Sustainable Success Model©

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ARGE
Helping You Succeed

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ARGE

Helping You Succeed

ARGE Consulting
Improving Management Quality

A globally recognized Turkish management consulting firm
ARGE Consulting in 30 Years;

Carried out over 1,500 projects for more than 500 clients across numerous sectors to improve their profitability and help them win **National and European Awards** for **business excellence**.

Four focus areas in its projects:

- **Strategy** (*doing the right things*)
- **Quality** (*doing things right*)
- **Institution Building** (*sustainability of the institution*)
- **Good Governance** (*culture and climate for enhancing management quality*)

Leading contributions to the community:

- **National Quality Movement** influenced numerous sectors throughout the country
- Founding the Turkish Network of **UN Global Compact** –*the largest global sustainability platform*– and assuming global leadership of the Local Networks
- Deployment of **corporate volunteerism** approach through Private Sector Volunteers Association
- Enhancing **good governance** across public, private sectors, and civil society

Won **International Awards** with the development of exemplary practices.

Made contributions to **international standards** established by institutions such as the United Nations, G20, OECD, World Bank, IFC, EBRD, and World Economic Forum.

Intellectual contributions published at globally recognized journals such as Harvard Business Review and INSEAD Knowledge, and books by Palgrave Macmillan and Wiley.

ARGE Consulting

Pioneer and Role Model for 30 Years

- **Globally recognized** for its expertise on Governance and Corporate Social Responsibility activities
- **National leader** in strategy, business excellence, governance, and sustainability topics
- **B20 Knowledge Partner** for governance and sustainability
- The **first Turkish signatory** of the **UN Global Compact**
- **Certified Advisory Organization** of the European Foundation for Quality Management (**EFQM**)
- **Certified Knowledge and Training Partner** of the International Integrated Reporting Council (**IIRC**), being among the **first ten in the world** and the **only Turkish** institution to do so.
- **The only institution in the world** to be certified by both EFQM and IIRC.
- **The only Turkish member** to serve on Professional Services Working Group of the World Economic Forum (**WEF**).
- **Global Chair** of the Local Networks of **UN Global Compact**, the largest global sustainability platform.
- **Intellectual contributions to international standards** developed by OECD, UN, IFC, and EU.
- ARGE founded **Argüden Governance Academy** to leverage societal development through good governance culture.
- The Academy has developed unique methodologies such as '*Sustainability Governance Scorecard*' and '*Municipality Governance Scorecard*' to promote good governance culture. The Academy also implemented exemplary projects such as 'Good *Governance for Kids*' and '*Governance Youth Network*'.
- The Academy is the **first Turkish institution** to publish an Integrated Report, and is **among the NGO pioneers** to adopt Integrated Reporting. The Academy is a **Knowledge Partner** of the International Integrated Reporting Council (**IIRC**).
- ARGE Consulting has helped numerous clients in different industries to improve their profitability through **innovative strategic initiatives**.
- ARGE's clients won multiple Turkish and European **business excellence awards**.
- Thousands of employees are being managed by the **Organization** and **HR Systems** developed by ARGE to be aligned with the strategies of its clients.
- ARGE Consulting supports continuous development of **Family Businesses** and **Corporate Governance** for sustainable success.
- ARGE Consulting has been a **national leader** in introducing **innovative management tools** such as '*Balanced Scorecard*', '*Intellectual Capital*', '*Value Management*', '*Board Evaluations*', '*Change Management*', '*Reputation Management*', and '*Sustainability Governance*'
- As part of its corporate policy, ARGE Consulting has been encouraging its partners to commit one day a week to volunteer on non-profit activities. In 2002, ARGE was recognized as one of the top three companies to **Shape the Future** at the **European Parliament**.
- ARGE voluntarily contributes to the development of **Award Schemes for NGOs** including **PERYÖN**, **TAİDER**, **Competitiveness Forum**, **ÖSGD**, **Micro-Credit** (Citibank-KEDV) in order to encourage societal progress.
- ARGE Consulting is the **only Turkish company** to be included in the **Responsible Entrepreneurship** book, published by the **European Commission**.
- The social responsibility activities of ARGE are examined as **case studies** at many reputable universities through a research conducted by the Bogaziçi University and shared via European Case Clearing House.

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INTRODUCTION

Human beings form institutions for two basic reasons:

- to utilize the resources more effectively,
- to manage the risks better

in order to improve their quality of life.

A corporation is a limited liability institution that aims to make profits for its shareholders[1]. By definition, a corporation is a construct that incorporates risk management, as it enables pooling of resources[2] and limiting the liability of the shareholders. However, limited liability in tort may lead to excessive corporate risk taking and do more harm than the value created, especially when the interests of third parties, namely stakeholders, who may be negatively affected by the decisions of the corporation are also considered[3].

Profit motive is the key driver behind economic activity that induce people to invent, innovate, and take risks that they may not otherwise pursue. However, when the sole focus becomes attaining short-term profits and externalities are ignored, in the longer term the company faces significant risks such as loss of social license to operate or to face significant regulatory burdens that undermine long term profitability of the company. Incorporating the externalities[4] into the decision-making process not only helps managing the long-term risks better, but also provides an opportunity for value creation by considering the interests of all stakeholders.

Incorporating the externalities into the decision-making process not only helps managing the long-term risks better, but also provides an opportunity for value creation by considering the interests of all stakeholders.

1 *Except non-profit corporations.*

2 *Except in the case of a single shareholder corporation*

3 *Harm may also be for the shareholders if the corporation either cannot bring returns to invested capital or even worse fails to result in loss of invested capital.*

4 *An externality is a cost or benefit caused by a company that is not financially incurred or received by that company. An externality can be both positive or negative and can stem from either the production or consumption of a good or service. The costs and benefits can be both private, incurring to an individual or an organization, or social, meaning it can affect the society as a whole.*

The measure of the quality of a business is all about value creation, value delivery, and value capture.

The measure of the quality of a business is all about value creation, value delivery, and value capture (a business's ability to create profits from its transactions). Value creation requires a deep understanding of the customers' needs and their problems. Developing solutions and delivering them to the customers at a price that is lower than their willingness to pay is the key to success, defined as value capture (the difference between the market price of the developed solution and cost of value creation and delivery).

What gets measured, gets improved.

Value creation is a function of effective utilization of different resources including financial, intellectual, manufactured, natural, human, and social and relationship capitals[5]. Creating an effective unique value proposition requires a successful strategic direction (consistent choices that differentiate the company from its competitors), efficient and effective utilization of resources, and ability to invest and innovate. Therefore, having preferential access to these resources and continuously building them are critical for the success of the corporation. What gets measured, gets improved. Hence, measuring and managing these different dimensions of capital effectively is key for the success of the corporation.

According to the theory of contestable markets[6], where entry and exit barriers are low (almost zero), economic profits will converge to zero in the long run. Common barriers to entry include economies of scale and scope, research and development, capital-intensive production, switching costs, brand loyalty, government regulations, and having unique access to limited resources. Ability to continuously invest and innovate is the path to build and keep the entry barriers to be able to continue to make profits.

In the 16th century, after the Ottomans gained control of the Mediterranean, the Portuguese came up with the technical innovations to build ocean travelling ships to reach the richness of Asia through alternative routes. However, the institutional innovations came from the Dutch.

5 *Integrated thinking formulates these six different classes of capitals as the key resources for value creation.*

6 *William J. Baumol (1982)*

In 1602, Dutch East India Company was founded to better manage the dangers of piracy, disease, shipwreck, and market risks by pooling the resources of its investors and became the world's first formally listed public company. With its pioneering institutional innovations, it became an early-modern corporate model of a vertically integrated global supply chain and a corporate pioneer of foreign direct investment. After nearly 200 years, it failed mainly due to corporate mismanagement. Principles for good governance began to emerge from the learnings of this demise and perhaps this is the reason for the quality of Dutch corporate governance even today.

Governance comes from the Greek word *kybernao*, first utilized at the times of Plato and Aristo and means 'steering' which incorporates two important concepts: guidance and oversight. Corporate governance, as defined by Sir Cadbury, is "the system by which companies are directed and controlled." Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing guidance to the leadership to get the strategy implemented (guiding and coaching the management), providing oversight to the management of the business for effective and ethical conduct, and reporting to shareholders on their stewardship.

Governance incorporates two important concepts: guidance and oversight.

Trust is the essence of good governance and foundation of sustainable development. Trust of stakeholders is key to sustainable success of any institution. Deterioration of trust is similar to having a higher friction coefficient; to get the work done one needs to utilize more energy. Therefore, lack of trust undermines the basic reason for forming an institution such as a corporation, namely effective utilization of resources. Good governance is providing guidance (strategic direction and coaching) and oversight to the management of a company to ensure that value is created with effective resource utilization and stakeholders' trust to be able to gain access to their[7] resources on preferential terms.

Trust is the essence of good governance and foundation of sustainable development.

7 Providers of resources

Sustainable success can be achieved through integrated thinking, effective implementation, and proper communication of value creation and value capture model.

Sustainability of the success of a corporation can only be achieved by adopting a long-term perspective, considering the interests of all stakeholders in decision making, and continuous ability to invest and innovate. Sustainable success can be achieved through integrated thinking (for innovation and sustainability), effective implementation (for value creation and capture), and proper communication of value creation and value capture model (value reporting for gaining the trust of the stakeholders to gain preferential access to various dimensions of capitals).

Since 1991, ARGE Consulting has not only been helping the development of these concepts, but also has been a role model with its commitment to implement them. ARGE has adopted a policy of;

- investing one-month-a-year for innovations and continuous education of its consultants to develop its human and intellectual capitals and
- encouraging all its consultants to dedicate one-day-a-week for non-profit work to help develop the community through numerous NGOs to develop its social and relationship capitals.

ARGE has made critical contributions to KalDer (National Quality Association) for developing and leading the National Quality Movement to deploy the EFQM Business Excellence Model throughout the country in public, corporate, and NGO sectors.

Being the first Turkish signatory of UN Global Compact in 2002, ARGE Consulting has also played a critical role in the establishment and development of the Global Compact Local Network in Türkiye and later was elected as the Global Chair of Local Networks to make significant contributions to the global development of the world's largest sustainability platform.

ARGE Consulting has served as B20 Knowledge Partner (Governance & Sustainability) and helped bring integrated reporting and responsible leadership principles to the attention of G20 leaders, in 2015.

With such an understanding and experience, ARGE Consulting has developed a Sustainable Success Model© that incorporates the key understandings from integrated thinking (strategic and responsible leadership), EFQM Model (deployment throughout the organization for effective implementation), and value reporting (for better governance and gaining the trust of stakeholders).

ARGE Consulting has developed a Sustainable Success Model© that incorporates the key understandings from integrated thinking, EFQM Model, and value reporting.

In a nutshell, sustainable success requires broadening our perspectives for decision making in four dimensions: time (from short term to long term), place (from where we operate to all the places that our activities make an impact), capitals (not only financial but also intellectual, manufactured, natural, human, and social and relationship), and stakeholders (direct and indirect). In this book we are providing a detailed explanation of this Model for the use of all types of organizations to help improve the quality of life in a sustainable fashion.

THE MODEL

The Sustainable Success Model© was developed to support the value creation journey of corporations. In today's world, the main purpose of institutions should be to improve the value created. Organizations are expected to create value for all their key stakeholders in order to be successful, sustainable, resilient and profitable. The value creation process begins with the determination of corporate values, purpose, mission and vision. It shapes the targeted value, purpose, mission, vision and strategy, and guides the design of the business model needed to create value in the short, medium and long term by effectively implementing the determined strategy.

Organizations are expected to create value for all their key stakeholders in order to be successful, sustainable, resilient and profitable.

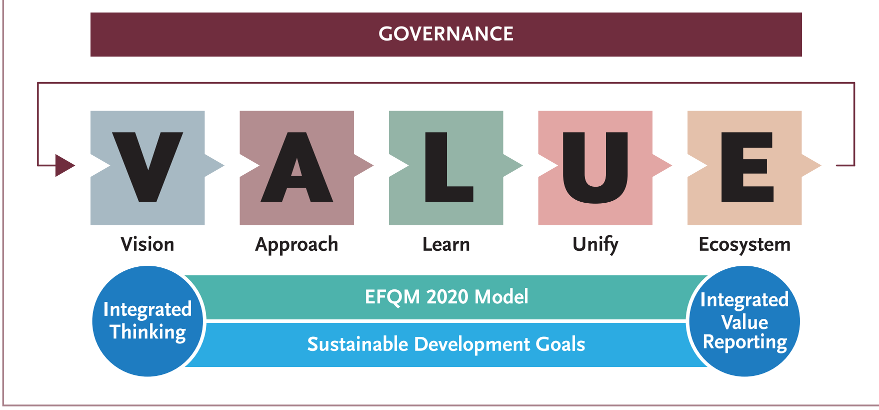
While creating value proposition and the corporate strategy, acting with a holistic perspective starting from the ecosystem is of great importance in terms of understanding the needs, expectations, concerns and suggestions of stakeholders and social & technological trends. The trust of the stakeholders in the ecosystem is gained only if the organization's value creation journey is shared with effective communication methods and reported transparently. Stakeholders who trust the organization mobilize their resources in a way that contributes to the organization's value creation journey.

The success of the value creation journey can be secured with good governance practices. The Board of Directors is at the heart of good governance practices. The main responsibility of the Board is to direct and supervise the activities and business approach of the institution. The decision processes of the Board should be in a structure that is data-based, should apply a participatory and critical thinking approach that draws its strength from diversity, and evaluate the issues with a holistic perspective. A holistic perspective can only be achieved if the members of the Board act with a common mind and implement an integrated thinking at the Board level. The leadership of the Board ensures that good governance practices are deployed and applied throughout the organization. Adopting an integrated thinking approach by the Board is effective in creating a positive

The success of the value creation journey can be secured with good governance practices.

atmosphere within the organization; starting from the top management and establishing a common and participatory working culture. Good governance approach and the EFQM 2020 Model enable the business model to be implemented effectively and efficiently.

Sustainable Success Model©



The model has revealed the approaches to be implemented for **Sustainable Success** with five main components: Vision, Approach, Learn, Unify, and Ecosystem. This working method offered by the model is a tool to create **VALUE** and create the assurance of Sustainable Success.

The basis of sustainable success should be the motivation to focus on the Value Creation vision and to ensure the continuous development of this value. When focusing on improving the value created, structures can be developed that monitor internal and external developments, search for needs and improvement opportunities, and keep the motivation for continuous improvement alive.

By determining the right direction (vision), the model suggests that we develop our approaches in this direction and create an environment that uplift our motivation for continuous learning. At the same time, the model recommends that we reflect Integrated thinking in our work and create unifying common denominators by considering the whole ecosystem.

With five components, the concept of **VALUE** is emphasized and the steps that will serve as a guide for the path that institutions should follow in order to create value are defined.

Management systems are developing methods that contribute to improving efficiency, the quality of the decision-making process and business performance by establishing new perspectives.

Sustainable Success Model;

- Adopts the philosophy of Integrated Thinking,
- Is shaped by bringing together the systematics of the EFQM 2020 Model's direction, application and measurement approaches,
- Highlights the importance of the Sustainable Development Goals that shapes the understanding of sustainability,
- Defines the continuous learning cycle covering the whole ecosystem,
- Is structured and integrated with strong experience in governance and implementation.

In Sustainable Success Model (SSM), the creation of an integrated thinking philosophy and a value-oriented perspective are defined at the start. The model aims to realize VALUE with the approaches and practices that contribute to the EFQM 2020 Model and the Sustainable Development Goals. Integrated Reporting in the model indicates the strong realization of communication and performance presentation for the whole ecosystem. Strong communication and value-oriented performance delivery support the element of trust in the ecosystem.

Strong communication and value-oriented performance delivery support the element of trust in the ecosystem.

The concept of Governance forms the framework in which the model operates. SSM identifies governance as the top view for securing sustainability. And the most critical element of the model is the emphasis on the continuous realization of the learning cycle under the umbrella of governance.

SSM offers a roadmap to institutions with 30 steps distributed to the five components. In the model description, definitions of each step, the recommendations of the SSM regarding the critical points in the implementation of this step, and the methods used are presented. General concepts and application suggestions explained in each component are accompanied with good examples as well.

Contributing to the SDGs will bring an important perspective in all approaches and goal setting stages.

The relationship between IR - Integrated Thinking and EFQM is defined at each stage, to improve the quality of management and ensure the sustainability of success regarding the ways and methods to be followed. It was emphasized that contributing to the Sustainable Development Goals (SDGs) will bring an important perspective in all approaches and goal setting stages. Therefore, studies related to the SDGs are shared as good examples.

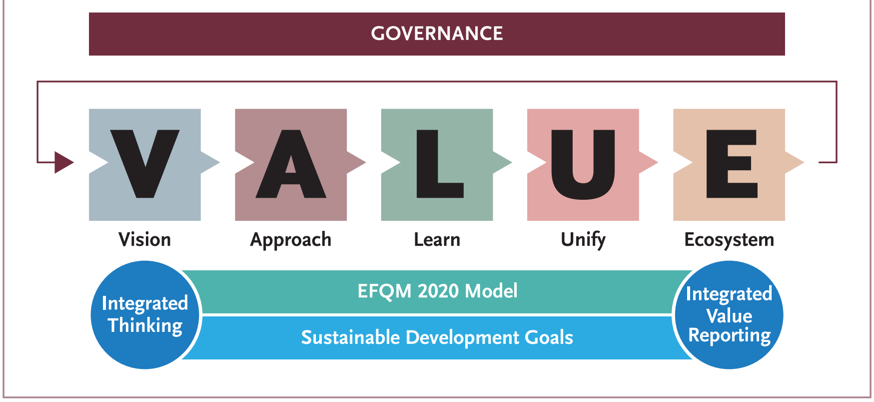
In order to define a successful value creation journey, we will explain the topics under each component in the following sections.

SUSTAINABLE SUCCESS MODEL©

V	A	L	U	E
Vision	**Approach**	**Learn**	**Unify**	**Ecosystem**
1 What is your Philosophy? Define Purpose, Mission, Vision Values, Principles	**7** Define your Strategy	**13** Measure your Operational Performance and Perception	**19** Assess Needs for Different Resources and Understand Expectations of Resource Owners	**25** Identify Stakeholder Impact Area and Relationship Strategy
2 Define Value to be Created	**8** Define your Organization Structure	**14** Measure Board Performance	**20** Update Strategy with Learning	**26** Identify Stakeholder Priorities
3 Define your Governance Model	**9** Define your Process Hierarchy	**15** Conduct Internal and External Audit	**21** Address Gaps	**27** Measure and Manage Perceptions
4 Define your Ecosystem and Stakeholders	**10** Define Resource Management Approach	**16** Perform Reporting Activities	**22** Communicate Internally and Externally with Focused Messages	**28** Measure and Manage Outcomes
5 Define and Align your Business Model with the SDGs	**11** Define KPI Set, Performance Management and Reporting Structure	**17** Evaluate and Implement Lessons Learned	**23** Manage Stakeholders	**29** Communicate Goals and Results
6 Share your Experiences, Invest on your Intellectual Capital	**12** Share your Experiences, Invest on your Intellectual Capital	**18** Share your Experiences, Invest on your Intellectual Capital	**24** Share your Experiences, Invest on your Intellectual Capital	**30** Share your Experiences, Invest on your Intellectual Capital

This model utilizes **Integrated Thinking** and **Integrated Value Reporting** as well as **EFQM 2020 Model** and the **SDGs**.

Sustainable Success Model©



Vision	Approach	Learn	Unify	Ecosystem
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VISION

Every organization is part of a greater ecosystem (society, region, country, world) where it should create value for key stakeholders and for itself, to be sustainable.

Every organization should clarify:

- What will be the created value for the organization and stakeholders?
- What would be the goals to achieve determined value creation objectives?
- How would these goals be achieved?
- What would be the impacts created by achievement of these goals in the organization and the ecosystem?

Business Philosophy

Business philosophy will guide an organization in determining its purpose, mission, vision, values, code of conduct, and value creation model.

Business philosophy is principles and a set of values which will guide the value creation activities of the organization. Business philosophy defines a framework for an organization's purpose and goals. It helps to create a collective understanding regarding what are the goals and what would be the road map to reach these goals in and outside of the organization.

Purpose

The purpose of an organization is to answer the questions of "**Why does the organization exist?**" and "**Why is the work accomplished by the organization important?**". The purpose could be the contribution of organization to the ecosystem.

Mission

The mission of an organization defines what the organization needs to do for achieving its purpose and what differentiates it from its competitors.

Dr. Yılmaz Argüden talking about Vision.

Scan the QR code with your mobile phone's camera or simply visit https://arge.com/en/videos/sustainable-success-model/vision

GOOD EXAMPLE

See General Motors in page 20.

Vision

The vision of an organization is the goals that organization will attempt to achieve in short, medium, and long term. Vision will be a guide in determining the course of actions in achieving the goals.

Values

Value defines the way that organization is expected to behave, it provides a moral direction that guides the decision making and standards for assessing actions.

GOOD EXAMPLE

See Anglo American in page 21.

Value to be Created

Value to be created must be defined with a holistic perspective. Definition process must include stakeholders where the process would include prioritizing their interests, understanding how they are relevant to the organization's purpose and strategy, and assessing how to balance their respective needs and expectations with the organization's mission and vision. Definition of value in a participatory manner would help identify the trade-offs and misalignments. Data is key to understanding the drivers, clarifying the goals, and value to be created.

*As an example, **Embankment Project for Inclusive Capitalism** has aligned its purpose and values to be created for all key stakeholders[1] in a holistic manner.*

Purpose: "Enhancing quality of life and contributing to a better working world through our innovative products"

What are the desired outcomes for each stakeholder if the purpose is fulfilled?

