it defined sustainable development as, 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs.'

[Report of the World Commission on Environment and Development: Our Common Future](#) (UN, 1987), Chapter 2, Paragraph 1.

## Critical success factors

The minimum-level activities within business processes (specifying how the capitals are used) that must be performed well for a business to be successful.

## Customers

Also includes clients for organizations who operate in Financial Services and Professional Services. 'Customers' is also used as a proxy for not-for-profit organizations, such as universities and healthcare trusts, which are meeting the needs of their students and patients via the services they provide.

## Efficient

Managing the organization's operations in a manner which takes account of the interdependencies of the capitals and the trade-offs which may be necessary between them in order to manage operations in a sustainable manner. An efficient operation, for example, is not necessarily one which is managed at the lowest financial cost relative to the volume of production or rate of productivity if this 1) effects an organization's natural capital impacts detrimentally or 2) leads to employee burnout and high rates of voluntary attrition.

## Enterprise value

The total value of an entity: the sum of the value of the entity's equity (market capitalization) and the value of the entity's net debt.

## Intangibles

'Intangibles are non-physical resources which, either alone or in conjunction with other tangible or intangible resources, can generate a positive or a negative effect on the value of the organization in the short, medium and long term.'

[WICI Intangibles Reporting Framework](#) (2016), p.13.

## Integrated report

'A concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value in the short, medium and long term.'

[Integrated Reporting Framework](#) (January 2021) p.53

## Integrated thinking

'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, preservation or erosion of value over the short, medium and long term. Integrated thinking takes into account the connectivity and interdependencies between the range of factors that affect an organization's ability to create value over time, including:

- The capitals that the organization uses or affects, and the critical interdependencies, including trade-offs, between them
- The capacity of the organization to respond to key stakeholders' legitimate needs and interests
- How the organization tailors its business model and strategy to respond to its external environment and the risks and opportunities it faces
- The organization's activities, performance (financial and other) and outcomes in terms of the capitals – past, present and future.'

[Integrated Reporting Framework](#) (January 2021), Preface, p. 3.

## Key Performance Indicators (KPIs)

The financial and sustainability-related quantitative measurements that are collected by the organization, either continuously or periodically, and used by management to evaluate the extent of progress towards meeting the entity's defined strategic objectives.

## Key stakeholders (other than providers of financial capital)

Those groups or individuals that can reasonably be expected to be significantly affected by an organization's business activities, outputs or outcomes, or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. Stakeholders may include employees, customers, suppliers, business partners, local communities, NGOs, environmental groups, legislators, regulators and policymakers.

# Glossary (cont.)

## Management Information (MI)

The broad set of management information by which the executive committee and other senior leaders make decisions, such as the management accounts, monthly management pack, key performance indicators, 'flash' results and daily updates (e.g. on sales performance), and decision-making 'hurdles' or 'gates' for capital expenditure (CapEx) or operating expenditure (OpEx) investments, new products and services etc.

## Material matters

Matters that substantively affect the organization's ability to create value over the short, medium and long term.

## Providers of financial capital

'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.'

Integrated Reporting Framework (January 2021) p.54

## Purpose

EY and Harvard Business Review define purpose as 'an aspirational reason for being which inspires and provides a call to action for an organization and its partners and stakeholders and provides benefit to local and global society.'

The Business Case for Purpose (Harvard Business Review, 2015), p. 1.

The British Academy's 'Future of the Corporation' programme defines the social responsibility of business as: 'to create profitable solutions for the problems of people and planet, while not profiting from creating problems for either.'

Policy & Practice for Purposeful Business: the final report of the Future of the Corporation programme (British Academy, September 2021), p. 14.

'Why does our purpose matter? Our purpose sets out our primary reason for existence and guides the evolution of our strategy at the intersection between what society needs and where we can specifically and uniquely contribute.' The Crown Estate's Integrated Annual Report and Accounts 2020/21, p. 4.

## SDGs

The 17 UN Sustainable Development Goals, also known as the Global Goals. There are 169 targets associated with these goals that all UN Member States have agreed to work towards achieving by 2030.

## Strategy

'Strategic objectives together with the strategies to achieve them.'

Integrated Reporting Framework (January 2021), p. 54.

## TCFD

Taskforce on Climate-Related Financial Disclosures.

## Those charged with governance

'The person(s) or organization(s) (e.g., the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its obligations with respect to accountability and stewardship. For some organizations and jurisdictions, those charged with governance may include executive management.'

Integrated Reporting Framework (January 2021) p.54

## Value creation, preservation or erosion

Value created, preserved or eroded by an organization over time manifests itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs.

That value has two interrelated aspects—value created, preserved or eroded for:

- The organization itself, which affects financial returns to the providers of financial capital
- Others (i.e. stakeholders and society at large).

## WACC

Weighted average cost of capital, which measures a company's cost to borrow money from investors or debt providers.

# Footnotes

1. See [The Economic Consequences Associated with Integrated Report Quality: Capital Market and Real Effects](#) Mary Barth, Steven Cahan, Lily Chen and Elmar Venter (April 2017); [Closing the gap: The role of integrated reporting in communicating a company's value creation to investors](#) (November 2020).
  2. [Integrated Reporting Framework](#) (January 2021), Preface, p. 3.
  3. This model of enterprise value creation is closely aligned with the business model diagram on page 22 of the [Integrated Reporting Framework](#).
- \* 'Creating value today, sustaining value tomorrow' is aligned with the role of the business model in creating value over the short, medium and long term from the Integrated Reporting Framework in paragraph 1.6 on p. 10.

# VALUE REPORTING FOUNDATION

## INTEGRATED THINKING PRINCIPLES

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value – how it is created, preserved or eroded over time. The resources – including the Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards – can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.

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