

## What is an integrated mindset and why is it needed?

An integrated mindset is essential to an organization's ability to advance sustainable value creation. As the world in which businesses operate has radically changed, sustainability and financial risks are converging. Achieving sustainable value creation requires organizations to think, measure, manage and report in a more integrated manner, and incorporate sustainability matters in governance, strategy, risk management, metrics and targets, and corporate reporting.

At its core, an integrated mindset is about improving the quality of sustainability information and processes and connecting these to financial reporting and the value of the business. This leads to better decision making and communication with stakeholders, and consequently to reduced risk and cost of capital, as well as growth opportunities.

### BETTER DECISION MAKING TO ENABLE BOARD AND MANAGEMENT ACCOUNTABILITY



Management and boards are enabled to make informed decisions and provide effective oversight of sustainable value creation by taking into account all relevant information. This involves ensuring all material sustainability impacts and dependencies, related risks and opportunities, and their financial implications, are identified, measured, tracked and considered in decision-making.

Sustainability information relevant to strategy and business model is used to identify company priorities that best lead to the creation and protection of value for the organization, as well as the environment and society.

Resource allocation and performance is aligned by incorporating sustainability priorities into planning, capital allocation decisions, performance dashboards and reporting across the organization.

### BETTER REPORTING TO ENABLE TRANSPARENCY AND DECISION-USEFUL DISCLOSURE



Investors, capital markets, regulators and others demand improvements in corporate reporting to enhance transparency and to ensure capital is allocated toward sustainable value creation.

Sustainability disclosure is evolving quickly to meet investor and other stakeholder needs.

- IFRS Sustainability Disclosure Standards will create a comprehensive global baseline and connect sustainability risks and opportunities to economic decision making and the value of the business (i.e., enterprise value creation).
- Jurisdiction-specific initiatives can complement global requirements, particularly in relation to multi-stakeholder, impact-focused reporting.

Decision-useful disclosure will only follow if financial and sustainability information and their supporting business processes and systems are integrated, and the quality of sustainability information, as well as its connectivity to financial position and performance, is improved. Connecting sustainability information also provides greater insight into intangible knowledge assets that drive enterprise value.

**IFAC calls on businesses to promote and enable an integrated mindset to enhance decision making and corporate reporting**

## HOW IS AN INTEGRATED MINDSET ACHIEVED?

### Breaking down siloes: The Role of the CFO & Finance Team

Boards and CEOs are turning to CFOs to enhance the connectivity and maturity of information by:

- Consolidating and prioritizing relevant issues and information from various corporate functions and external sources about sustainability impacts and significant opportunities and risks, and subsequently ensuring integration of this information into planning, financial analysis, and scorecards.
- Connecting information and reporting processes— i.e., governance, risk, ESG, financial —into a more integrated corporate reporting process that provides a comprehensive picture of performance and value creation to the organization, its investors, and other stakeholders.
- Objectively analyzing and reconciling trade-offs— i.e., between stakeholder interests within and outside the organization, and potential initiatives and their relative contribution to value creation.
- Leveraging the professional accountant's expertise in reporting processes, systems and controls; regulatory compliance and adherence to standards; and building confidence through internal and external assurance.



**The professional accountant's skillset, ethics and business acumen are critical to high-quality and decision-useful sustainability information**

### Building Trust in Information

Confidence in sustainability data and information can be achieved by:

- Boards and audit committees fulfilling their oversight responsibilities for instilling a culture of integrity and ethics, and comprehensive, interconnected corporate reporting and related risk management, and assurance.
- Applying financial reporting principles and controls to material sustainability disclosure so that sustainability information is reliable, relevant, decision-useful and timely (i.e., it can be disclosed at the same time as the financial statements).
- Establishing an organization-wide data and decision-making architecture that provides consistency to relevant metrics and KPIs—thereby enabling reliability and comparability across regions, business units, and subsidiaries.
- Leveraging technology— i.e., automation of data extraction, digital workflows with embedded controls, and use of analytics.

**Explore case studies highlighting the role of CFOs and their teams in sustainability.**