- **Society:** Improved well-being through healthier living and longer life.
- **Employees:** Innovative working environment and improved well-being from work.
- **Investors:** High dividends as a result of innovative products.
- **Customers:** Reduced healthcare expenditure resulting from healthier population.
- **Government:** Healthier population resulting in increased productivity and improved well-being.

1 *Understanding Value Creation, IFAC, 2020*

Stakeholders are groups of people, organizations, society, public institutions, etc. who can affect or be affected by an organization's activities. Stakeholder identification is the process used to identify all stakeholders for the organization. It is important to understand that each stakeholder would have a different influence or effect on the organization. Stakeholder identification needs to be done in a methodical and logical way to ensure that stakeholders are not omitted. This may be done by looking at stakeholders organizationally, geographically, or by their involvement level to organization's activities or outcomes.

Sustainable Development Goals (SDGs) are an urgent call for action for peace and prosperity, for people and planet, for now and the future[2]. A global partnership including public, private, and civil society would enable us to reach the targeted goals.

SDGs present a strategic opportunity for the private sector to develop technologies and solutions to be implemented to solve the problems of the world. This opportunity could help businesses to demonstrate how they could contribute to the advancement of SDGs. SDGs could provide a base for defining vision and strategies of the business. Such an approach could be beneficial for identifying future business opportunities and strengthening stakeholder relations, helping the stability of the ecosystem through provided solutions and gaining the trust of stakeholders.

SDGs present a strategic opportunity for the private sector to develop technologies and solutions to be implemented to solve the problems of the world.

Integrated Thinking approach would enable and strengthen the definition of vision for the organization. Holistic perspective enables us to consider relationships, interactions, interdependencies between its functional units, capitals, and the ecosystem in which it operates, namely Integrated Thinking. Integrated thinking supports decision-making by utilizing collective minds and thoughts of internal and external stakeholders in a participatory manner through understanding dependencies, impacts between ecosystem, resources, and different parts of the organization to achieve the best possible solution for value creation in the short, medium, and the long term.

2 https://sdgs.un.org/goals

Governance

Governance refers to how the organization is directed and controlled by the governing body in exercising effective and ethical leadership.

Governance refers to how the organization is directed and controlled by the governing body in exercising effective and ethical leadership. Governance plays an important role in directing and overseeing the value creation journey.

Good governance refers to the quality, transparency, and dependability of relationships between shareholders, board of directors, management, and employees that define the authority and responsibility of delivering sustainable value to all stakeholders[3]. Gaining trust is important for attracting talent, resources, and support of stakeholders for creating sustainable value.

The essence of good corporate governance is ensuring trustworthy relations between the corporation and its stakeholders. Trust is the foundation of sustainable success and value creation. Countries, markets, and the world at large become more connected. Our mutual interdependence increases, and we all need to be able to mobilize others' resources and goodwill to achieve success. Mobilizing others' resources can only be achieved through gaining their trust. This requires consistent, responsible, accountable, fair, transparent, and effective organizational structure, decision making processes, and people. The quality of the governance of a firm is as dependent on the organizational structure and decision-making processes of the firm. Being trustworthy is an important asset and source of power for organizations. Gaining trust takes a long time, but its loss could happen in a very short period. To gain trust, the consistency between the words and deeds is a requirement because behaviors show the priorities and preferences in a more effective manner than words.

Board is the most important element of a governance structure. The decisions and actions taken by the board in directing the organization shape and determine its prospects and longer-term viability. The main responsibilities of the board are to provide

3 *A Corporate Governance Model: Building Responsible Boards and Sustainable Business, Dr. Yılmaz Argüden, Private Sector Opinion Issue 17, Global Corporate Governance Forum IFC*

an effective oversight for the management and guidance to the organization with value creating strategies[4].

GOOD EXAMPLE

See Unilever in page 22.

Board Leadership is key for setting the company's direction and ensuring long-term value creation for the company and its ecosystem. Responsible Boards ensure that material issues are integrated into the company's strategy and reflected in its policies and practices. The Board must ensure that policy covers all relevant dimensions and all relevant stakeholder groups including employees, supply chain and communities. Having the right policy is not enough, it should be regularly reviewed to be improved, and the right people and processes should be in place for implementing policy commitments.

GOOD EXAMPLE

See Anglo American in page 23.

The board's oversight role requires setting up an effective internal control mechanism, ensuring independence of audit, and strict compliance, monitoring ethics and business conduct within the company and its value chain, and transparency in external reporting and disclosure. Effective tracking of performance and communication to the board is essential for improving its oversight.

Board is responsible for the organization's value creation process from its starting point, the inputs drawn from the six capitals to the consequential effects on the six capitals, the outcomes. These outcomes, in turn, influence the quality, price, and availability of the organization's future inputs. Governance structure and processes support the informed oversight of this process.

Governance enables effective implementation and functioning of the Value Model. Diversity of mind in the board improves its effectiveness by bringing a broader perspective and understanding of the environment. Directors with different experiences and skills, age groups, education, race, gender would help to utilize different perspectives in decision making processes. Such an approach would enable us to challenge decision alternatives and to analyze risks and opportunities before reaching a decision.

4 *Disclosure of Governance Information in the Integrated Report an Information Paper, Integrated Reporting Council of South Africa, December 2017, page 3*

Collective minds of directors would support decision making which could be defined as implementation of an integrated thinking approach by the board. Integrated thinking approach would improve the quality of decisions of the board. Therefore, diversity is an important topic when structuring a board. Diversity of a board would be shaped by its strategy and business model of the organization. Integrated thinking approach would guide the director nomination process. Directors' skills and experiences need to be aligned with strategic priorities and material topics of the organization to direct and to support effective and quality decision making processes to create value in short, medium and long term.

GOOD EXAMPLE

See Coca-Cola HBC in page 24.

Board members need to have the right skills to provide guidance and oversight to the value creation strategy of the organization. The Board needs to have sufficient expertise to understand the decision-making processes of key stakeholders, have members who are familiar with evolving trends and practices, and sufficient diversity to adequately evaluate different dimensions, perspectives, and risks. A skills matrix identifies the skills, knowledge, experience, and capabilities desired of a board to enable it to meet both its current and future challenges and realize its opportunities.

GOOD EXAMPLE

See AngloGold Ashanti in page 25.

Another board responsibility for effective implementation of strategy, business model and value creation journey is designing executive compensation. Capturing value creation and ensuring effective implementation of strategy and business model and embedding purpose, mission, vision in daily decision-making practices, Boards need to make management explicitly accountable for the organization's impact. Best-in-class organizations align executive compensation with strategic targets to sharpen management's focus and incentivize management to prioritize value creation.

Effective and good governance practices enable coordination of Sustainable Success Model© components. Coordinated activities are important for successful implementation. Good governance outcomes as stated in King IV (ethical culture, good performance, effective control, and legitimacy) enable and support the organization's value creation process[5].

Quality of a governance approach could be understood by understanding the rigor of the decision-making process. Rigor and quality of decision making could be improved by implementing integrated thinking approach at the board level which would enable considering all interactions, relations, effects and impacts between capitals, units, processes and activities performed by the organization. Such an approach would be possible with diverse boards and utilizing collective minds of directors.

Integrated Reporting aims to disclose sufficient information regarding the governance approach of the organization to build stakeholder trust. It also aims to show the linkage between value creation and governance approach. The report could help internal and external stakeholders to understand to what extent decisions are made through a mindful process and would inform their opinion as to the prospects and longer-term viability of the organization. Internal stakeholders' commitment is critical for successful implementation of the Sustainable Success Model©.

5 *Disclosure of Governance Information in the Integrated Report an Information Paper, Integrated Reporting Council of South Africa, December 2017, page 3*

General Motors is a multinational corporation based in the USA.

Mission of the company has been shared in detail which aims to reach a sustainable future of no accidents, no emissions (sustainable mobility) and no connection through smart and e-mobility.

Vision clearly defines the goals through which the company would realize its mission.

GM Sustainability Report 2020, page 4
https://www.gmsustainability.com/_pdf/resources-and-downloads/GM_2020_SR.pdf

Sustainable Success Model©


Strategic Report

Purpose to Value

Guided by our Purpose – *re-imagining mining to improve people's lives* – our strategy is to secure, develop and operate a portfolio of high quality, long life resource assets. We then apply innovative practices and technologies in the hands of our world class people to deliver sustainable value for all our stakeholders.

Our Values

Anglo American's Values and behaviours are at the heart of everything we do. Guided by our Purpose and our Values, we enable high performance and purposeful action. Our Values and the way in which we, as individuals, are expected to behave are the foundation of our Code of Conduct.

Safety · Care and Respect · Integrity · Accountability · Collaboration · Innovation

Our strategy

Portfolio · Innovation · People

Purpose
Re-imagining mining to improve people's lives

The quality and long life of our mineral assets are the foundations of our global business.

We actively manage our asset portfolio to improve its overall competitive position, providing products that increasingly support a fast-growing population and a cleaner, greener, more sustainable world.

For more on Portfolio
See pages 20-27

Across every aspect of our business, we are thinking innovatively about how we work to ensure the safety of our people, enhance our sustainability performance, and deliver industry-leading margins and returns. We are developing a replicable model of differentiated practices and capabilities that is designed to deliver superior value to all our stakeholders from assets that are in our hands.

For more on Innovation
See pages 28-41

Our people are critical to all that we do: we create working environments and an inclusive and diverse culture that encourages and supports high performance and innovative thinking. The partnerships we build, both within Anglo American and with our stakeholders – locally and globally – are central to maintaining our regulatory and social licences to operate and our sustained commercial success.

For more on People
See pages 42-49

Capital allocation
Underpinning our strategy, we have a value-focused approach to capital allocation, with clear prioritisation.

For more on Capital allocation
See pages 50-51

Measuring delivery of our strategy
We track our strategic progress holistically – spanning non-financial and financial performance – and throughout the year using KPIs that are based on our seven pillars of value:

- **Safety and health** To do no harm to our workforce
- **Environment** To minimise our impact on the environment
- **Socio-political** To partner in the benefits of mining with local communities and government
- **People** To create a sustainable competitive advantage through capable people and an effective, purpose-led, high performance culture
- **Production** To sustainably produce valuable product
- **Cost** To be competitive by operating as efficiently as possible
- **Financial** To deliver sustainable returns to our shareholders

For our KPIs
See pages 58-59

Delivering sustainable value for all our stakeholders
For more on stakeholder engagement, see page 13

Balanced reward
Anglo American's directors' remuneration policy is designed to encourage delivery of the Group's strategy and creation of stakeholder value in a responsible and sustainable manner, aligned to our Purpose.

The main elements of the remuneration package are basic salary, annual bonus and Long Term Incentive Plan (LTIP).
For more on remuneration, see pages 123-147

08 Anglo American plc Integrated Annual Report 2020

Anglo American Integrated Annual Report 2020, page 8
https://www.angloamerican.com/~/media/Files/A/Anglo-American-Group/PLC/investors/annual-reporting/2021/aa-annual-report-full-2020.pdf

Anglo American is a mining company based in South Africa.

Company's strategy has been aligned with company values.

These values guide the company's value creation journey. It also defines how performance of strategy is getting measured.

Unilever is a multinational FMCG company based in the UK.

It is a good example for directing company since it:

- Comprehensive code of conduct covering several areas including countering corruption, respecting people, safeguarding information, stakeholder engagement,
- Defines commitments as well as what the employees must and must not do.

Code of Business Principles and Code Policies

Avoiding Conflicts of Interest

Conflicts of interest can have a significant negative impact on the reputation and effectiveness of Unilever, its business and its people. They arise when an employee allows their actual, perceived or potential personal, financial or non-financial interests to affect their objectivity when performing their job at Unilever.

This Code Policy sets out what employees must do to prevent and to manage these situations.

A conflict of interest may arise, and disclosure is required, when an employee:

- Hires, manages, or has an influence on the workload, performance assessment, granting of approvals and / or reward of someone with whom they have a close personal relationship
- Accepts or performs a Public Official role, or has a family member or a close personal contact who is a Public Official with the ability to take decisions that could impact Unilever business
- Has a close personal interest in the business of competitors or other third parties relevant to Unilever. This includes cases where the employee, their family members or a close personal contact:
  - work for or provide any services to competitors or to any other third parties relevant to Unilever's business
  - hold investments other than in publicly traded pension funds, index linked or tracker funds that represent:
    - Substantial interests in a competitor, State controlled or influenced entity, or any other third party relevant to Unilever business (5% of the net worth of any of these entities)
    - Any interest in a third party if they, or one of their team, are involved in engaging, monitoring or investigating the third party's performance
- Allows their non-financial interests such as personal values, beliefs, welfare and political views to take precedence over Unilever's lawful and ethical expectations, affecting their performance or objectivity at work

Musts

Employees **must:**

- Ensure Unilever is best placed to benefit from potential business opportunities
- Follow the process outlined here to immediately disclose an actual, perceived or potential conflict of interest to their Business Integrity Officer who will determine the best way to manage the situation in consultation with the employee's Line Manager
- Follow the same process if they are interested in taking up, in a personal capacity, a proposed directorship (or equivalent) of another organisation, whether commercial or not-for-profit, including roles in trade associations and roles for public bodies. This obligation extends to new joiners that hold directorships and have not disclosed them as part of the recruitment process

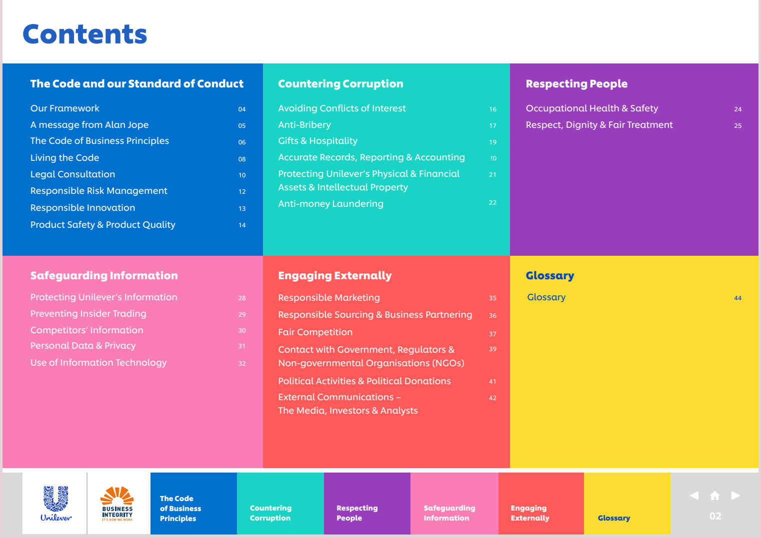
  The above disclosure requirements excludes roles of school governors, governing positions in amateur sporting or recreational groups, and directors of property/housing blocks in which an employee lives
- Obtain written approval from the Chief Legal Officer and the Chief Business Integrity Officer, before becoming a director of any publicly listed company
- Ensure that external commitments do not:
  - Detract them from their commitment and contribution to Unilever
  - Provide access to commercially sensitive information concerning actual or potential Unilever competitors (see Code Policies on Fair Competition and Competitors' Information); and / or
  - Create any liability for Unilever.

  The employee must inform the other organisation that they take up this position on a personal basis, with no responsibility for Unilever and that any fees or benefits that arise from their engagement are not passed on to Unilever

Must nots

Employees **must not:**

- Accept appointments, debate, vote, or participate in any decision-making process or activity when a conflict of interest exists or might arise before their Business Integrity Officer has provided clearance
- Take, or divert to others, any business opportunities that arise in the course of doing their job at Unilever that could be of interest to Unilever
- Misuse their position in Unilever to advance personal interests
- Hire, contract or engage any individual or organisation without ensuring they are free of conflict of interest with Unilever
- Hire or retain the services of former Public Officials without following Unilever's Principles on 'revolving doors'.



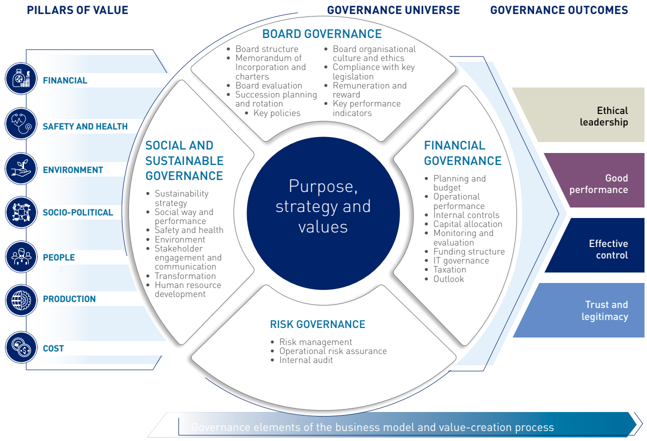
Contents

The company has shared its governance policy in its website: https://www.unilever.com/Images/code-of-business-principles-and-code-policies_tcm244-409220_en.pdf, pages 2, 16

CORPORATE GOVERNANCE

Sound corporate governance is a critical foundation for protecting stakeholder value and achieving the group's strategic growth objectives. Our governance universe (below) illustrates how the pillars of value are governed via the four governance segments – board, finance, risk, and social and sustainable – in support of the Amplats strategy and purpose. The elements in each segment are governed with appropriate processes, systems and resources to ensure we demonstrate the desired governance outcomes.

BOARD GOVERNANCE
The board is ultimately accountable for the governance universe and provides independent monitoring, guidance and oversight of the segments.



Amplats has adopted the principles and recommended practices in the King Report on Governance for South Africa 2016 (King IV). The board reviews its governance practices annually and is satisfied that all aspects of King IV were applied in 2018.

Our King IV application register is available on our website.

96 **Anglo American Platinum Limited** Integrated Report 2018

Anglo American is a mining company based in South Africa.

It is a good example for oversight responsibility of boards since it:

- Explicitly defines board oversight structure for sustainability,
- Defines oversight responsibilities in four main areas: board governance, financial governance, social and sustainable governance, and risk governance.

The company has shared its governance approach in its website: https://www.angloamericanplatinum.com/~/media/Files/A/Anglo-American-Group/Platinum/our-approach/corporate-governance, page 1

Coca Cola HBC is a bottler in the Coca Cola network based in Switzerland. Their market coverage contains countries in Europe, Asia, and Africa. They have operations in 28 countries.

Coca Cola HBC has shared its board skills matrix in its 2019 Integrated Report. This skill matrix is a good example since:

- It links business requirements to required board qualifications, skills, and experience,
- It shares number of board members with required skills,
- Business requirements include building community trust through the responsible and sustainable management of business.

96 COCA-COLA HBC

CORPORATE GOVERNANCE REPORT

Board composition

Membership of the Board

On 31 December 2018, our Board comprised 13 Directors: the Chairman, one Senior Independent Director, 10 non-Executive Directors and one Executive Director. The biographies of each member of the Board are set out on pages 90 to 95.

At the Annual General Meeting on 11 June 2018, Zoran Bogdanovic was appointed as an Executive Director of the Board.

The Operating Committee, described on page 109, supports Zoran Bogdanovic in his role as Chief Executive Officer.

The non-Executive Directors, of whom six (representing half of the members excluding the Chairman) are determined by the Board to be independent, are experienced individuals from a range of backgrounds, countries and industries. The composition of the Board complies with the UK Corporate Governance Code's recommendation that at least half of the Board, excluding the Chairman, comprise independent Directors. There were no other changes to the Board or committee membership during 2018.

General qualifications required of all Directors

Coca-Cola HBC's Board Nomination Policy requires that each Director is recognised as a person of the highest integrity and standing, both personally and professionally. Each Director must be ready to devote the time necessary to fulfil his or her responsibilities to the Company according to the terms and conditions of his or her letter of appointment. Each Director should have demonstrable experience, skills, and knowledge which enhance Board effectiveness and will complement those of the other members of the Board to ensure an overall balance of experience, skills, and knowledge on the Board. In addition, each Director must demonstrate familiarity with and respect for good corporate governance practices, sustainability and responsible approaches to social issues.

Business characteristics	Qualifications, skills and experience	Directors
Our business is extensive and involves complex financial transactions in the various jurisdictions where we operate	Experience in finance, investments and accounting	12
Our business is truly international with operations in 28 countries, at different stages of development, on three continents	Broad international exposure, and emerging and developing markets experience	12
Our business involves the manufacturing, sale and distribution of the world's leading non-alcoholic beverage brands	Extensive knowledge of our business and the fast-moving consumer goods industry, as well as experience with manufacturing, route to market and customer relationships	8
Our Board's responsibilities include the understanding and oversight of the key risks we are facing, establishing our risk appetite and ensuring that appropriate policies and procedures are in place to effectively manage and mitigate risks	Risk oversight and management expertise	6
Building community trust through the responsible and sustainable management of our business is an indispensable part of our culture	Expertise in sustainability and experience in community engagement	7
Our business involves compliance with many different regulatory and corporate governance requirements across a number of countries, as well as relationships with national governments and local authorities	Expertise in corporate governance and/or government relations	6

Coca-Cola HBC, Integrated Annual Report 2018, page 96
https://www.coca-colahellenic.com/content/dam/cch/us/documents/investors-and-financial/results-reports-and-presentations/reports/coca-cola-hbc-2018_iar_15mar2019.pdf.downloadasset.pdf

SECTION 3 / LEADERSHIP AND ACCOUNTABILITY

REMUNERATION REPORT CONTINUED

SECTION THREE: REMUNERATION IMPLEMENTATION REPORT – JANUARY TO DECEMBER 2018

This section of the Remuneration Report explains the implementation of the remuneration policy by providing details of the remuneration paid to executives and non-executive directors for the financial year ended 31 December 2018.

Executive pay

2018 has seen the gold price and share price relatively stable, although remaining relatively low. Cost control remains a key imperative and the external market reflected similar challenges.

On behalf of AngloGold Ashanti, Mercer conducts an annual bespoke survey of executive remuneration. For 2018, Remco reviewed the comparator group against AngloGold Ashanti to ensure that changes in the market had not led to variances that made the current matches inappropriate. The review consisted of a detailed analysis of companies who it was felt were appropriate for inclusion in the benchmark.

The companies included in the comparator group were ranked in terms of a number of criteria selected in areas which were, aligned with AngloGold Ashanti. The table below summarises the final comparator group.

2018 Comparator benchmark group
Anglo American Platinum Limited
Barrick Gold Corporation
Goldcorp Incorporated
Gold Fields Limited
Harmony
Implats
Kinross Gold Corporation
Lonmin
Newmont Mining Corporation
Randgold Resources Limited
Sasol
Sibanye-Stillwater
South32 Limited
Yamana Gold Incorporated

In 2018, the January annual increases resulted in each member of the executive management team receiving an increase in line with the CPI in their respective jurisdictions. This is in line with increases for all AngloGold Ashanti employees.

In 2018, Mr Srinivasan Venkatakrishnan resigned as Chief Executive Officer effective 30 August 2018, and Mr Kelvin Dushnisky was appointed as his replacement on 1 September 2018. The remuneration impact on Mr Venkatakrishnan and Mr Dushnisky is as follows:

- Mr Venkatakrishnan received the standard payments as per policies currently in place for resignations at AngloGold Ashanti
  - All benefits received by Mr Venkatakrishnan terminated as at 30 August 2018. These included BUPA medical insurance cover and International Pension Scheme membership
  - All vacation leave due to Mr Venkatakrishnan was paid
- Mr Venkatakrishnan exercised all vested shares prior to his official last day of work. Any unvested shares lapsed, as per the rules of the scheme.
- Mr Kelvin Dushnisky was appointed on the following terms:
  - Basic salary of US$ 1,300,000 per annum
  - Medical aid insurance through BUPA
  - International Pension Scheme membership
  - A pro rata sign-on cash bonus in lieu of his previous company's 2018 performance year that would have been payable in 2019 valued at US$ 800,000. Should Mr Dushnisky leave the employment of AGA within 24 months from date of joining as a result of resignation or dismissal for cause, he will be liable to refund the Company on a pro-rated basis
  - Prior company share buy-out valued at US$ 4,200,000. This will vest in cash and shares per below vesting periods:

Vesting date	Value of cash sign-on bonus in US$
1 January 2019	400,000
1 January 2020	1,000,000
Total	**1,400,000**

Vesting date	Value of Shares (US$)	Value of Shares (ZAR) [1]	Number of AngloGold Ashanti shares [2]
1 January 2019	1,400,000	20,188,000	175,877
1 January 2020	700,000	10,094,000	87,939
1 January 2021	700,000	10,094,000	87,939
Total	**2,800,000**	**40,376,000**	**351,755**

[1] *Exchange rate: 1 US$: 14.42 ZAR.*
[2] *JSE 5-day VWAP prior to 1 September 2018: 114.7845.*

The table overleaf represents the executive director and prescribed officer remuneration for 2018 and 2017. It comprises an overview of all the pay elements received by the executive management team for the 12-month periods ended 31 December 2018 and 31 December 2017 respectively.

INTEGRATED REPORT 2018 170

SECTION 3 / LEADERSHIP AND ACCOUNTABILITY

REMUNERATION REPORT CONTINUED

SECTION THREE: REMUNERATION IMPLEMENTATION REPORT – JANUARY TO DECEMBER 2018 CONTINUED

2018 DSP performance measure		Target weighting	Achievement	Threshold measures	Target measures	Stretch measures
Financial measures	Relative total shareholder return: three year relative ranking with the selected comparator group. The comparators are: Barrick, Gold Fields, Harmony, Newmont, Kinross, Goldcorp, Gold ETF (World Gold Council SPDR classification), Randgold, Newcrest and Sibanye-Stillwater	10.00%	0.00%	Median TSR of comparators	Halfway between median and upper quartile	Upper quartile TSR of comparators
	Absolute total shareholder return	10.00%	6.33%	US$ COE	US$ COE + 2%	US$ COE + 6%
	Normalised cash return on equity (nCROE)	15.00%	22.50%	US$ COE	US$ COE + 2%	US$ COE + 6%
	Production	12.50%	16.69%	3,285oz (000)	3,350oz (000)	3,425oz (000)
	All-in sustaining costs	15.00%	22.50%	$1,088/oz	$1,071/oz	$1,054/oz
Future optionality	• Ore Reserve additions (pre-depletion, asset sales, mergers and acquisitions)	6.25%	9.38%	Plus 2.4Moz	Plus 3.9Moz	Plus 4.9Moz
	• Mineral Resource (pre-depletion, asset sales, mergers and acquisitions)	6.25%	0.00%	Plus 8.0Moz	Plus 12.8Moz	Plus 16.0Moz
Safety, health, environment and community	AIFR: three-year rolling average	4.00%	6.00%	≥5% performance improvement (6.87)	≥10% performance improvement (6.51)	≥15% performance improvement (6.15)
	Major hazard management critical control percentage compliance	3.00%	4.50%	90% of major hazards identified, assessed and controlled.	92.5% of major hazards identified, assessed and controlled.	95% of major hazards identified, assessed and controlled.
	Safety management systems and practices protocol	3.00%	4.36%	75% - compliant to proactive maturity level	85% - proactive maturity level	90% - proactive to resilient maturity level
	Health - site compliance to the global safety standards on organisational health, wellness and fitness for work standard	1.50%	1.95%	90% compliance	95% compliance	100% compliance
	Completion of bowtie risk assessments per region, including identification of critical controls and actions managed to closure	1.50%	2.25%	1	2	3
	Number of reportable environmental incidents at operating mines	1.50%	0.75%	2	1	0
	Greenhouse gas emissions intensity at gold producing operations, measured in kg CO_2e/tonne	1.50%	2.25%	-0.3% off base	-0.6% off base	-1% off base
	Community: number of human rights violations	2.00%	3.00%	≤ 2 human rights violations	≤ 1 human rights violations	0 human rights violations
	Number of business disruptions as a result of community unrest	2.00%	0.00%	5	3	1
Core value: People	• Strategic coverage ratio – measured by the number of successors ready to take up a role within one year for identified key leadership positions	2.00%	3.00%	1:1.48	1:1.56	1:1.64
	• Key staff retention – measured through turnover excluding retrenchments, retirements and deaths within the leadership talent pool	2.00%	2.42%	85% pa	90% pa	95% pa
	• Gender diversity – measured through female representation at leadership level	1%	1%	13% female representation	15% female representation	17% female representation
	Total	**100%**	**108.9%**			

INTEGRATED REPORT 2018 177

AngloGold Ashanti, Integrated Report 2018, pages 170, 177
http://www.aga-reports.com/18/download/AGA-IR18.pdf

AngloGold Ashanti is a mining company based in South Africa. AngloGold shared its compensation policy in its 2018 Integrated Report.

The stated policy is a good example since it:

- Links executive compensation to safety, health, environment, and community targets (28 metrics accounting for 20% of total remuneration) as well as people targets (3 metrics accounting for 5% of total remuneration),
- Provides threshold, target and stretch measures as well as achievement against those targets for multiple metrics under each sustainability area,
- Benchmarks executive compensation against benchmark groups and provides a list of benchmark companies within the industry.

1 What is your Philosophy? Define Purpose, Mission, Vision, Values, and Principles

Purpose, mission, vision (fundamental concepts) sets the direction of the organization. When direction has been set, efficient resource allocation could be achieved.

SSM's Recommendations

Fundamental concepts:

- Needs to be concise, defined with a holistic perspective and could be understood by all stakeholders,
- Vision needs to be realistic, measurable, and challenging.

SSM recommends defining purpose, mission, and values in a complementary manner so that the organization would be able to communicate its characteristics and differentiation from its peers as stated in EFQM 2020 Model and IR approach.

SSM's Implementation Approach

SSM defines the fundamental concepts in a participatory manner. Workshops are key in receiving input from both the upper management and the staff. Workshops would help to gain acceptance of fundamental concepts by all parties in the organization. Fundamental concepts must be concise. Determining the purpose, mission and vision, and values and explaining their meaning and how they could be adopted into the business processes need to be communicated for clarity of understanding by all parties in the organization.

2 Define Value to be Created

Value should be defined with a long-term vision and perspective.

Wider long-term perspective would allow organizations to understand the ecosystem and trends better. That would enable to improve the quality of decision making and effectiveness of strategic planning with a value creation perspective.

SSM's Recommendations

Organization needs to prioritize designing and implementing its value model that aims to increase and to preserve its inputs of six capitals.

Created value needs to be clarified through showing outcomes and impacts besides the outputs. Value needs to be created in the short, medium, and long term. Connection between created value and 6 capitals must be formed. IR approach emphasizes that preservation of 6 capitals is important for a sustainable future. EFQM 2020 Model's Sustainable Value Creation component supports defining short, medium, and long term value of your business.

SSM's Implementation Approach

SSM defines the main processes of the organization based on organization's strategy, cultures, and internal dynamics. Relationships and connections between 6 capitals and main processes are formed to define a value creation model. Value to be created in short, medium, and long term and its relationship with SDGs are defined

3 Define your Governance Model

Governance model is one of the most important components for structuring an organizational structure. When the board has been structured according to the value creation model of the organization the value creation journey would be effective and quicker.

SSM's Recommendations

Board must provide effective direction and oversight for achievement of sustainable success and value creation by the organization. Effectiveness of the board is highly correlated with the board's structure. (EFQM 2020 Model considers this issue in Purpose, Vision and Strategy, Design & Implement a Governance & Performance Management System criterion). Diversity (Gender, Age, experience, geographical, race, education, etc.) is important in board structuring. Board skills matrix must be developed based on its long-term value creation strategy. Board must be structured in such a way that it could behave as a team. Board composition approach, board skills matrix and authority matrix would help to enable to form an effective team.

SSM's Implementation Approach

When determining the structure of the executive board, SSM takes the organization's value creation model, main processes, as well as the expertise and diversity of the board members into account. By drawing out a skills matrix of the current state, key improvement areas are identified.

Board committees are important in directing the executive team and improving the quality of decision making both in the board and the organization. The goal is to achieve a holistic success for the application of the model by creating committee charters that involve workstreams and skills matrix for every part of the organization.

4 Define your Ecosystem and Stakeholders

Organizations need to mobilize others' resources when they perform their operations. When the ecosystem and stakeholders have been defined with a holistic perspective, this could help to develop relationships with key partners. Such an approach could enable us to gain trust and reach others' resources.

SSM's Recommendations

Organization needs to consider others' resources when designing a value creation model besides its own resources. Ecosystem definition must cover all stakeholders with close or distant relationships. This approach would help to define, plan, and design a holistic perspective to improve relationship capability of the organization in short, medium, and long term. EFQM 2020 Model prioritizes ecosystem understanding & management. It states that the ecosystem must be defined in the widest possible terms for managing and following the performance. Value creation could be successfully achieved if definition of resource and relationship base have been defined in a holistic manner.

SSM's Implementation Approach

According to SSM, the ecosystem is an integral part of how organizations do business. Stakeholders are categorized as either close circle or wider circle. The impact on the ecosystem is considered when developing the value model. Value proposition, relationship strategy, and purpose of engagement are clarified for each stakeholder group. Measurement and performance structures are built based on this holistic perspective of the ecosystem.

5 Define and Align your Business Model with the SDGs

Organization's business model has the capability to create value for all stakeholders and the planet as well. SDGs are the potential improvement factors for a sustainable planet. When an organization aligns its strategy and business model with SDGs it would be able to help to improve the state of the world for a sustainable future, improving trust to the organization.

SSM's Recommendations

Value needs to be defined to the greatest extent as possible for creating it for all. SDGs could be a good guide in achieving this purpose. Alignment of SDGs with strategy and business model would help to define the ecosystem and relationships that need to be developed throughout the ecosystem. Both IR approach and EFQM 2020 Model support adapting a broader perspective in conducting activities. Alignment of SDGs to strategy would allow us to understand the relationships between 6 capitals of IR and SDGs. SSM recommends developing a holistic and consistent approach in resource allocation, target setting, defining a business model with a broader perspective to achieve sustainable value creation.

SSM's Implementation Approach

SSM specifies value and SDGs in the "vision" stage rather than the "reporting" stage, as according to the model, these concepts should shape and steer business processes from the start. In SSM, the value model, SDGs, vision, strategy, and targets are defined while considering the alignment of these items with each other, organization's capabilities, and resource requirements.

6 Share your Experiences, Invest on your Intellectual Capital

Institutions increase their level of maturity in their life cycles, experiences at every stage form the foundations of corporate culture. Accumulating experiences and bringing them into the corporate culture makes the development and learning ground strong.

SSM's Recommendations

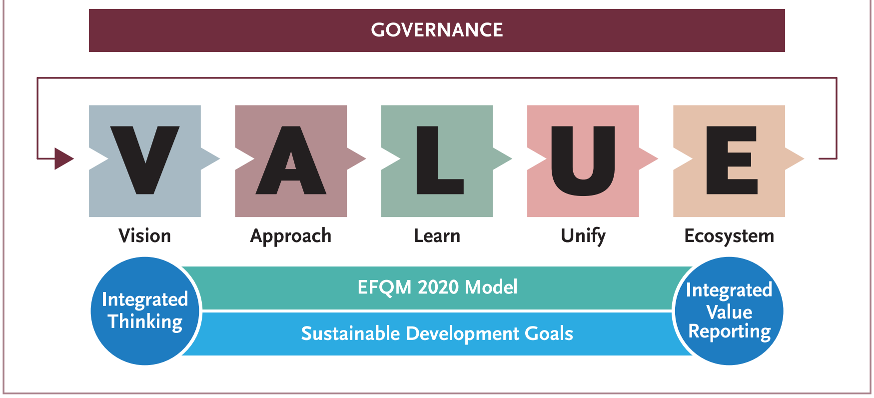
For the development of intellectual capital, positive and negative experiences should be considered as learning tools as well as R&D and P&D studies. In order to achieve this and ensure sustainable success, resources and priorities should be allocated to developing content, producing case studies from in-house experiences, and creating records, documentation and archives.

SSM's Implementation Approach

We have developed a key tool for long-term success with SSM, and we invite you to share your own experiences and practices that you can present as good examples with us:

info@arge.com

Sustainable Success Model©



Vision	Approach	Learn	Unify	Ecosystem
1 What is your Philosophy? Define Purpose, Mission, Vision Values, Principles	**7** Define your Strategy	**13** Measure your Operational Performance and Perception	**19** Assess Needs for Different Resources and Understand Expectations of Resource Owners	**25** Identify Stakeholder Impact Area and Relationship Strategy
2 Define Value to be Created	**8** Define your Organization Structure	**14** Measure Board Performance	**20** Update Strategy with Learning	**26** Identify Stakeholder Priorities
3 Define your Governance Model	**9** Define your Process Hierarchy	**15** Conduct Internal and External Audit	**21** Address Gaps	**27** Measure and Manage Perceptions
4 Define your Ecosystem and Stakeholders	**10** Define Resource Management Approach	**16** Perform Reporting Activities	**22** Communicate Internally and Externally with Focused Messages	**28** Measure and Manage Outcomes
5 Define and Align your Business Model with the SDGs	**11** Define KPI Set, Performance Management and Reporting Structure	**17** Evaluate and Implement Lessons Learned	**23** Manage Stakeholders	**29** Communicate Goals and Results
6 Share your Experiences, Invest on your Intellectual Capital	**12** Share your Experiences, Invest on your Intellectual Capital	**18** Share your Experiences, Invest on your Intellectual Capital	**24** Share your Experiences, Invest on your Intellectual Capital	**30** Share your Experiences, Invest on your Intellectual Capital

APPROACH

Approach is the component where strategy of the organization has been developed and implementation methodology has been determined. Purpose, mission, and vision would guide and shape the strategy development, as well as the organization and its business processes. Strategy defines the alternatives and the ways that would create value in short, medium, and long term. Experience shows that when purpose has been aligned with strategy and activities, every employee considers purpose and values in her/his decision-making process. Which is key for successful and responsible business conduct.

Strategy formulation and value creation priorities must be set with a long term and holistic perspective. Such an approach would help:

- to work with right partners,
- to develop more sustainable practices,
- to monitor technological and social trends,
- to develop effective communication and engagement with stakeholders which would improve the alignment of cooperative decision making and value creation capability,
- to take early action and deal with faced challenges.

Expanding the vision and timeframe perspective, monitoring and following the social trends and technological changes, involving stakeholders in decision making processes would strengthen the value creation capability of the organization and trust to the organization.

Strategy development process starts with materiality analysis and stakeholder engagement.

Material matters are the factors that affect an organization's value creation capability in short, medium, and long term. Quality of strategy and decision making would improve when an organization has an awareness regarding material issues. This would help organizations to focus on material issues and

Hakan Kilitçioğlu talking about Approach

Scan the QR code with your mobile phone's camera or simply visit https://arge.com/en/videos/sustainable-success-model/approach allocate resources accordingly. Materiality could be determined by using following process[1]:

Identification of Material Issues

Issues that need to be considered in materiality determination process are[2]:

- Identify factors that substantially affect value creation capability of the organization,
- Link these factors to the organization's strategy, governance approach and performance management system,
- Understand importance of these factors for key stakeholders,
- Understand the risks and opportunities related to purpose, mission, vision, strategy, business model, etc.,
- Form the basis for board discussion.

Evaluation of the Impact

Magnitude of impact on organization strategy, business model, value creation capability would be useful in prioritizing the material factors.

Second step in the materiality determination process is evaluating the importance of factors. Magnitude of impact on organization strategy, business model, value creation capability would be useful in prioritizing the material factors. When evaluating magnitude[3]:

- Quantify the impacts when possible,
- Use qualitative measures if the impact could not be qualified,
- Understand the impact on strategic, financial, operational, regulatory aspects,
- Understand the nature of impact, internal or external,
- Understand the time frame of the impact.

1 *Materiality in <IR> Guidance for preparation of Integrated Report, IFAC, November 2015, p 13*

2 *Materiality in <IR> Guidance for preparation of Integrated Report, IFAC, November 2015, p 5*

3 *Materiality in <IR> Guidance for preparation of Integrated Report, IFAC, November 2015, p 17*

Prioritization of Material Issues

Third step is determining priority for each material issue.

- Prioritization process should be conducted based on the magnitude of the impact.
- Material issues include both risks and opportunities. Therefore, they will guide organizations in determining risk management and mitigation strategy and at the same time they will direct organizations to develop mechanisms and strategies to benefit from opportunities.

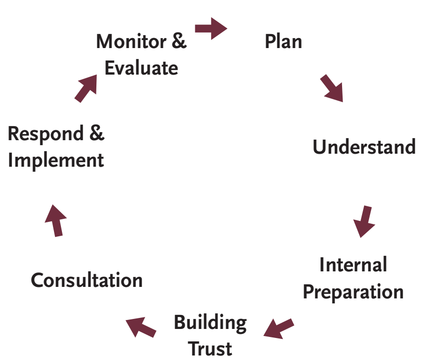
Board's involvement in the materiality determination process is important. One of the Board's main responsibilities is giving direction to the organization. Opportunities and risks are the main drivers in the strategy development process. Therefore, the board should approve material issues to develop the business model and an effective strategy.

GOOD EXAMPLE

See Aveng in page 47.

Effective **stakeholder engagement** would help align stakeholders' needs, expectations to the organization's goals and strategy. Effective stakeholder engagement would help build a consensus between parties which would improve trust to the organization.

Stakeholder engagement is a continuous cycle rather than one-off events which must be repeated in regular intervals. A meaningful stakeholder engagement which is important for building trust and getting insights in developing organization's strategy, has 7 steps[4]:



4 *Stakeholder Engagement: A Road Map to Meaningful Engagement, Neil Jeffry, Doughty Centre, Cranfield School of Management, July 2009, page 9*

A meaningful stakeholder engagement which is important for building trust and getting insights in developing organization's strategy, has 7 steps:

- **Plan:** Prioritization of stakeholders and identifying the objectives and issues to address.
- **Understand:** Understanding the needs, expectations of stakeholders. Understanding the motivation, urgency of expectations, and legitimacy of their demands. Understanding the relationship between stakeholders' needs and expectations and organization's business conduct, business model and strategy.
- **Internal Preparation:** Dedication of time, human resource, and effort for stakeholder engagement process. Identifying the ways of communication and conversation, win-win issues. Building consensus on the commitment of engagement and boundaries for organization and discussions.
- **Building Trust:** Understand the level of trust of each stakeholder group. Develop a strategy for building trust before engagement. Provide information regarding engagement topics to stakeholders before the engagement process so that they could understand the holistic picture and make necessary preparation for a fruitful consultation.
- **Consultation:** Consultation needs a fair representation, the process must be a two-way communication. Parties should be able to communicate their positions to each other in a balanced way. Organizations must be ready to be responsive to the issues and be realistic in negotiations with possible trade-offs of expectations, needs and objectives. The topics must be material to economic, social, environmental and governance risks of organization. Consultation could be handled through different engagement techniques or combinations of them like focus groups, interviews, surveys, workshops, etc.
- **Respond & Implement:** Aligning the outputs of stakeholder engagement process to the organization strategy and business plan as agreed in the process.
- **Monitor and Evaluate:** Knowledge management is critical for capturing information and creating a learning cycle. Transparency both internally and externally is important for dissemination of experience and building trust.

Communicating the performance regarding issues of engagement to the internal and external stakeholders in regular intervals is key. Considering a wide range of views in assessing performance could help to improve performance and allow us to understand success from different perspectives. Documenting and evaluation would allow us to make a cost benefit analysis.

EFQM Model and **Integrated Thinking** are two enablers of a meaningful and effective stakeholder engagement process. EFQM's stakeholder engagement approach supports meaningful stakeholder engagement. The approach states that[5] the organization:

EFQM Model and Integrated Thinking are two enablers of a meaningful and effective stakeholder engagement process.

- Identifies the specific types and categories within each of its Key Stakeholder Groups
- Uses its understanding of Key Stakeholders needs and expectations to achieve continued engagement (useful in strategy development)
- Involves Key Stakeholders in deploying its Strategy and Creating Sustainable Value and recognizes the contributions they make (useful in strategy development)
- Builds, maintains, and further develops the relationship with Key Stakeholders based on transparency, accountability, ethical behavior and trust (useful for monitoring and effective communication)
- Works with its Key Stakeholders to develop a common understanding and focus on how, through co-development, it can contribute to, and draw inspiration from, the United Nations Sustainable Development Goals and Global Compact ambitions (useful in strategy development and alignment to SDGs)
- Actively gathers the perceptions of its Key Stakeholders rather than waiting for them to make contact. (useful in strategy development)
- Evaluates its performance in relation to Key Stakeholders needs and decides on the appropriate actions to be

5 *The EFQM Model, EFQM, 2019, page 16*

taken to help secure its future, as perceived by these Key Stakeholders. (Learning from experiences).

Integrated Thinking approach also supports meaningful stakeholder engagement[6].

Stakeholders provide useful insights about matters that are important to them, including economic, environmental and social issues that also affect the ability of the organization to create value. These insights can assist the organization to:

- Understand how stakeholders perceive value
- Identify trends that might not yet have come to general attention, but which are rising in significance
- Identify material matters, including risks and opportunities
- Develop and evaluate strategy
- Manage risks
- Implement activities, including strategic and accountable responses to material matters.

GOOD EXAMPLE

See GFL in page 48.

Integrated Reporting Framework emphasizes that implementation of an integrated thinking approach would enable inclusion of stakeholders' views to the business conduct of the organization. Integrated Report enhances transparency and accountability that build trust to the organization. Integrated Reporting would allow organizations to show and communicate how stakeholders' needs and expectations have been considered in strategy development, decision making, action plans, and the performance regarding all these issues.

Materiality analysis and stakeholder engagement would be useful in understanding the ecosystem, expectations of stakeholders, trends in the market, and value creation opportunities for the stakeholders. These insights would help shape the strategy making process.

The next step in **strategy making** is to define the goals of the organization based on purpose, mission, vision, trends in the ecosystem, and expectations of the stakeholders. When the goals have been defined, the organization must conduct a gap analysis

6 *International <IR> Framework January 2021, page 28*

regarding the capabilities in resources, human resources, production systems, organization structure, innovation and service delivery capabilities to realize before setting the goals. The output of gap analysis would guide the design of a business model. Implementation of the business model would create outputs (products and services) and outcomes (the impacts created on the organization, ecosystem, stakeholders, and resources). Business model would enable the execution of strategy, achieve the goals and value creation for all.

GOOD EXAMPLE

See Mitsubishi Heavy Industries in page 49.

Strategic initiatives need to be designed in a holistic perspective. Organization's policies and action plans must be implemented in all operational geographies, including its supply chain. Organizations must guide and develop their supply chains to improve their resilience to shocks, so that they could be able to operate even in shocks without interruption. Such a position is key in creating value for its customers, stakeholders, and society. Such an approach will improve the resilience of societies and economies and improve the trust to the organization which is important for business continuity and success. Such an approach would also help align and improve the ecosystem.

GOOD EXAMPLE

See General Mills in page 50.

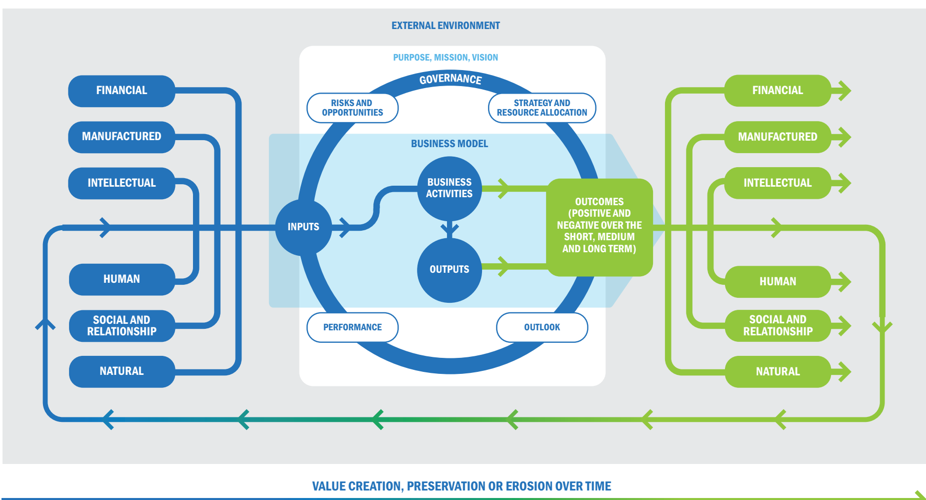
Leaders of the future are fully aware of the fact that managing and improving only their own operations is not enough for the sustainability of value creation. Therefore, they have to focus their attention and resources not only on their own operations, but also on influencing their stakeholders and even shaping the emerging trends. Improvements in the supply chain enable the sustainability of business, society, and the planet. Leaders of the future will be those who have such a broad perspective and consider the impact of their decisions not only on their own companies but also on their supply chains and all the impacts of their decisions, including the externalities. In the long term, all externalities come back to have a significant impact on their own organizations.

SDGs can be utilized as a tool to connect business strategies with global priorities. SDGs have a significant impact on the environment and social structure in which business will operate in the future. The SDGs present an opportunity for business-led solutions and technologies to be developed and implemented to minimize negative impacts and maximize positive impacts on people and the planet. Businesses can serve as role models to spark collective action towards environmental sustainability, social development, and good governance. A good method of embedding SDGs to the business strategy could be to focus on SDGs that organizations could make an impact, link organization strategy to SDGs, prepare action plans and communicate them, quantify performance for stakeholders, and report on progress publicly to the benefit of all stakeholders. This approach will create value for the business and ecosystem by utilization of opportunities.

GOOD EXAMPLE

See Linde in page 51.

The model recommended by Integrated Reporting Framework could be a useful in designing the **business model**[7]. The model defines the inputs as six capitals:



- **Financial Capital:** It is the funds that are needed to conduct its operations, implement its strategy, and value creation model. These funds could be equity, debt, retained earnings, grants, etc.
- **Manufactured Capital:** Physical goods that could be used to conduct its operations such as buildings, machinery and equipment, vehicles, infrastructure, etc.

7 *International <IR> Framework January 2021, page 22*

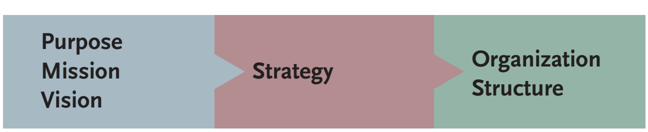
- **Intellectual Capital:** Organization's knowledge-based intangibles, know-how such as patents, rights, software, trade secrets, systems, protocols, procedures, models, etc.
- **Human Capital:** Employees, their competencies, skills, capabilities, experiences, motivation to develop and to innovate, etc.
- **Social and Relationship Capital:** Institutions and relationships between and within communities, groups, stakeholders, and ability to share information to enhance individual and collective wellbeing. This includes social license to operate, trust, relationships, common norms and values, reputation.
- **Natural Capital:** All renewable and nonrenewable environmental resources that organization needs to conduct its operations in the past, current time interval and the future. This resource could be water, land, minerals, air, forests, biodiversity, ecosystem services, etc.

Implementation of the business model would transform the inputs to outputs and outcomes which are the value to be created.

GOOD EXAMPLE

See Telkom in page 52.

Organization's strategy shapes the organization's structure and sound organization structure enables effective implementation of the business model.



Design of business processes is the first step in designing the organization's structure.

Related business processes are combined under functions. Organizational structure would be formed based on that architecture design approach.

Each process has been conducted by numbers of people with different job descriptions. Each position in every level of organization needs different competencies and skill sets.

A successful organization design must contain definitions of required competencies and skill sets in the organization for each position so that the business model could be implemented in a desired manner. Competencies and skill sets would shape recruitment, human resource development, career planning and performance management systems in the organization.

Related business processes are connected to form units, units are connected to form departments and departments are connected to form functions. Decision making authority of each level in the organization needs to be determined for effective functioning and eliminating chaos in the organization.

Each organization must design the right form of structure to implement their strategy and achieve their targets.

Different perspectives affect the formulation of an organization's structure. Fundamental concepts of organization structure design are:

CONCEPT	PERSPECTIVE	DESCRIPTION
Strategic Direction	Visionary Leadership	A visionary leader motivates people to move in the direction of her/his vision to achieve the targets.
	Authoritarian Leadership	Authority, and job description of each level in the organization has been clearly defined, decisions have been made mostly in central manner.
	Participatory Leadership	Decisions have been made in participatory manner to consider all critical information form bottom to top of the organization.
Organizational Culture	Entrepreneurship	Creativity, and initiative taking have been promoted in this approach.
	Teamwork	Transparency, openness, collective problem solving and collective action taking have been encouraged and promoted in this approach.
	Competitive	Competition between people has been encouraged and promoted in this perspective where the stress is high.
	Disciplined	Risk minimization, quality concerns, continuous improvement is key in this perspective.

CONCEPT	PERSPECTIVE	DESCRIPTION
Oversight & Accountability	Human Centered	Professional standards, ethics and values, and high employee engagement are important. Mostly utilized in creative organizations where it is difficult to follow the relationship between inputs and outputs.
	Financial Results Oriented	Competitiveness is important. Success has been achieved with a decentralized decision-making approach. Performance is the most important control mechanism.
	Operational Results Oriented	Process analysis, key performance indicators, management by goals is important. Job description, authority limits and responsibilities are clearly defined.
Competency Development	Institutionalization of Process Based Intellection Capital	Competencies of organizational systems are more important than employees' competencies.
	Development of People from Inside of Organization	Employee engagement is important, and the focus is development of employees.
	Attraction and Retention of Talent	Closely following ecosystems and attracting best talent is the focus. This approach is more common in growing organizations.
	Outsourcing	Utilization and management of best talent in all processes of the organization is prioritized. This approach has been observed in high growth, project based, and high creativity required organizations.
Relationship Management	Customer Relations is Prioritized	Long term customer relations are important for sustainability of the organization.
	Competitiveness of Organization is Prioritized	Competitiveness, market share and closely monitoring the competitors are important for the success of the organization.
	Relations with Business Partners are Prioritized	This approach is observed in organizations with partnerships in different geographies, organizations that have licensing agreements and joint ventures.
	Relations with Regulators are Prioritized	This approach is observed in industries where regulators are dominant in decisions related to markets such as energy, telecom, etc.

Management responsibility of organizations has been widened due to dissemination of operations to greater geographical areas, changing relationship dynamics, multi capital approach, and increased communication requirements to deal with the stakeholders and influence the trends. Organizations use committees, agile decision-making structures to manage their businesses. Organizational structures have started to be more flexible and top management roles are changing from directing to coordinating and influencing. Sustainability issues need to be handled by different business units and departments to be effectively managed. In such a case agile team structures become more common in managing similar issues. Effective management of new structures need high quality human resources with adequate competencies. Talent management is one of the most important priorities for building successful organizations. Sustainable Success Model© recommends organizations to use these concepts and approaches to design the best suited organizational structure for implementing their strategy and creating value in short, medium, and long term.

Aligning incentives with the critical goals needs to be a fundamental focus of the performance management systems. Board needs to focus on this issue for executive compensation.

After an organization has been structured; responsibilities, positions, job descriptions, authorities, competencies, and skill sets need to be determined. Organization's goals must be assigned to functions. Each function must assign these goals between its units and define sub goals, and each unit must assign these goals and define its sub goals for its human resources for successful implementation of strategy, business model, and value creation. Aligning incentives with the critical goals needs to be a fundamental focus of the performance management systems. Board needs to focus on this issue for executive compensation.

Please refer to https://arguden.net/en/article/right-reward-for-right-performance/ for further details on how to establish the right rewards for the right performance.

Tools like Balanced Scorecard would enable achieving and implementing integrated thinking in the organization. These methods are important for strategy development.

Balanced Scorecard is a strategic planning and management system, it has been used to[8]:

- Communicate what they are trying to accomplish,
- Align the day-to-day work that everyone is doing with strategy,
- Prioritize projects, products, and services,
- Measure and monitor progress towards strategic targets.

Balanced Scorecard methodology has common characteristics with Integrated Reporting and integrated thinking. Both assume financial and non-financial measures must be considered to understand the value created and achievements of the strategy.

Key Performance Indicators (KPIs) –set of quantifiable measures that are used to follow an organization's performance against its strategy and goals– would show the trend of the performance. It could also be used to compare the performance with its peers as a benchmark. KPIs are important in dissemination of integrated thinking approach within the organization.

KPIs are important in dissemination of integrated thinking approach within the organization.

Balanced Scorecard and EFQM relationship and complementary have been explained[9]. It has been stated that both models' main aim is to improve the organization's performance and value creation capability. Both models aim:

- Communication of strategy throughout the organization to create a common vision and understanding,
- Clarification of responsibilities and authorities of each team, committee, unit,
- Improvement of competencies,
- Deployment and strengthening learning culture,
- Process management approach,
- Transparent decision making, performance management and monitoring systems,
- Effective feedback mechanisms for strong learning process,
- Rewarding good performance.

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8 *https://balancedscorecard.org/bsc-basics-overview/*

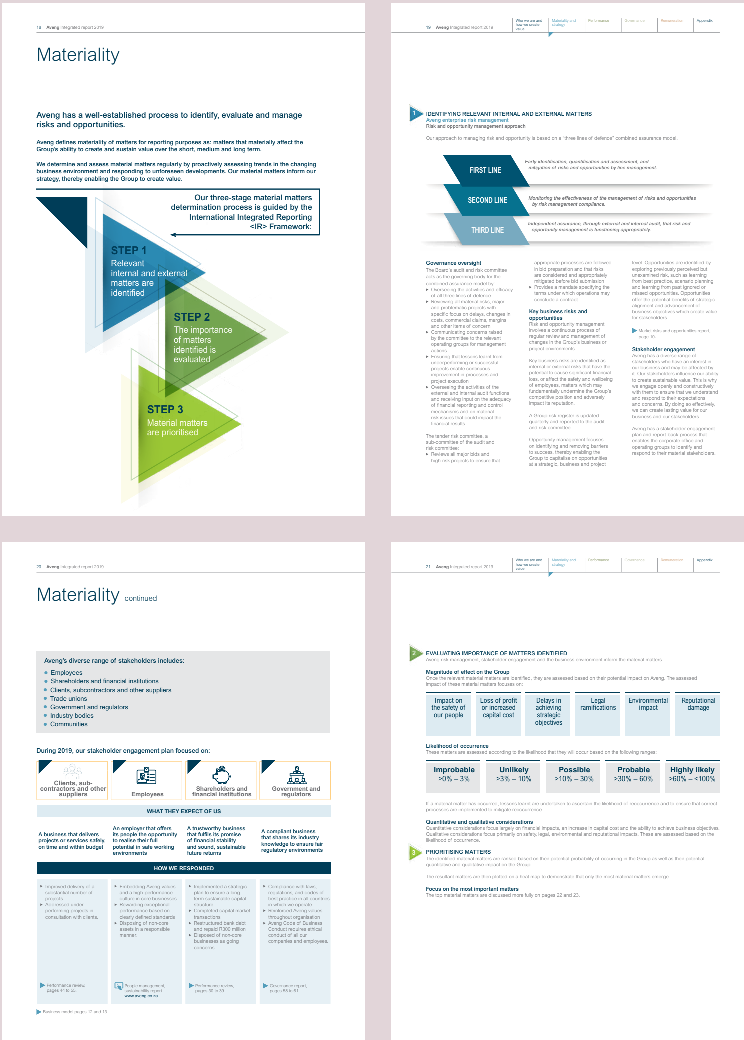
9 *Balanced Scorecard, Dr. Yılmaz Argüden & Dr. Engin Sağdıç, Prof. Robert S. Kaplan & David P. Norton, ARGE, Publication No: 1, 2000*

EFQM Model and Integrated Thinking Approach form the basis of strategy making process while Integrated Report is an effective communication tool to communicate the value creation process with its story.

GOOD EXAMPLE

See Linde in page 53.

Integrated Reporting and integrated thinking enable a holistic perspective in developing organizational strategy while EFQM improves the effectiveness of implementation of strategy and processes. Therefore, it could be said that Integrated Reporting and integrated thinking and EFQM model are complimenting each other in supporting and strengthening value creation of organization.



Aveng is an infrastructure, resource and mining company based in South Africa.

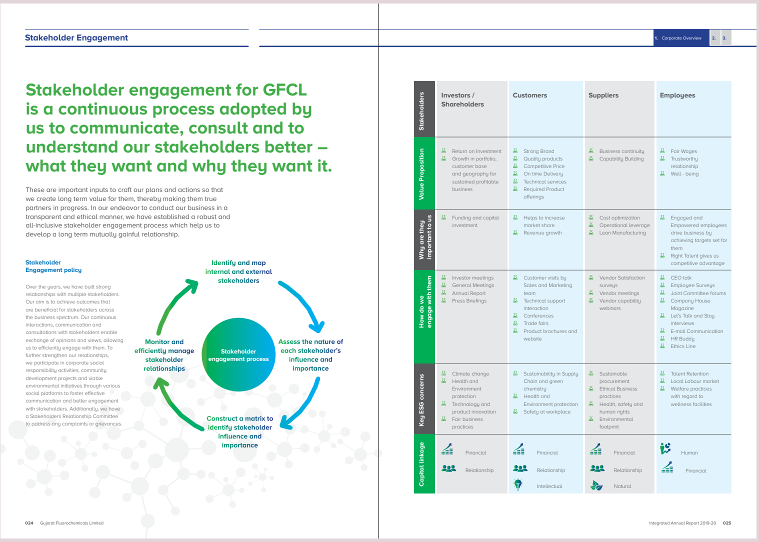
The company conducted its materiality determination process according to the above recommended approach and communicated it in its 2019 Integrated Report.

The process has been shared transparently and all actors who took part in this process could be seen. Therefore, responsibility and accountability of actors could be understood by all stakeholders. Such an approach improves trust to the organization.

Aveng Integrated Report 2019, p 18-21 https://aveng.co.za/pdf/investors/annual-reports/2019/aveng-iar-2019.pdf

Gujarat Fluorochemicals Limited is an Indian company.

The company identifies the relevant value proposition, explains why the stakeholder is important to the company for each stakeholder group. It also explains why the company engages with these stakeholder groups. These issues shape their strategy, business model and actions in their value creation journey in short, medium and long term.



Stakeholder Engagement

1. Corporate Overview 2. 3.

Stakeholder engagement for GFCL is a continuous process adopted by us to communicate, consult and to understand our stakeholders better – what they want and why they want it.

These are important inputs to craft our plans and actions so that we create long term value for them, thereby making them true partners in progress. In our endeavor to conduct our business in a transparent and ethical manner, we have established a robust and all-inclusive stakeholder engagement process which help us to develop a long term mutually gainful relationship.

Stakeholder Engagement policy

Over the years, we have built strong relationships with multiple stakeholders. Our aim is to achieve outcomes that are beneficial for stakeholders across the business spectrum. Our continuous interactions, communication and consultations with stakeholders enable exchange of opinions and views, allowing us to efficiently engage with them. To further strengthen our relationships, we participate in corporate social responsibility activities, community development projects and viable environmental initiatives through various social platforms to foster effective communication and better engagement with stakeholders. Additionally, we have a Stakeholders Relationship Committee to address any complaints or grievances.

Stakeholders	Investors / Shareholders	Customers	Suppliers	Employees
Value Proposition	Return on Investment; Growth in portfolio, customer base and geography for sustained profitable business	Strong Brand; Quality products; Competitive Price; On time Delivery; Technical services; Required Product offerings	Business continuity; Capability Building	Fair Wages; Trustworthy relationship; Well - being
Why are they important to us	Funding and capital investment	Helps to increase market share; Revenue growth	Cost optimization; Operational leverage; Lean Manufacturing	Engaged and Empowered employees drive business by achieving targets set for them; Right Talent gives us competitive advantage
How do we engage with them	Investor meetings; General Meetings; Annual Report; Press Briefings	Customer visits by Sales and Marketing team; Technical support interaction; Conferences; Trade fairs; Product brochures and website	Vendor Satisfaction surveys; Vendor meetings; Vendor capability webinars	CEO talk; Employee Surveys; Joint Committee forums; Company House Magazine; Let's Talk and Stay interviews; E-mail Communication; HR Buddy; Ethics Line
Key ESG concerns	Climate change; Health and Environment protection; Technology and product innovation; Fair business practices	Sustainability in Supply Chain and green chemistry; Health and Environment protection; Safety at workplace	Sustainable procurement; Ethical Business practices; Health, safety and human rights; Environmental footprint	Talent Retention; Local Labour market; Welfare practices with regard to wellness facilities
Capital linkage	Financial; Relationship	Financial; Relationship; Intellectual	Financial; Relationship; Natural	Human; Financial

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Stakeholder Engagement

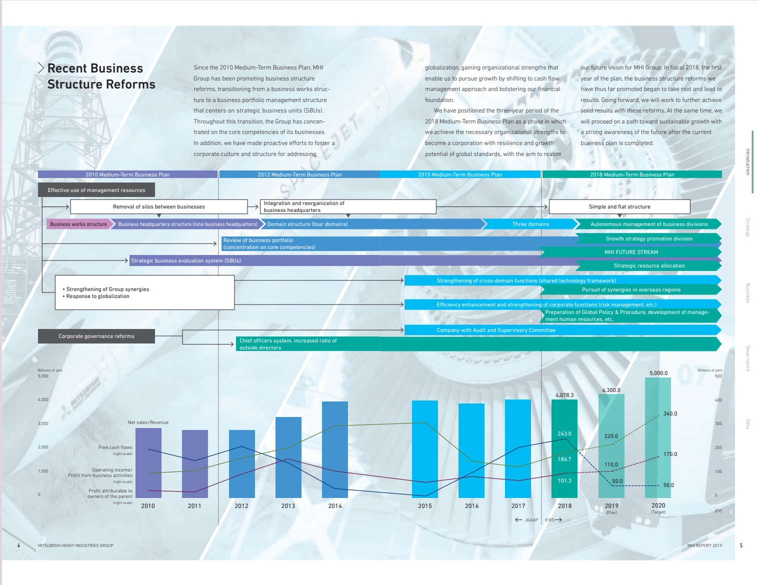
1. Corporate Overview 2. 3.

Stakeholders	Community	Regulatory and Government Bodies	Industry Bodies and Media	Educational Institutes
Value Proposition	Sustainable development of communities around our operations	Policy Formulation to shape future business growth	Sharing of best practices; Benchmarking; Collaboration	Future talent supply; Research and development
Why are they important to us	Ensuring community engagement to create lasting value for societies in which we operate	To ensure business continuity we need to comply with regulations; In regulated markets we have to comply with set standards and policies	Understand industry trends and future needs; Engage with industry colleagues to discuss matters of mutual interest including regulatory trends.; Appropriate media coverage and company branding	Fulfill present and future talent requirement; Intellectual partnerships to undertake research and development of product and technology
How do we engage with them	Public Hearing; Meeting with Community leaders; CSR Cell engagement with community; Community Development programmes and events; Community Development Newsletter	Participation is Seminars and events organized by the Regulatory Bodies; Making representations whenever required	Press Conferences; Regional and national conferences and seminars of Industry Bodies; Memberships	Campus engagement; Senior Management Lectures; MOU
Key ESG concerns	Water availability; Environment protection; Pollution Prevention; Employment generation	Pollution Control; Emission and waste management; Energy efficiency; Community development; Compliance	Transparent Disclosures and information sharing on emission, water, safety, welfare and other social accountability matters	Employment opportunity; Community involvement
Capital linkage	Social & Relationship	Relationship; Natural	Relationship	Relationship

026 Gujarat Fluorochemicals Limited

Integrated Annual Report 2019-20 027

GFL Integrated Annual Report 2019-20, pages 24-27
https://gfl.co.in/upload/pages/aef739c2bda7e1bcbd7b2004ca4943ad.pdf



Mitsubishi Heavy Industries Integrated Report 2019, pages 4-5
https://www.mhi.com/finance/library/annual/pdf/report_2019.pdf

The above table communicates what the company wants to achieve and how it intends to get there. It highlights how it aims to realize its future vision through implementing structural reforms, gaining organizational buy-in in order to improve its resilience to risks and align its corporate culture with its strategic priorities. It reveals the length of various business reform initiatives and communicates key priorities. These priorities have been determined by analyzing the ecosystem, stakeholders' needs and expectations, and the company's capabilities.

The business plan diagram of Mitsubishi Heavy Industries uses bar charts to effectively communicate how the business plan has successfully led to growing revenue.

Mitsubishi Heavy Industries is a production and engineering company that has operations in fields such as shipbuilding, transportation systems, commercial aircraft, and power generation systems, to space systems.

The company has been making changes in its strategy since the 2010 Medium term Business Plan.

The group has been promoting business structure reforms, transitioning from a business works structure to a business portfolio management structure that centers on strategic business units (SBUs).

At the center of that strategic change are globalization, gaining organizational strength for growth, and cash flow management.

General Mills is an American food company.

The company is aware that its business depends on earth and its resources. Threats to land, water and climate affect their ability to produce food to feed the growing population and sustainability of their business.

General Mills believes that focusing only on their production activities is not enough to be resilient. It states that "preservation is not enough; we need to regenerate natural systems to survive".

The company has started a new program to advance regenerative agriculture practices on one million acres of farmland by 2030. It is committed to do right things for the planet with its partners. The company assigned goals to its material issues covering their supply chain.

It reports the performance and the trend with three years data.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Four-phase approach to sustainable supply chain water use

PHASE 1
Assessment
A study of key operation and growing region watersheds, using external standards and building on work completed with The Nature Conservancy

PHASE 2
Analysis and action planning
Deep-dive analysis of at-risk growing areas, in conjunction with external experts

PHASE 3
Collaboration
Establish multi-stakeholder water stewardship plan to implement identified improvements

PHASE 4
Transformation
Implement water stewardship program with public education and advocacy, funding, and monitoring and reporting

General Mills' priority watersheds

Snake
IDAHO, U.S.
Growing region (wheat, potatoes)
RISK LEVEL: EXTREMELY HIGH
PHASE 3
We support TNC to help farmers implement water management and soil health practices that reduce groundwater withdrawals and address declining water levels and watershed health in this area. In 2017, the Natural Resources Conservation Service (NRCS) allocated $5.2 million to promote and implement irrigation and water saving projects through its Regional Conservation Partnership Program. TNC also received a grant from the NRCS to help develop the business case for farmers to reduce water use. Learn more. Also see Field to Market: The Alliance for Sustainable Agriculture and the TNC soil health roadmap.

San Joaquin
CALIFORNIA, U.S.
Growing region (dairy, nuts, fruits and vegetables), facility
RISK LEVEL: EXTREMELY HIGH
PHASE 3
General Mills is supporting TNC to develop risk-mapping frameworks, leading management practices and tools to help ensure that groundwater dependent ecosystems and streams in California are included in sustainable groundwater management. Through the California Water Action Collaborative, we share resources and information with other food and beverage companies, suppliers and conservation organizations to improve water security in the San Joaquin watershed. General Mills also is funding research conducted by Sustainable Conservation, an NGO supporting farmers in California's Central Valley, to enable groundwater recharge on active farm fields.

Rio Grande/ Rio Bravo
NEW MEXICO, U.S.
Facility
RISK LEVEL: EXTREMELY HIGH
PHASE 4
We contribute to the Rio Grande Water Fund's work to help advance water conservation and education efforts in the Albuquerque community, including restoring forests to reduce catastrophic wildfires that threaten the area's water supply.

South Florida Basins
FLORIDA, U.S.
Growing region (sugarcane)
RISK LEVEL: HIGH
PHASE 2
General Mills is tracking The Central Everglades Planning Project (CEPP) that is currently being implemented according to the Integrated Delivery Schedule, a collaboration created with multi-stakeholder input.

Yongding He
HEBEI/SANHE (BEIJING), CHINA
Growing region (dairy), facility
RISK LEVEL: EXTREMELY HIGH
PHASE 2
We are in the process of implementing the Alliance for Water Stewardship (AWS) standard at our facility and the surrounding catchment.

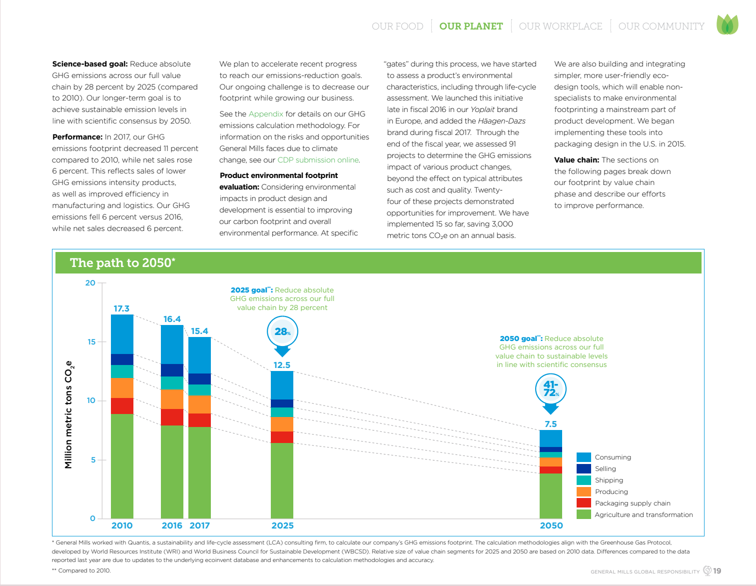
Huang He (Yellow)
SHANGDONG, CHINA
Growing region (dairy)
RISK LEVEL: EXTREMELY HIGH
PHASE 2
Added in October 2016. This watershed is in the analysis phase.

Yangtze (Chang Jiang)
SHANGHAI, CHINA
Facilities
RISK LEVEL: HIGH
PHASE 2
We are in the process of implementing the Alliance for Water Stewardship (AWS) standard at our facilities and the surrounding catchments.

Ganges
MADHYA PRADESH, INDIA
Growing region (wheat)
RISK LEVEL: EXTREMELY HIGH
PHASE 2
General Mills is supporting TNC to complete a deep-dive assessment into the watershed, farming practices and the opportunities for improvement.

Risk levels are based on the WWF Water Risk Filter, customized to General Mills.

GENERAL MILLS GLOBAL RESPONSIBILITY 24


OUR FOOD | OUR PLANET | OUR WORKPLACE | OUR COMMUNITY

Science-based goal: Reduce absolute GHG emissions across our full value chain by 28 percent by 2025 (compared to 2010). Our longer-term goal is to achieve sustainable emission levels in line with scientific consensus by 2050.

Performance: In 2017, our GHG emissions footprint decreased 11 percent compared to 2010, while net sales rose 6 percent. This reflects sales of lower GHG emissions intensity products, as well as improved efficiency in manufacturing and logistics. Our GHG emissions fell 6 percent versus 2016, while net sales decreased 6 percent.

We plan to accelerate recent progress to reach our emissions-reduction goals. Our ongoing challenge is to decrease our footprint while growing our business.

See the Appendix for details on our GHG emissions calculation methodology. For information on the risks and opportunities General Mills faces due to climate change, see our CDP submission online.

Product environmental footprint evaluation: Considering environmental impacts in product design and development is essential to improving our carbon footprint and overall environmental performance. At specific "gates" during this process, we have started to assess a product's environmental characteristics, including through life-cycle assessment. We launched this initiative late in fiscal 2016 in our *Yoplait* brand in Europe, and added the *Häagen-Dazs* brand during fiscal 2017. Through the end of the fiscal year, we assessed 91 projects to determine the GHG emissions impact of various product changes, beyond the effect on typical attributes such as cost and quality. Twenty-four of these projects demonstrated opportunities for improvement. We have implemented 15 so far, saving 3,000 metric tons CO_2e on an annual basis.

We are also building and integrating simpler, more user-friendly eco-design tools, which will enable non-specialists to make environmental footprinting a mainstream part of product development. We began implementing these tools into packaging design in the U.S. in 2015.

Value chain: The sections on the following pages break down our footprint by value chain phase and describe our efforts to improve performance.

The path to 2050*

* General Mills worked with Quantis, a sustainability and life-cycle assessment (LCA) consulting firm, to calculate our company's GHG emissions footprint. The calculation methodologies align with the Greenhouse Gas Protocol, developed by World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). Relative size of value chain segments for 2025 and 2050 are based on 2010 data. Differences compared to the data reported last year are due to updates to the underlying ecoinvent database and enhancements to calculation methodologies and accuracy.

** Compared to 2010.

GENERAL MILLS GLOBAL RESPONSIBILITY 19

General Mills, Global Responsibility 2018, pages 19, 24
https://globalresponsibility.generalmills.com/2018/images/General_Mills-Global_Responsibility_2018.pdf

Linde 2019 Sustainable Development Report 11

How We Create Economic, Environmental and Social Value

INPUT AND ACTIVITIES →	OUTPUT AND OUTCOMES →	IMPACT
Employees		
80,000 employees in 95 countries	· Personnel expenses in 2019 totaled $5.8 billion, including salaries, benefits, Social Security contributions and pensions, and share-based compensation	
Committed to Diversity and Inclusion	· 27% female employees worldwide · Continued to develop a diverse pipeline of senior leaders · Consistently listed on major Diversity and Inclusion indices	3 GOOD HEALTH AND WELL-BEING
>5 million hours safety training delivered per year for employees and contractors	· Lost Workday Case Rate 4X better than U.S. Occupational Health and Safety Administration all industries industrial average	
Customers and Investors		
Shareholder focus	· 27 consecutive years of dividend growth	
Capital intensive operations	· Return on capital: 11.6% · Industry-leading backlog of $10 billion	8 DECENT WORK AND ECONOMIC GROWTH
Local business model	· Linde manufactures and distributes nearly all its products and manages 2+ million industrial customers on a regional basis	
Innovation		
Technology Innovation	· First-ever commercial scale trial for low-carbon steel heating with hydrogen, which enables substantial reductions in carbon emissions. · 53% of revenue from applications that bring environmental and social benefits · Building of the world's first hydrogen station for fuel-cell powered passenger trains · Leading electrolysis expertise: 40 megawatts, 80 units	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
Natural Resources		
Resource productivity	· Delivered productivity fully in line with business strategic objectives (total productivity savings >$750 million) · $84.5 million realized from sustainable productivity, including avoiding 100 million gallons of water and 505,000 MT CO_2e	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
37.5 million MT CO_2e direct and indirect GHG* emissions	· 15.5 TWh low-carbon energy sourced (35% of all energy) · 100 million MT CO_2e avoided by customers from five of Linde's key technologies	7 AFFORDABLE AND CLEAN ENERGY
162 million m^3 water consumed	· Gases for water treatment and desalination enabled an estimated 290 million people to have access to safe drinking water	
Society		
Commitment to Ethics and Integrity	· Maintained strong compliance culture; new Code of Business Integrity implemented across combined company	16 PEACE, JUSTICE AND STRONG INSTITUTIONS
$8 million in funding for social projects and initiatives	· More than 1,300 organizations supported globally	
61,000 employee volunteer hours contributed	· 300,000 children and students benefitted from employee community engagement projects	8 DECENT WORK AND ECONOMIC GROWTH
Healthcare business	· Crucial support to hospitals and healthcare facilities during the COVID-19 pandemic in Linde countries of operation · In the U.S., Lincare is the largest provider of respiratory care in the home	

*GHG: Greenhouse gas
** UN SDG: UN Sustainable Development Goals

Linde Sustainable Development Report 2019, page 11
https://www.linde.com/-/media/linde/merger/documents/sustainable-development/2019-sustainable-development-report.pdf

Linde is an industrial gases and engineering company in Germany.

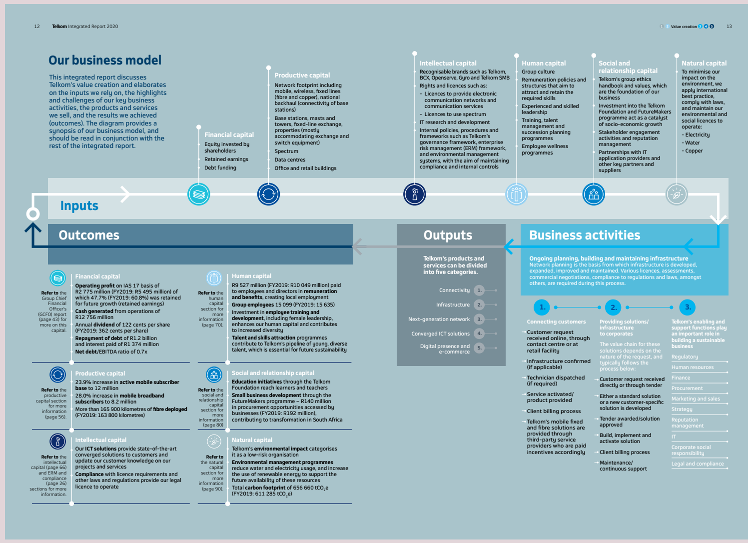
The company aligned its strategy and value creation priorities with SDGs.

Company's value creation priorities are the solutions for global problems which are SDGs.

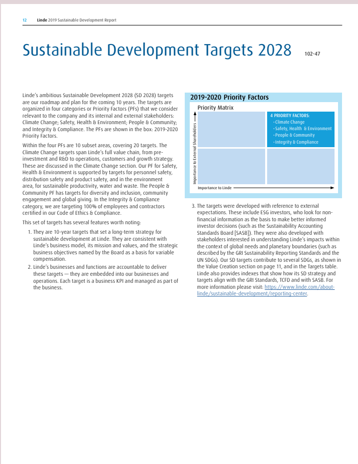
Telkom is a telecom company based in South Africa. Their service covers integrated voice, data, fixed, mobile, IT, and data center solutions.

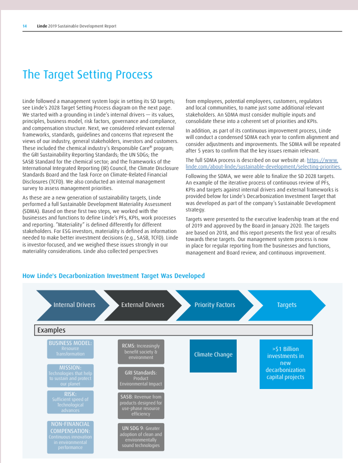
Their business model has been communicated in a transparent manner how it implements its strategy through its business model. It explains what the inputs are and how it transforms these inputs to outputs through business activities. Outcomes which are value created have been clearly explained.

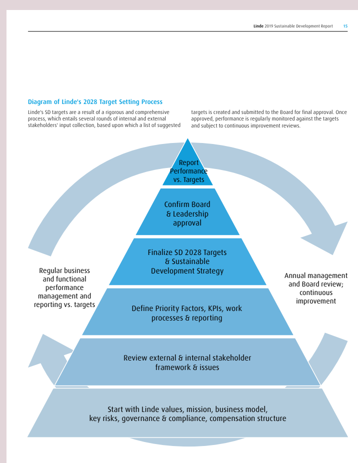
The business model neatly shows the value creation story of Telkom.



Telkom Integrated Report 2020, pages 12-13
http://examples.integratedreporting.org/resources/15711/TELKOM_AR2020.pdf







Linde Sustainable Development Report 2019, pages 12-20
https://www.linde.com/-/media/linde/merger/documents/sustainable-development/2019-sustainable-development-report.pdf

Linde's strategy making process could be considered as a good example for the processes covered in Approach component.

This process has been considered as a good example for the proposed model since:

- It is a road map for a 10 years period.
- Priority areas have been determined as material issues and a stakeholder engagement process both internally and externally has been conducted.
- Target areas have been prioritized in four areas with 20 targets.
- The targets and strategy that would help reaching targets and creating value has been defined for ten years. Company's mission and vision guided the process. Business model has been formed to realize strategy and targets. Objectives have been named by the board and formed the basis for variable compensation.

- Business units and functions are accountable for delivering the targets. Business plans have been designed to deliver targets and they are embedded into operations. Targets become KPIs for each related business unit and function.
- Targets have been determined based on external expectations. Linde's impact on the ecosystem, planetary boundaries, and global needs have been considered in the target determination process.

7 Define your Strategy

Different paths could help realize the vision of the organization. Strategy must be developed based on values, capabilities, and the resource base of the organization. Value model must be structured in alignment with the strategy. Effective strategy formulation that needs consistent choices to be made to make a difference is the key for sustainable value creation.

SSM's Recommendations

Analysis of the current state must be conducted with a broad approach considering different perspectives. SWOT and PESTLE analysis are useful tools in current state analysis. Clarification of materiality matrix and approval by the board is important. Materiality matrix would be one of the important documents in shaping an organization's strategy. Integrated thinking approach is useful in designing materiality matrix and designing strategy. EFQM 2020 Model's Direction criteria guides the strategy determination process. Both approaches direct SSM to adapt a broader perspective in time, performance, created impact on the organization, and ecosystem in strategy formulation.

SSM's Implementation Approach

Materiality analysis is conducted together with stakeholders. Interviews, focus groups, surveys and workshops are some of the methods that can be utilized during this process. Main components of the Balanced Scorecard, such as purpose, mission, vision, and ecosystem are used as inputs when building the materiality matrix. The matrix enables to connect value with material issues in measurable terms. Following this approach, a performance management system is designed where short-, medium-, and long-term goals are assigned to specific business units alongside monitoring criteria. To foster participation, ownership and common vision, processes are defined and workshops involving mid to upper management are conducted. As a result, a common understanding for the definitions and processes is achieved throughout the organization.

8 Define your Organization Structure

Organization structure is highly correlated with industry and maturity of the organization. Organization structure must be defined considering internal interactions and dependencies, subsidiaries, partnerships, and stakeholders.

SSM's Recommendations

SSM aims to adapt a wider perspective according to the requirements of new order to the organization structure. SSM recommends using project team and committee structures to improve the quality of decision making and the operational efficiency both of which would improve effectiveness and performance. SSM emphasizes the importance of:

- governance structure for success
- diversity for quick and high-quality decision making.

SSM's Implementation Approach

Stakeholders, relationship management and business conduct methods are important inputs for defining organizational structure. SSM defines, Organization and Governance structure and structures like committees, cross functional teams by observing stakeholders' map. SSM defines Charters for each unit, and holistic and authority-based job descriptions through implementing RACI (Responsible – Accountable – Consulted – Informed) methodology. Organizational structure is not static, it needs to be revised based on changing requirements. SSM links HR management systems with organization structure. Talent management and development of human resources are key for success, value creation and improving organizational structure.

9 Define your Process Hierarchy

If an organization forms process architecture in line with its organization structure and business conduct, it could make more cost efficient, agile, quick and high quality decisions to manage performance better.

SSM's Recommendations

SSM recommends structuring process architecture with a broad perspective. Definition of each process's inputs and outputs considering stakeholders' perspectives enables organization to have a smooth operation capability. KPIs relate to process which improves and clarifies responsibility of each group and position.

SSM's Implementation Approach

SSM designs process architecture with a holistic perspective. Each unit's role and activities are defined by aligning RACI methodology with process KPIs. Performance indicators for committees and cross functional teams, units and responsibility sharing matrix between units, teams and committees must be defined to eliminate grey areas and gaps in decision making processes. SSM aims to reflect changing needs, expectations, effects of new trends, technology, changing behavioral patterns and new methods to the business process for sustainable value creation.

10 Define Resource Management Approach

Implementation of a holistic perspective in resource management. Considering and understanding the importance of both financial and non-financial resources.

SSM's Recommendations

Resource planning must be conducted by considering all interactions and dependencies in and between business processes. IR defines resources as 6 capitals. EFQM 2020 Model's Execution criterion considers management quality as the performance of resource management. Resource planning for 6 capitals is handled in budgeting process as well.

SSM's Implementation Approach

SSM aims to determine resource requirement by using 6 capital approach of IR. Resource requirements must be determined and planned based on value to be created, targets, KPIs, financial position and capabilities, the context. The model aims to show the resource utilization according to roles, responsibilities in the organization's structure.

11 Define KPI Set, Performance Management and Reporting Structure

Defining KPI sets to monitor performance. Designing measurement, reporting mechanism (including the frequency of the measurements) to effectively support decision making systems of the organization.

SSM's Recommendations

Definitions of KPIs must enable effective implementation of strategy and reaching set targets. Implementation of SSM enables to set KPIs with broader perspective considering multiple standards such as SASB, GRI, etc. Value to be created must be the at the heart of the KPI setting processes. Reporting must be the means not the purpose of communicating with all stakeholders. It needs to be concise and easily understandable by all key stakeholders. EFQM guides the reporting of results and IR guides how reporting must be made and what needs to be the content of report (based on materiality, stakeholder engagement, outlook, connectedness, conciseness, explaining strategy, business model, governance, reliability, consistency). SSM aims to support decision making and value creation activities through effective reporting processes throughout structuring, preparation, communication.

SSM's Implementation Approach

SSM defines KPI sets that would improve comprehensiveness, effectiveness and quality of decision making. These KPI sets would help to reach set goals by implementation of strategy road map that has been developed to close gap between current position and the goals. Balanced Scorecard methodology helps to define KPI sets according to the characteristics of each industry and its standards. Measurement system needs to be simple and to allow to realize meaningful measurement focusing on value creation. Such an approach could help to develop and improve organizational culture.SSM implements integrated reporting approach focused on value creation. Reporting enables to make quality decision making by internal and external stakeholders. It could be utilized as a cockpit at decision making position to eliminate or minimize ineffectiveness and inefficiencies. SSM's reporting approach is an important tool in converting data to decision useful information.

12 Share your Experiences, Invest on your Intellectual Capital

Institutions increase their level of maturity in their life cycles, experiences at every stage form the foundations of corporate culture. Accumulating experiences and bringing them into the corporate culture makes the development and learning ground strong.

SSM's Recommendations

For the development of intellectual capital, positive and negative experiences should be considered as learning tools as well as R&D and P&D studies. In order to achieve this and ensure sustainable success, resources and priorities should be allocated to developing content, producing case studies from in-house experiences, and creating records, documentation and archives.

SSM's Implementation Approach

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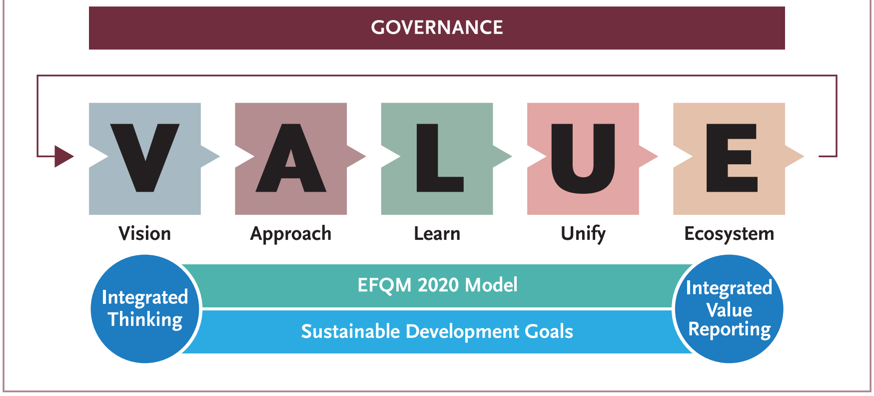
info@arge.com

Sustainable Success Model©



V Vision	A Approach	L Learn	U Unify	E Ecosystem
1 What is your Philosophy? Define Purpose, Mission, Vision Values, Principles	**7** Define your Strategy	**13** Measure your Operational Performance and Perception	**19** Assess Needs for Different Resources and Understand Expectations of Resource Owners	**25** Identify Stakeholder Impact Area and Relationship Strategy
2 Define Value to be Created	**8** Define your Organization Structure	**14** Measure Board Performance	**20** Update Strategy with Learning	**26** Identify Stakeholder Priorities
3 Define your Governance Model	**9** Define your Process Hierarchy	**15** Conduct Internal and External Audit	**21** Address Gaps	**27** Measure and Manage Perceptions
4 Define your Ecosystem and Stakeholders	**10** Define Resource Management Approach	**16** Perform Reporting Activities	**22** Communicate Internally and Externally with Focused Messages	**28** Measure and Manage Outcomes
5 Define and Align your Business Model with the SDGs	**11** Define KPI Set, Performance Management and Reporting Structure	**17** Evaluate and Implement Lessons Learned	**23** Manage Stakeholders	**29** Communicate Goals and Results
6 Share your Experiences, Invest on your Intellectual Capital	**12** Share your Experiences, Invest on your Intellectual Capital	**18** Share your Experiences, Invest on your Intellectual Capital	**24** Share your Experiences, Invest on your Intellectual Capital	**30** Share your Experiences, Invest on your Intellectual Capital

LEARNING

There is a Chinese proverb: "***If you want the present to be different from the past, study the past***[1]". The evidence shows that if organizations learn from previous experiences through ex-post evaluations, they improve their strategy, business processes, performance, and value creation capabilities in the short, medium, and long term.

Most of the current management models followed by companies utilizes some kind of measurement and learning from the results. These, whether being a well-known methodology or anything developed by the company itself, generally follow the strategies and plans, to understand if they are achieving the desired results and moving the company closer to its vision. Aside from the measurements companies follow themselves, they also use audits and assessments both internally and externally to see where they stand with respect to the defined criteria. Third party surveys/questionnaires are also used to get information from its stakeholders to understand the level of achievements based on the implemented strategies/actions/approaches.

Most common learning tools used by organizations can be referred as:

- Measuring the achievements of its strategies & plans
- Monitoring the operational performance (financial & non-financial)
- Measuring the perceptions of its stakeholders (employees, customers, society, partners, ...)
- Measuring the process performances in detail
- Benchmarking with good practices at process level as well as with best in class examples
- Perform internal audits & independent audits (financial, non-financial)
- Assess systematically its systems

Dr. Erkin Erimez talking about Learning

Scan the QR code with your mobile phone's camera or simply visit https://arge.com/en/videos/sustainable-success-model/learning

1 https://iveybusinessjournal.com/publication/learning-from-experience/

Sustainability Governance Scorecard (SGS) have found that best in class companies establish a learning loop for continuous improvement and create a climate of learning with measurable indicators (trends, benchmarking)[2]. Learning is not limited to the organization's own operations. Another important finding of the SGS project is that "There are extensive peer-to-peer learning opportunities based on good practices shared by the peer organizations on how they approach their sustainability efforts[3]".

A well-functioning learning capability could be achieved through implementation of a successful performance management system with an effective measurement system.

A well-functioning learning capability could be achieved through implementation of a successful performance management system with an effective measurement system. Performance could be improved, benchmarks could be utilized to set targets if an organization has appropriate measurement tools, metrics, and processes. Learning from experience is an enabler of realizing strategy, targets, and value creation. Stakeholder engagement where the views of stakeholders about the organization and satisfaction levels and internal and external audit processes could be considered as measurement tools for organizational learning.

Learning improves evidence-based decision-making capability which improves the quality of decisions. Learning processes help shape:

- Innovation capabilities both in new product development and process improvement activities,
- Improvement in training programs such as HSE trainings,
- Improvement in risk management systems by identifying and understanding new risks,
- Recruitment process that could be redesigned based on lessons learn for improving value creation capability,
- Orientation programs that could be improved for employees and board members.

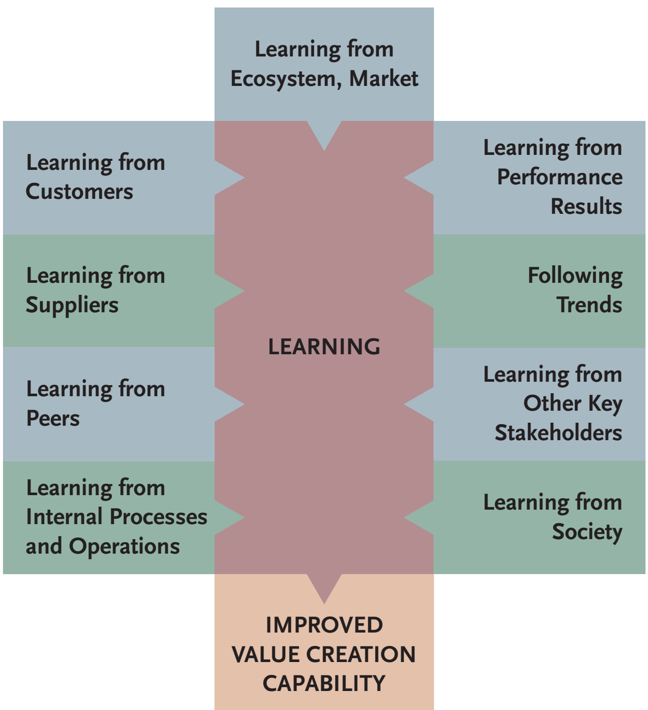
Learning capability must be extended to the organization's value chain. Finding solutions for own problems does not

2 *Sustainability Governance Scorecard, Argüden Governance Academy, 2019*

3 *Sustainability Governance Scorecard, Argüden Governance Academy, 2019*

utilize the full potential to create value if it does not encompass all key stakeholders. Learning ecosystem must also contain, supply chain, downstream, peers, customers, and new trends which could be destructive. Such an approach would help an organization to improve its whole value chain which would improve value creating capability for all.

A learning ecosystem – Learning from Benchmarking:



Both Integrated Reporting approach and EFQM Model focus on importance of measurement, learning, and improvement cycle. While Integrated Reporting's focus is more high-level helicopter vision, EFQM Model focuses on all processes of the organization.

Both Integrated Reporting approach and EFQM Model focus on importance of measurement, learning, and improvement cycle.

RADAR diagnostic tool of the EFQM Model encourages continuous improvement at all levels whether the organization is implementing a low-level process approach or a high-level strategy-based process. At all levels it requires the understanding of the approaches and how the outcomes of these can be measured and hence improved. It also asks for targets &

benchmarks to reach desired levels, especially for key results.

Integrated thinking is an enabler of learning from experiences. Integrated thinking approach requires to consider all relationships, interactions, dependencies between capitals, units, stakeholders, processes and supports forming cross-functional teams which promotes learning from each other. Outlook, strategic perspective, materiality, stakeholder engagement concepts of Integrated Report are also keys to improve the learning experience of the organization.

Benefits of learning could be summarized:

BENEFIT	APPROACH	LEARNING FOCUS
Effectiveness and Efficiency	EFQM 2020 Model	Learning from operations ecosystem and own operations
Strategy and Value Creation	Integrated Thinking	Learning from wider ecosystem
Long Term Value Creation	SDGs	Global experiences
Trust and Sustainability	Good Governance Culture and Principles	Encouraging learning culture

The Sustainable Success Model© provides a specific Learning structure for guiding the organizations in implementing its vision and approaches. This learning structure combines most of the above-mentioned tools and is open to integrate further tools arising in future. However, addressing gaps & taking actions based on the learning results are dealt with in the Unify component of the Model to provide a better understanding of all areas and synergizing from all inputs.

Sustainable Success Model's learning approach covers:

Operational Performance measurement is of utmost importance for any organization, and this should be completely aligned with the Vision & Approach components. The defined parameters, outputs, and outcomes should be measured and reported as defined. These should include financial and non-financial parameters and should provide detailed results as needed at every level.

Measuring the **perceptions of stakeholders** is critical to understand both the performance of the organization in view of the stakeholders and the perception of how the needs & expectations are fulfilled. Here, the stakeholders should be identified by the organization based on its Ecosystem and from a broader perspective to include governance of stakeholders. A general scope would include customers, employees, partners & suppliers, society at large and society at local operating environment, business partners, board members and shareholders, relevant third-party agencies, and governmental bodies with an interest in the organization. The frequency and content of the perception measurements should be determined based on the organization's vision, strategies, and approaches and also on the speed of change in its Ecosystem. The trend analysis is crucial for improving long-term learning by the organization.

Part of the perception analysis can and probably should be conducted through focus groups especially with employees and customers, as well as at the board level. The focus group analysis can be defined based on the perception results, with the focus identified to understand further the outcomes of the surveys.

Understanding and measuring the **Board Performance** at regular intervals is another effective tool to improve learning, especially on governance processes. The board should be effectively involved in setting the vision and strategies and should provide oversight. Hence, how the board performs its roles is highly important in the SSM. Board should review its performance and take necessary actions, and to do that a systematic measurement mechanism should be set in place.

Understanding and measuring the Board Performance at regular intervals is another effective tool to improve learning, especially on governance processes.

Aside from the operational performance and perception measurements, **measuring the Outputs and Outcomes** of an organization is critical for long term success. Some of the Outputs may coincide with the operational performance results,

Measuring the Outputs and Outcomes of an organization is critical for long term success.

however there should be a distinct definition for outputs. The outcomes, as explained earlier, should also be defined by the organization with the corresponding measurement and reporting mechanisms. The communication of this information needs to be well defined within its systems.

Implementing **Self-Assessment** based on defined methodologies will provide a detailed gap analysis for the organization. Conducting Self-Assessments will increase the understanding in the organization and help define any improvement areas, as well as instilling a learning culture within the organization.

Performing **Internal Audits** as well as **Independent Audits** also provides a gap analysis and helps identify improvement areas. These will also provide an independent third-party view on potential improvement areas. The organization should define which types of audits (based on which standards) should be performed internally and externally. A good practice can be identified via an integrated internal audit structure which would combine all identified system standards.

Reporting is also defined as an important learning tool especially with respect to Sustainability or Integrated Reporting. Systematic preparation of an integrated Report will provide the organization with a thorough analysis and understanding, much needed for its Vision and sustainable success.

The SSM considers **Benchmarking**[4] as another important learning tool. Benchmarking could be applied at different levels and the organization should define how and when it should be utilized. It can be effectively utilized at the process level, where the process owner can benchmark its process with good practices or best-in-class outside the organization (or even inside with other similar processes) and get improvement opportunities. Also, benchmarking can be used for performance results or outputs where the results can be compared with best-in-class peer results. Finally, benchmarking is also used to compare perception results with best-in-class organizations, hence providing an identification of how much further improvement can be targeted.

4 For further guidance on Benchmarking please refer to: https://arge.com/kitaplar/kiyaslama.pdf

The most important part of the Learning is when the organization **analyzes and evaluates Lessons Learned**. All the measurement tools explained above should be thoroughly analyzed to achieve the realization of improvement opportunities. Based on the organization's structure this analysis can be multi-level and quite complex. However, the Lessons Learned is a critical input for the Unify component of the Model to plan and address gaps for continuous improvement.

The most important part of the Learning is when the organization analyzes and evaluates Lessons Learned.

Learning is critically important for implementation of Sustainable Success Model and enabler of value creation in short, medium, and long term. Integrated Thinking and EFQM are complementing each other in improving the learning experience.

13 Measure Your Operational Performance and Perception

If performance is not measured, it could not be improved.

- Performance metrics and measurement system infrastructure for effective implementation of strategy and effective utilization of capitals must be developed,
- Enabling each unit to define opportunities and risks related to their operations through self-assessment and encouraging them to share and communicate between units,
- Developing a measurement approach and infrastructure to measure outcome and impact in short, medium, and long term besides measuring outputs,

would help to achieve an improvement aim.

SSM's Recommendations

Measurement system needs to include both leading and lagging performance indicators. The system must be able to follow short-, medium- and long-term goals in a balanced manner.

Performance measures and perception measures must be followed periodically. SSM recommends following the results:

- As a trend with minimum 3 years data,
- Comparing them with operations in different geographies and results of other units with similar business model,
- Comparing with peers/competitors,
- Conducting benchmarks and analyzing sector trends,
- Supporting data with explanations and comments to improve understanding of stakeholders.

SSM's Implementation Approach

SSM aims to design the depth and detail of measurement approaches at each decision-making level based on its authority. A cockpit for each authority level would be formed in line with the Balanced Scorecard approach.

SSM implements measurement structure by using benchmark, comparison, and assessment tools. According to SSM, the measurement approach is created in such a way that it reveals not only the outputs but also the value created (outcome)"the organization.

14 Measure Board Performance

- Developing a reporting framework for the board that could provide information for decision making. Decision useful information contains required depth and detail for analysis and conciseness for communication. It would help the board to direct and oversee the strategy and operations.
- Performing board evaluation exercises for determining performance improvement areas and ensuring board's guidance for development.

SSM's Recommendations

Board is responsible for directing and overseeing implementation of business strategy, operations, and business conduct as a team. Organization's performance could be improved if the board acts as a good team therefore, improvement of board performance is critical. SSM aims to encourage and realize board performance evaluation for improving the performance of the board which would improve quality of governance and decision making in the organization.

SSM's Implementation Approach

SSM aims to measure the board's performance periodically. Main aim of the performance evaluation is to understand the improvement areas for better performance as a team. Recommendations for future board structure and board skills matrix could be presented for ensuring future performance of the organization.

15 Conduct Audit

Designing improvement plans and road maps based on the value creation strategy of the organization to improve understanding and capability of stakeholder groups accordingly.

SSM's Recommendations

Internal and external audit processes are important learning opportunities. SSM utilized EFQM Driving Performance & Transformation - 5.4 Leverage Data, Information & Knowledge criterion perspective and integrated thinking approaches to improve audit processes to focus on value creation activities.

SSM's Implementation Approach

SSM suggests utilizing audit as a tool for learning, comparing, and benchmarking. The findings of audit processes would be inputs for process improvement activities.

16 Reporting

Implementation of IR methodology based on value creation concept and materiality. Reporting must be concise, holistic, forward looking, comparable, consistent, explaining outlook, context, strategy, business model, resource needs, interactions between resources, units, stakeholders and processes, governance model.

SSM's Recommendations

Reporting must be realized to show performance on how successful and quick an organization is in reaching its value creation goals. SSM recommends implementing IR Framework in reporting which is based on value creation concept and materiality. Reporting must be concise, holistic, forward looking, comparable, consistent, explaining outlook, context, strategy, business model, resource needs, interactions between resources, units, stakeholders and processes, governance model.

SSM's Implementation Approach

SSM aims to have a reporting framework that considers business model, business conduct and supports decision making processes in the organization. The reporting approach also enables to embed purpose, mission, values, holistic and integrated thinking into organization culture. Such an approach enables reporting as a part of business process and decision making rather than a separate process with additional burden. This improves the speed and reliability of the information and reporting. SSM aligns reporting with ecosystem and SDGs to show the wider impacts and effects of the organization.

17 Evaluate and Implement Lessons Learned

Assessment of findings of performance measurements in a holistic manner including operations, road map, targets, business model. Defining lessons learned based on evidence and developing action plans for improvement actions.

SSM's Recommendations

Findings of different learning activities must be collected and evaluated collectively. This would allow us to understand interactions, dependencies, and relations between processes. Such a holistic evaluation would improve the quality of the designed roadmap for learning and improvement. SSM utilizes EFQM Results category and RADAR diagnostic tool and integrated thinking approaches to define learning opportunities and improve learning processes in such a way that the operational performance and stakeholder engagement capability of an organization improves.

SSM's Implementation Approach

SSM creates a holistic sustainable learning culture through self-assessments of internal processes and through stakeholder engagements for understanding the needs, expectation, demands and perceptions regarding organization. Lessons learned are used to develop improvement road maps. These road maps are aligned to strategy and goals to ensure future success and value creation capability.

18 Share your Experiences, Invest on your Intellectual Capital

Institutions increase their level of maturity in their life cycles, experiences at every stage form the foundations of corporate culture. Accumulating experiences and bringing them into the corporate culture makes the development and learning ground strong.

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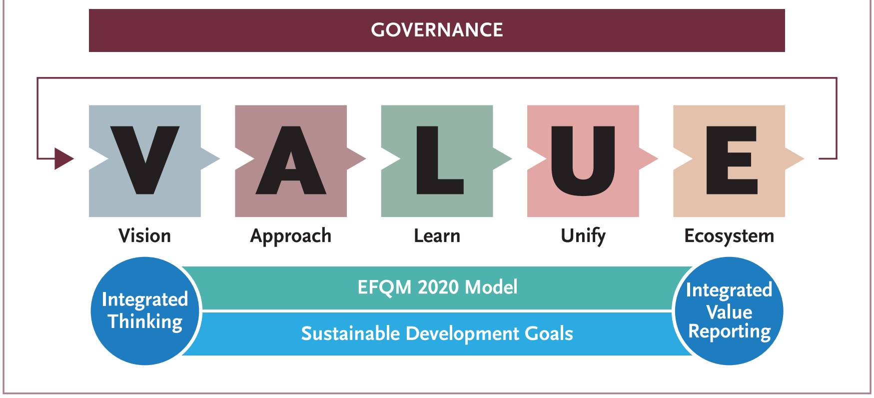

Vision	Approach	Learn	Unify	Ecosystem
1 What is your Philosophy? Define Purpose, Mission, Vision Values, Principles	7 Define your Strategy	13 Measure your Operational Performance and Perception	19 Assess Needs for Different Resources and Understand Expectations of Resource Owners	25 Identify Stakeholder Impact Area and Relationship Strategy
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6 Share your Experiences, Invest on your Intellectual Capital	12 Share your Experiences, Invest on your Intellectual Capital	18 Share your Experiences, Invest on your Intellectual Capital	24 Share your Experiences, Invest on your Intellectual Capital	30 Share your Experiences, Invest on your Intellectual Capital

UNIFY

Unify is the component of the Sustainable Success Model where the previous components' contents have been brought together and assimilated within the organization and in the ecosystem. All inputs have been evaluated, a meaningful and common language has been formed through a holistic lens in this component. Outputs of the Learning component would be used to understand the gaps for improving value creation capability and solutions for addressing gaps and aligning improvement ideas to the organization's strategy, business model and value creation journey.

Sustainable Success Model© combines the philosophy of integrated thinking with practices and measurements in EFQM's pursuit of excellence and emphasizes that we need to use perception results, as well as performance results to understand our speed on the path towards the value creation. Where do we stand? Where do we want to arrive? What kind of value do we strive to create? Once we find answers to these questions, it will become easier to find the right path and the risks of divergence from the path of its value creation journey. The model expands the perspective of the institutions in their ways of doing business.

A collaborative perspective that involves the following key aspects forms a multidimensional view:

- Time
- Impact area
- Inputs and business performance
- Stakeholders and contributions to society

Widening the time perspective, ensures the investments that need to be realized for achieving long-term value. Linking the past with the future accelerates designing the ways for developing institutional capacity. Integrated Reporting's 6 capital approach focuses on creation, erosion, or preservation of value through organization's outputs and outcomes.

Pınar Ilgaz talking about Unify

Scan the QR code with your mobile phone's camera or simply visit https://arge.com/en/videos/sustainable-success-model/unify

Outcomes are multi-dimensional impacts that occur in the short, medium, and long term. Widening time perspective allows the organization to consider both short, medium, and long-term risks and opportunities related to 6 capitals in designing its strategy and business model.

Sustainable Success Model© emphasizes the importance of creating value through **impacts**. Stakeholder engagement is a critical step in the Approach component which enables facilitation of ecosystem management and creating common goals with and for the ecosystem. Combined actions and solutions with an organization's ecosystem could be more beneficial than acting by itself. Gap Inc. water management could be a good example for impact issues.

GOOD EXAMPLE

See GAP in page 78.

Sustainable Success Model aims to expand the time, impact, and interaction perspectives to be included in organization's strategy, business model, and investments.

Sustainable Success Model© proposes to include the 'contributing to society' perspective to the organizational performance. Organizations are not able to operate without a license to operate. Gaining license could only be achieved by creating value for the society. Such an approach is in line with Integrated Reporting and Integrated Thinking approach.

SDGs are ambitions to find solutions for earth's problems. When SDGs have been aligned with organizational strategy and value creation priorities, innovative solutions could be developed to achieve SDGs while reaching organization's value creation goals. Such an approach would help to contribute to society.

Internal communication of values, governance principles, goals, value creation priorities would improve and accelerate internalization and convergence of the value creation perspective at every level of the organization. Effective internal communication is key for success. Two-way communication, top-down and bottom-up, enables the development and deepening of such a culture.

What is "success" in the value-oriented business approach? It is creating a common goal and conveying this goal to internal and external stakeholders correctly. A value-oriented perspective creates a unifying power.

Success is not only what others see on the outside but also the non-visible achievements inside.

The Sustainable Success Model© defines the successful business approach as an approach that aims to improve the capacity of the organization to increase long-term achievements for all stakeholders. Sustainable success is possible by eliminating the gap between perception of performance and actual perception by all internal and external stakeholders which would create trust. Trust-oriented relationship is formed as a result of the governance quality of the institution. Starting from the level of the board of directors, the corporate culture's acceptance of good governance principles as indispensable principles and reflecting them on the business, strengthens the foundation of trust.

Forming a common language to communicate messages helps to create a common understanding of issues by internal and external stakeholders. Common understanding enables defining value by consensus. The Unify component focuses on developing this powerful language to implement the Sustainable Success Model©. This value-oriented language would shape the organizational culture. When this position has been reached, communicating the value creation journey to the stakeholders could be easier.

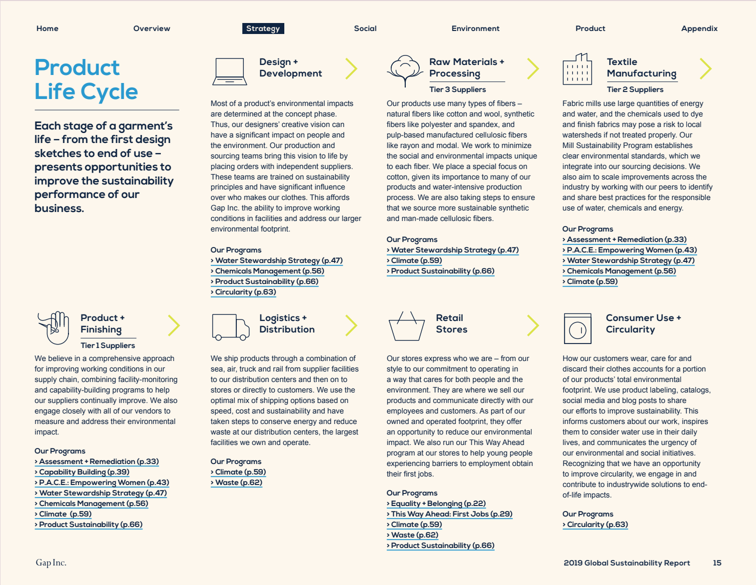
Common understanding enables defining value by consensus. The Unify component focuses on developing this powerful language to implement the Sustainable Success Model©

Institutions that can raise awareness regarding the importance of organizational culture can give sound and strong messages to their stakeholders.

Thus, the adoption of the Model:

- Strengthens the positive perception of external stakeholders
- Increases the trust of internal and external stakeholders to the institution
- Provides motivation to set common goals
- Mobilizes common resources for business performance and contribution to society.

GAP is a US based global retailer offering clothing, accessories and personal care products.


Home Overview Strategy Social Environment Product Appendix

Product Life Cycle

Each stage of a garment's life – from the first design sketches to end of use – presents opportunities to improve the sustainability performance of our business.

Design + Development

Most of a product's environmental impacts are determined at the concept phase. Thus, our designers' creative vision can have a significant impact on people and the environment. Our production and sourcing teams bring this vision to life by placing orders with independent suppliers. These teams are trained on sustainability principles and have significant influence over who makes our clothes. This affords Gap Inc. the ability to improve working conditions in facilities and address our larger environmental footprint.

Our Programs
› Water Stewardship Strategy (p.47)
› Chemicals Management (p.56)
› Product Sustainability (p.66)
› Circularity (p.63)

Raw Materials + Processing
Tier 3 Suppliers

Our products use many types of fibers – natural fibers like cotton and wool, synthetic fibers like polyester and spandex, and pulp-based manufactured cellulosic fibers like rayon and modal. We work to minimize the social and environmental impacts unique to each fiber. We place a special focus on cotton, given its importance to many of our products and water-intensive production process. We are also taking steps to ensure that we source more sustainable synthetic and man-made cellulosic fibers.

Our Programs
› Water Stewardship Strategy (p.47)
› Climate (p.59)
› Product Sustainability (p.66)

Textile Manufacturing
Tier 2 Suppliers

Fabric mills use large quantities of energy and water, and the chemicals used to dye and finish fabrics may pose a risk to local watersheds if not treated properly. Our Mill Sustainability Program establishes clear environmental standards, which we integrate into our sourcing decisions. We also aim to scale improvements across the industry by working with our peers to identify and share best practices for the responsible use of water, chemicals and energy.

Our Programs
› Assessment + Remediation (p.33)
› P.A.C.E.: Empowering Women (p.43)
› Water Stewardship Strategy (p.47)
› Chemicals Management (p.56)
› Climate (p.59)

Product + Finishing
Tier 1 Suppliers

We believe in a comprehensive approach for improving working conditions in our supply chain, combining facility-monitoring and capability-building programs to help our suppliers continually improve. We also engage closely with all of our vendors to measure and address their environmental impact.

Our Programs
› Assessment + Remediation (p.33)
› Capability Building (p.39)
› P.A.C.E.: Empowering Women (p.43)
› Water Stewardship Strategy (p.47)
› Chemicals Management (p.56)
› Climate (p.59)
› Product Sustainability (p.66)

Logistics + Distribution

We ship products through a combination of sea, air, truck and rail from supplier facilities to our distribution centers and then on to stores or directly to customers. We use the optimal mix of shipping options based on speed, cost and sustainability and have taken steps to conserve energy and reduce waste at our distribution centers, the largest facilities we own and operate.

Our Programs
› Climate (p.59)
› Waste (p.62)

Retail Stores

Our stores express who we are – from our style to our commitment to operating in a way that cares for both people and the environment. They are where we sell our products and communicate directly with our employees and customers. As part of our owned and operated footprint, they offer an opportunity to reduce our environmental impact. We also run our This Way Ahead program at our stores to help young people experiencing barriers to employment obtain their first jobs.

Our Programs
› Equality + Belonging (p.22)
› This Way Ahead: First Jobs (p.29)
› Climate (p.59)
› Waste (p.62)
› Product Sustainability (p.66)

Consumer Use + Circularity

How our customers wear, care for and discard their clothes accounts for a portion of our products' total environmental footprint. We use product labeling, catalogs, social media and blog posts to share our efforts to improve sustainability. This informs customers about our work, inspires them to consider water use in their daily lives, and communicates the urgency of our environmental and social initiatives. Recognizing that we have an opportunity to improve circularity, we engage in and contribute to industrywide solutions to end-of-life impacts.

Our Programs
› Circularity (p.63)

Gap Inc. 2019 Global Sustainability Report 15

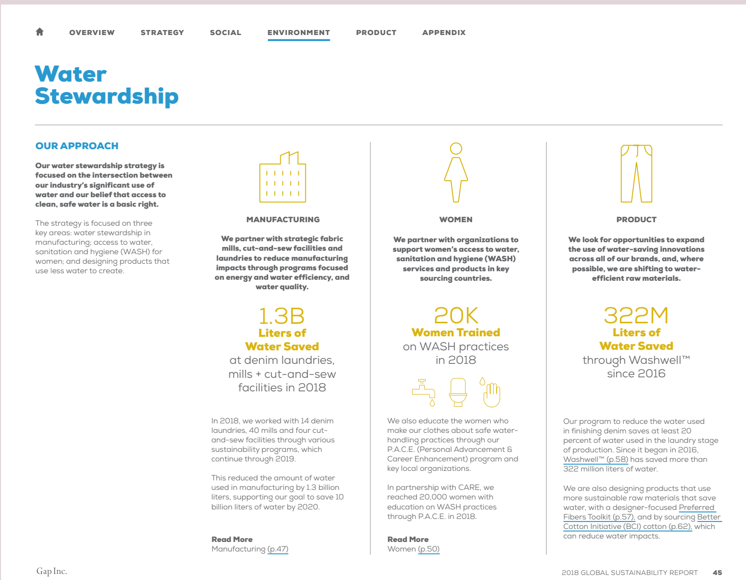
GAP Inc 2019 Sustainability Report, page 15
https://www.gapincsustainability.com/sites/default/files/Gap%20Inc%202019%20Report.pdf

The company commits to contribute its business; enabling safe, fair working conditions; to minimize its environmental impact. It realizes this aim by addressing impacts in its own and operated facilities and by collaborating throughout its value chain and across government, business and civil society.

GAP has a strategy to develop itself and its value chain to create value in the long term. The company is aware that the health of its business and the health of the planet are connected. Product life cycle approach enables it to implement its plan in a desired manner.

For example, in its water stewardship approach, GAP not only invests in its own facilities to minimize water use, but also provides training and incentives for its supply chain to minimize water use. GAP goes even one step further to contribute to the management of the water basins that are relevant for its operation by providing education and measurement tools to all those who share this common resource.

This is a good example for the understanding that SSM promotes.


OVERVIEW STRATEGY SOCIAL ENVIRONMENT PRODUCT APPENDIX

Water Stewardship

OUR APPROACH

Our water stewardship strategy is focused on the intersection between our industry's significant use of water and our belief that access to clean, safe water is a basic right.

The strategy is focused on three key areas: water stewardship in manufacturing; access to water, sanitation and hygiene (WASH) for women; and designing products that use less water to create.

MANUFACTURING

We partner with strategic fabric mills, cut-and-sew facilities and laundries to reduce manufacturing impacts through programs focused on energy and water efficiency, and water quality.

1.3B **Liters of Water Saved** at denim laundries, mills + cut-and-sew facilities in 2018

In 2018, we worked with 14 denim laundries, 40 mills and four cut-and-sew facilities through various sustainability programs, which continue through 2019.

This reduced the amount of water used in manufacturing by 1.3 billion liters, supporting our goal to save 10 billion liters of water by 2020.

Read More
Manufacturing (p.47)

WOMEN

We partner with organizations to support women's access to water, sanitation and hygiene (WASH) services and products in key sourcing countries.

20K **Women Trained** on WASH practices in 2018

We also educate the women who make our clothes about safe water-handling practices through our P.A.C.E. (Personal Advancement & Career Enhancement) program and key local organizations.

In partnership with CARE, we reached 20,000 women with education on WASH practices through P.A.C.E. in 2018.

Read More
Women (p.50)

PRODUCT

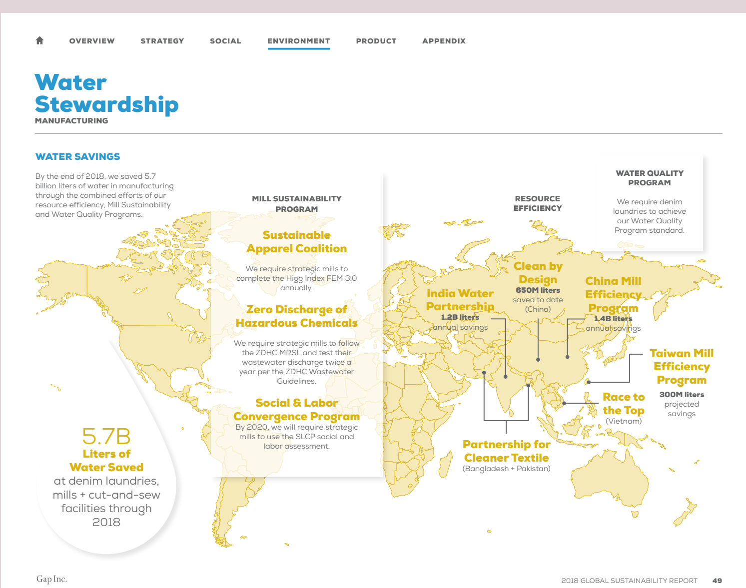
We look for opportunities to expand the use of water-saving innovations across all of our brands, and, where possible, we are shifting to water-efficient raw materials.

322M **Liters of Water Saved** through Washwell™ since 2016

Our program to reduce the water used in finishing denim saves at least 20 percent of water used in the laundry stage of production. Since it began in 2016, Washwell™ (p.58) has saved more than 322 million liters of water.

We are also designing products that use more sustainable raw materials that save water, with a designer-focused Preferred Fibers Toolkit (p.57), and by sourcing Better Cotton Initiative (BCI) cotton (p.62), which can reduce water impacts.

Gap Inc. 2018 GLOBAL SUSTAINABILITY REPORT 45


OVERVIEW STRATEGY SOCIAL ENVIRONMENT PRODUCT APPENDIX

Water Stewardship
MANUFACTURING

WATER SAVINGS

By the end of 2018, we saved 5.7 billion liters of water in manufacturing through the combined efforts of our resource efficiency, Mill Sustainability and Water Quality Programs.

MILL SUSTAINABILITY PROGRAM

Sustainable Apparel Coalition
We require strategic mills to complete the Higg Index FEM 3.0 annually.

Zero Discharge of Hazardous Chemicals
We require strategic mills to follow the ZDHC MRSL and test their wastewater discharge twice a year per the ZDHC Wastewater Guidelines.

Social & Labor Convergence Program
By 2020, we will require strategic mills to use the SLCP social and labor assessment.

RESOURCE EFFICIENCY

WATER QUALITY PROGRAM
We require denim laundries to achieve our Water Quality Program standard.

India Water Partnership 1.2B liters annual savings

Clean by Design 650M liters saved to date (China)

China Mill Efficiency Program 1.4B liters annual savings

Taiwan Mill Efficiency Program 300M liters projected savings

Race to the Top (Vietnam)

Partnership for Cleaner Textile (Bangladesh + Pakistan)

5.7B **Liters of Water Saved** at denim laundries, mills + cut-and-sew facilities through 2018

Gap Inc. 2018 GLOBAL SUSTAINABILITY REPORT 49

GAP Inc 2018 Sustainability Report, pages 45, 49
[https://www.gapincsustainability.com/sites/default/files/Gap%20 Inc%20Report%202018.pdf](https://www.gapincsustainability.com/sites/default/files/Gap%20Inc%20Report%202018.pdf)

19 Assess Needs for Different Resources and Understand Expectations of Resource Owners

Understanding demands, expectations and needs of internal and external stakeholders. Inclusion of stakeholders in development and improvement activities.

SSM's Recommendations

Identifying and understanding the expectations of a broad base of stakeholders is crucial.

Utilization of approaches stated in EFQM Direction – Identify & Understand Stakeholder Needs, Execution – Engaging Stakeholders and Results – Stakeholder Perceptions criteria would help to cover the broad base of stakeholders.

SSM's Implementation Approach

SSM aims to understand stakeholders' expectations, needs, demands and requirements through engagement. Findings of the engagement process need to be aligned with information from different sources to form a meaningful base. The stakeholder base identified in Ecosystem (Approach) should be utilized.

20 Update Strategy with Learnings

Alignment of findings from performance results, perception measurements, trend analysis and benchmarks to organization strategy.

SSM's Recommendations

Connection of past performance and experiences with future expectations and opportunities would help to align learning to the strategy. SSM helps to widen the time frame for learning and design strategic planning approaches based on organization's learning speed, capability and skills. Utilization of EFQM Execution – Driving Performance & Transformation approach could be used to address gaps.

SSM's Implementation Approach

SSM aims to implement strategy development and review, performance management, updating goals cycles in alignment with understanding the expectations and trends, and evaluating results to provide inputs for effective strategy making. Agile and flexible strategy processes could be designed with that approach.

21 Address Gaps

Designing improvement plans and road maps based on the value creation strategy of the organization to improve understanding and capability of stakeholder groups accordingly.

SSM's Recommendations

Organization's performance and improvement in each dimension of the ecosystem would be different from each other. Resource allocation plans and road maps need to be designed considering each dimension's positions and requirements. SSM recommends using EFQM's approach on performance, evaluation and improvement to understand and measure different levels of development and improvements. Develop holistic improvement road maps and plans for value creation based on data obtained through performance measurements.

SSM's Implementation Approach

SSM aims to develop and implement comprehensive and holistic improvement plans & roadmaps in line with its strategy covering the areas identified. These plans should integrate all relevant measurement & improvement potentials.

22 Communicate Internally and Externally with Focused Messages

Placing value creation at the heart of external communication philosophy. Developing a communication approach according to the priorities of each group in the ecosystem.

SSM's Recommendations

Definition of success and improvement could be different for each stakeholder. It is important to develop a common language for directing resources to common goals. SSM recommends developing a common language and culture through a value creation model which needs to be aligned with SDGs.

SSM's Implementation Approach

SSM aims to define a value proposition for each group considering diversity of expectations. While communication methods for each group are developed accordingly, the main message of strategy is guiding all communications. Value creation and contribution to the SDGs would form a common base for internal and external communication. Utilization of change management approach would be key to make value creation concept as a common language and part of organization culture.

23 Manage Stakeholders

Developing value-based platforms which would be a common ground of consensus and would help to set common goals.

SSM's Recommendations

Ecosystem management requires defining value for all groups in a meaningful and clear manner. Having continuous relationships would strengthen understanding between stakeholders. SSM recommends developing relationships with the ecosystem based on value creation, continuous communication, and organization strategy. EFQM Model addresses Stakeholder management and engagement throughout its criteria in Direction, Execution & Results categories.

SSM's Implementation Approach

SSM aims to use stakeholder matrix and relationship maps in managing, in developing alternatives and in improving engagement processes. Such an approach would enable to reach a common value creation and common goal perspective by all parties.

24 Share your Experiences, Invest on your Intellectual Capital

Institutions increase their level of maturity in their life cycles, experiences at every stage form the foundations of corporate culture. Accumulating experiences and bringing them into the corporate culture makes the development and learning ground strong.

SSM's Recommendations

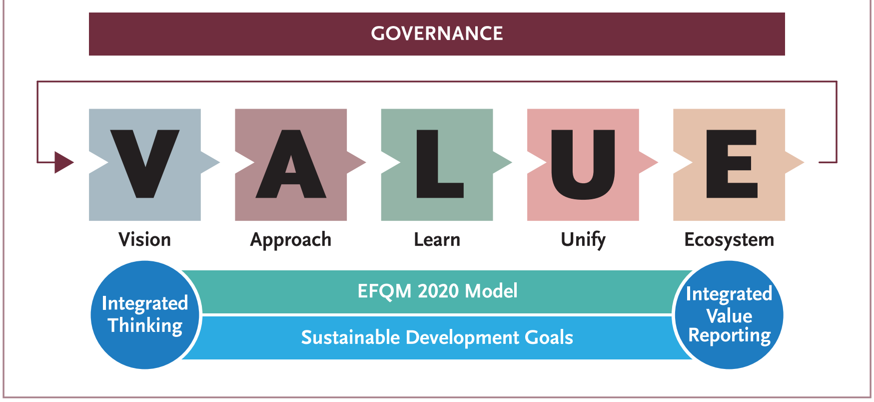
For the development of intellectual capital, positive and negative experiences should be considered as learning tools as well as R&D and P&D studies. In order to achieve this and ensure sustainable success, resources and priorities should be allocated to developing content, producing case studies from in-house experiences, and creating records, documentation and archives.

SSM's Implementation Approach

We have developed a key tool for long-term success with SSM, and we invite you to share your own experiences and practices that you can present as good examples with us:

info@arge.com

Sustainable Success Model©



Vision	Approach	Learn	Unify	Ecosystem
1 What is your Philosophy? Define Purpose, Mission, Vision Values, Principles	**7** Define your Strategy	**13** Measure your Operational Performance and Perception	**19** Assess Needs for Different Resources and Understand Expectations of Resource Owners	**25** Identify Stakeholder Impact Area and Relationship Strategy
2 Define Value to be Created	**8** Define your Organization Structure	**14** Measure Board Performance	**20** Update Strategy with Learning	**26** Identify Stakeholder Priorities
3 Define your Governance Model	**9** Define your Process Hierarchy	**15** Conduct Internal and External Audit	**21** Address Gaps	**27** Measure and Manage Perceptions
4 Define your Ecosystem and Stakeholders	**10** Define Resource Management Approach	**16** Perform Reporting Activities	**22** Communicate Internally and Externally with Focused Messages	**28** Measure and Manage Outcomes
5 Define and Align your Business Model with the SDGs	**11** Define KPI Set, Performance Management and Reporting Structure	**17** Evaluate and Implement Lessons Learned	**23** Manage Stakeholders	**29** Communicate Goals and Results
6 Share your Experiences, Invest on your Intellectual Capital	**12** Share your Experiences, Invest on your Intellectual Capital	**18** Share your Experiences, Invest on your Intellectual Capital	**24** Share your Experiences, Invest on your Intellectual Capital	**30** Share your Experiences, Invest on your Intellectual Capital

ECOSYSTEM

Every organization is part of a greater ecosystem (society, region, Ecosystem becomes more and more important due increasing impacts of actors and activities on each other's strategy and value creation journey due to interdependencies. Two different views are provided for explaining ecosystem[1].

The first one is ecosystem as an affiliation. Moore' definition is in line with this approach[2]. "An economic community supported by a foundation of interacting organizations and individuals—the organisms of the business world.

The economic community produces goods and services of value to customers, who are themselves members of the ecosystem.

The member organisms also include suppliers, lead producers, competitors, and other stakeholders.

Over time, they co-evolve their capabilities and roles, and tend to align themselves with the directions set by one or more central companies.

Those companies holding leadership roles may change over time, but the function of an ecosystem leader is valued by the community because it enables members to move toward shared visions to align their investments, and to find mutually supportive roles".

The second one is the ecosystem as a structure. Ron Adner defines ecosystem as "The ecosystem is defined by the alignment structure of the multilateral set of partners that need to interact in order for a focal value proposition to materialize[3]". Combination of these approaches is important for organizations to plan their value creation strategy and journey.

1 *Ecosystem as Structure: An Actionable Construct for Strategy, Ron Adner - Dartmouth College, Journal of Management, Vol. 43 No. 1, January 2017 39–58*

2 *Predators and Prey: A New Ecology of Competition, James F. Moore, Harvard Business Review May/June 1993*

3 *Ecosystem as Structure: An Actionable Construct for Strategy, Ron Adner - Dartmouth College, Journal of Management, Vol. 43 No. 1, January 2017 39–58*

Dr. Yılmaz Argüden talking about Ecosystem

Scan the QR code with your mobile phone's camera or simply visit https://arge.com/en/videos/sustainable-success-model/ecosystem

Ecosystem of an organization contains its peers, governments of countries where the organization has operations, societies, NGOs, customers, suppliers, standard setters, multinational bodies, multilaterals, etc. Trends, policies, behavioral and technological changes affect and shape the ecosystem. Organization needs to have a continuous interaction and engagement with its ecosystem to understand the trends and inflection points to be able to manage its risks and to utilize opportunities. Transparency in communication is critical to gain the trust of all stakeholders.

A fundamental principle of an ecosystem is its interdependence, i.e., something that happens in one part of the system may affect other parts within the system. In the context of an organization there are many factors external to it that affect how it operates, but over which it has no control. These can include government policy, the economic and societal make-up within its region and neighborhoods, the prevailing religious and cultural expectations of its communities, demands for sustainability and available financing. EFQM Ecosystem description shows an organization's ecosystem in detail[4].

4 *EFQM Model, EFQM, 2019*

Sustainable Success Model© considers the ecosystem with a wide perspective where an organization must identify its ecosystem and its components considering all relationships, interdependencies, interactions, partnerships, and rivalries. Identification of the ecosystem would help managing perceptions of stakeholders, managing outcomes, reporting, and designing an external communication strategy.

Managing perception of stakeholders is an important issue for an organization. Perceptions directly influence the image and reputation. Organization must be in constant interaction with its ecosystem to understand the trends, stakeholders' expectations and changes in them, value creation opportunities etc. and communicate their position transparently. Transparency is key for trust. Continuous monitoring of the ecosystem would enable an organization to follow changes and determine the improvement areas in its strategy, business model, and value creation journey. Transparent communication of improvement actions and how challenges have been handled are useful for managing perceptions. Perception management could be difficult when different groups of stakeholders have conflicting needs, demands, and expectations. In such a case, an organization must be transparent to communicate why it has chosen a particular path with clear explanation and reasoning to all related groups of stakeholders so that it could manage perceptions successfully.

Managing outcomes is important since these outcomes affect the position of six capitals and quality of life. Outputs and outcomes must be carefully analyzed and defined at the Approach component and the business model must be implemented effectively to reach the desired outcomes. Strong internal audit function would enable establishment and preservation of the organization's culture which is critically important in implementation of processes in line with values, strategies, and policies which is key for reaching planned outcomes. Continuous interaction with the ecosystem and stakeholders is important to understand if the organization's strategy and business model creates targeted value in short, medium, and long term.

Outcomes are the impacts of outputs on an ecosystem.

GOOD EXAMPLE
See BP in page 92.

Companies change their business models from time to time to be sustainable. When such a major change is attempted, they need to communicate this change with their stakeholders.

Reporting is important for trust based and effective communication with the ecosystem and internal stakeholders. Reporting provides a means to monitor and analyze the performance and health of the organization strategy and business model while identifying areas for improvement and opportunities for value creation. Reporting helps to guide decision making processes in the organization.

Integrated Reporting is an important tool to communicate the value creation story of an organization to its ecosystem for Sustainable Success Model©.

Integrated Reporting[5]:

- Improves the quality of information available to all stakeholders to enable a more efficient and productive allocation of capitals,
- Promotes a more cohesive and efficient approach to reporting that communicates the full range of factors that materially affect the ability of an organization to create value over time,
- Enhances accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies,
- Supports integrated thinking, decision-making and actions that focus on the creation of value over the short, medium, and long term,
- Has a combined emphasis on conciseness, strategic focus and future orientation, the connectivity of information, and the capitals and their interdependencies.

GOOD EXAMPLE
See ABN AMRO in page 93.

Communication through Integrated Reporting would improve transparency and trust to the organization which is key for sustainable development.

5 *International <IR> Framework, Integrated Reporting, January 2021, page 2*

External communication is information exchange between an organization and its ecosystem. It is more than reporting since it occurs in real time through different mediums, such as websites, blogging, social media, face to face communications, meetings, newsletters, press releases, interviews, emails, etc. The external communication strategy must be based on purpose, mission, vision, strategy, and value creation story of an organization. Transparency and honesty are critical in designing a successful communication strategy. The communication strategy needs to be developed according to information requirements, needs and expectations of different stakeholder groups in the ecosystem. Therefore, continuous stakeholder engagement is key for understanding and formulating a successful communication strategy and approach. Organizations need to be ready for contingencies and prepare effective communication plans before such a crisis occurs.

GOOD EXAMPLE

See Evonik in page 94.

GOOD EXAMPLE

See American Express in page 95.

Organizations must be in constant engagement with their ecosystem to communicate their ambitions for creating value. Such an approach is key for gaining trust and mobilizing its stakeholders for a common value creation journey. Cooperation, collaboration, participatory decision making would ease and enable a successful value creation journey.

BP’s CEO Bob Dudley said in 2018 that “the industry was in a period of major change, he made clear that hydrocarbons would remain the core of BP’s business.

It’s not a race to renewables, it’s a race to lower greenhouse gas emissions. As fast as renewables and clean energy can grow, faster than any fuel in history, the world is going to require oil and gas for some decades to come”

This communication affects the perception of stakeholders on the BP’s efforts for decreasing greenhouse gas emissions based on the fact that conversion would take time and fossil fuels would still be the part of the game.

The Guardian
For 200 years

News Opinion Sport Culture Lifestyle

Environment ▶ Climate change Wildlife Energy Pollution

BP

BP aims to invest more in renewables and clean energy

Boss says his industry is changing but ‘the world is going to need oil and gas for decades’

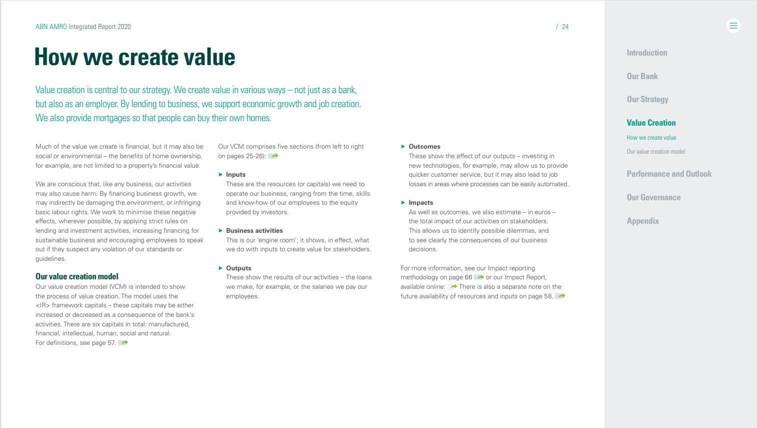
Adam Vaughan
@adamvaughan_uk
Tue 6 Feb 2018 16.01 GMT

BP has declared it is looking to acquire more green energy firms, as the British oil giant pledged to set carbon targets for its operations.

However, while the chief executive, Bob Dudley, said the industry was in a period of major change, he made clear that hydrocarbons would remain the core of BP’s business.

“It’s not a race to renewables, it’s a race to lower greenhouse gas emissions. As fast as renewables and clean energy can grow, faster

BP aims to invest more in renewables and clean energy
https://www.theguardian.com/business/2018/feb/06/bp-aims-to-invest-more-in-renewables-and-clean-energy



How we create value

Value creation is central to our strategy. We create value in various ways – not just as a bank, but also as an employer. By lending to business, we support economic growth and job creation. We also provide mortgages so that people can buy their own homes.

Much of the value we create is financial, but it may also be social or environmental – the benefits of home ownership, for example, are not limited to a property's financial value.

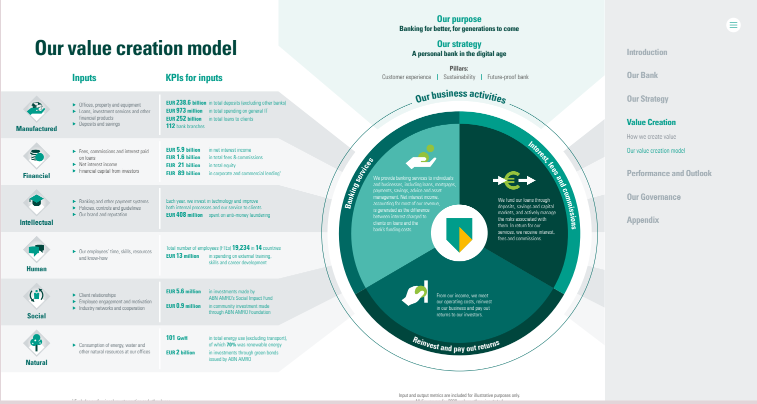
We are conscious that, like any business, our activities may also cause harm. By financing business growth, we may indirectly be damaging the environment, or infringing basic labour rights. We work to minimise these negative effects, wherever possible, by applying strict rules on lending and investment activities, increasing financing for sustainable business and encouraging employees to speak out if they suspect any violation of our standards or guidelines.

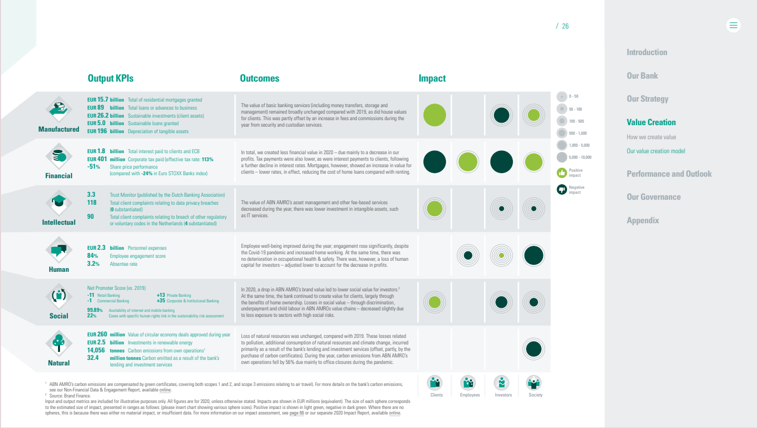
Our value creation model
Our value creation model (VCM) is intended to show the process of value creation. The model uses the <IR> framework capitals – these capitals may be either increased or decreased as a consequence of the bank's activities. There are six capitals in total: manufactured, financial, intellectual, human, social and natural. For definitions, see page 57.

Our VCM comprises five sections (from left to right on pages 25-26):

- **Inputs**
  These are the resources (or capitals) we need to operate our business, ranging from the time, skills and know-how of our employees to the equity provided by investors.
- **Business activities**
  This is our 'engine room'; it shows, in effect, what we do with inputs to create value for stakeholders.
- **Outputs**
  These show the results of our activities – the loans we make, for example, or the salaries we pay our employees.
- **Outcomes**
  These show the effect of our outputs – investing in new technologies, for example, may allow us to provide quicker customer service, but it may also lead to job losses in areas where processes can be easily automated.
- **Impacts**
  As well as outcomes, we also estimate – in euros – the total impact of our activities on stakeholders. This allows us to identify possible dilemmas, and to see clearly the consequences of our business decisions.

For more information, see our Impact reporting methodology on page 66 or our Impact Report, available online: There is also a separate note on the future availability of resources and inputs on page 58.





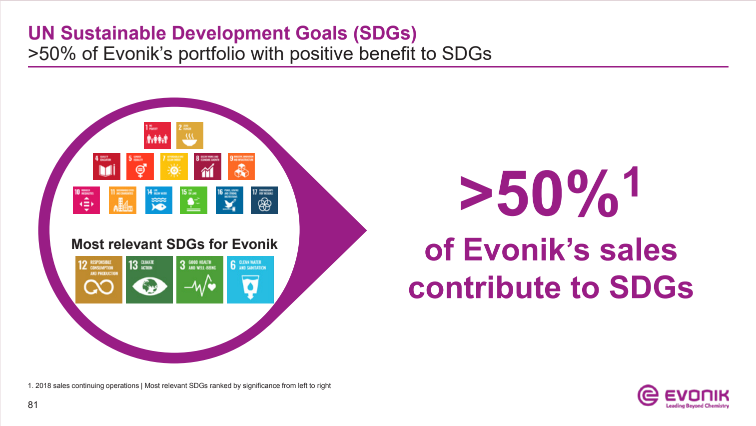
ABN AMRO Integrated Report 2020, pages 24 - 26
https://assets.ctfassets.net/1u811bvgvthc/ZPL95gLg9RUZs6WODxSZq/0d47f38ae5e3a41bb1123d6f0a2a4874/ABN_AMRO_____Integrated_Report_2020.pdf

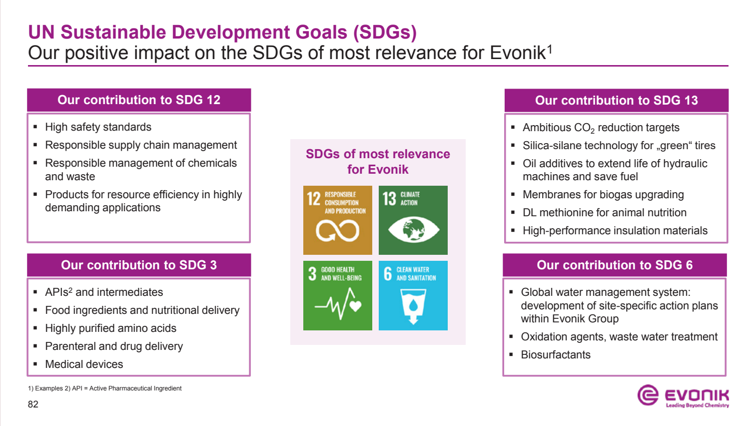
ABN AMRO is an international financial institution which has operations in different geographies.

The bank shared value creation strategy, business model, and journey in detail in its Integrated Report. ABN AMRO has shared its input and output KPIs, outcomes created by the outputs, and impacts of outcomes on stakeholders.

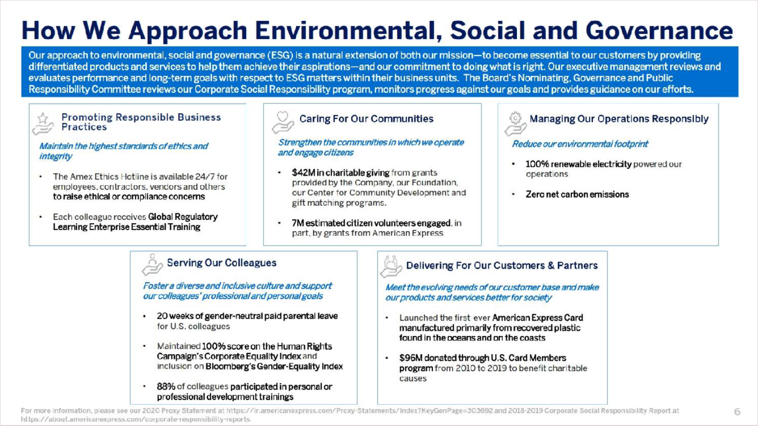
This could be considered as a good example for managing outcomes and reporting sections.

Evonik communicates its activities and contributions to the investor community on SDGs through its Investor Presentations.





Evonik Company Presentation Q1 2020, page 81-82
https://corporate.evonik.com/Downloads/Corporate/IR/2020_Q1/200507_Evonik%20Company%20Presentation%20(May%20 2020)_final_asduaus.pdf



American Express Investor Presentation

American Express communicates its approach to sustainability to its investors through its Investor Presentations.

25 Identify Stakeholder Impact Area and Relationship Strategy

Organizations should identify how and to what extent they interact with each stakeholder in relation to their activities and the values they create.

SSM's Recommendations

Organizations that define and manage this perspective ensure more effective and efficient use of resources and higher business performance. Stakeholder relations, managed in line with the strategy applied throughout the organization, ensure the standard of doing business and being proactive in relations.

SSM's Implementation Approach

SSM aims to create stakeholder mapping according to the level of interaction and the impact of the stakeholders. This map develops the infrastructure to ensure readiness for tasks in the organization, communication strategy, and proactive engagement to raise quality standards.

26 Identify Stakeholder Priorities

The most critical point of ecosystem management is that the relationship should not be viewed only from the perspective of our own organization. Understanding the perspectives and priorities of stakeholders enables constructive and reliable relationships in ecosystem management.

SSM's Recommendations

When evaluating the dynamics that will affect its field, the organization should also consider the impact areas of its stakeholders. IR's Materiality Matrix provides this bidirectional evaluation.

SSM's Implementation Approach

SSM proposes to evaluate the priorities and risks of the stakeholder and the organization in the same pot in the materiality matrix. It recommends that the organization also evaluate the SWOT and PESTLE analyzes for its main stakeholders. According to this evaluation, the quality of doing business is improved with a proactive approach, solutions and remedial suggestions.

27 Measure & Manage Perceptions

- Understanding the needs, expectations, requirements, demands through stakeholder engagements in a participatory manner.
- Communicating capabilities and resources of the organization to stakeholders for an effective cooperation, expectation, and perception management.
- Encouraging participatory decision-making processes.

SSM's Recommendations

Management of needs, expectation and performance based on the perceptions by different stakeholder groups in creating value in the wider ecosystem. SSM targets to develop value creating partnerships in a continuous manner to ensure continuous interaction and monitoring perceptions in a periodic manner. Utilization of IR's Stakeholder and Materiality approach and EFQM's Execution Stakeholder Engagement, Results Stakeholder Perceptions approach would help to achieve SSM's goals.

SSM's Implementation Approach

SSM aims to engage with stakeholders at each level of organization such as cross functional teams, committees, units, top management team to understand the needs, expectations, demands and perceptions of stakeholders. Different engagement techniques could be used such as surveys, workshops, meetings, focus groups. SSM recommends managing perceptions utilizing a partnership understanding.

28 Measure & Manage Outcomes

Defining the value created for the ecosystem. Allocating resources for measurement, improvement and communication of outcomes.

SSM's Recommendations

To manage outcome, value propositions and value creation goals need to be defined for short, medium, and long term, road map needs to be formulated and supported with appropriate measurement mechanisms. Value propositions, value creation goals and the road map must be aligned with the ecosystem. SSM's outcome management would be performed through considering ecosystem dynamics and adapting IR value creation perspective.

SSM's Implementation Approach

SSM aims to define value creation goals for short, medium, and long term and KPI sets to reach these goals. It recommends designing separate road maps and resource allocations for each goal based on stakeholder groups and their impact domain.

29 Communicate Goals & Results

Communicating goals and performance through good governance principles of transparency, fairness, accountability, responsibility, consistency, and participation. Communicating the value creation goals, road map and journey for creating a trust based collective and participatory partnership.

SSM's Recommendations

Goals and Results must be shared transparently in a balanced manner with key stakeholders to form trust based common goal partnership platforms. EFQM's results perspective and IR approaches enable effective communication aims of SSM.

SSM's Implementation Approach

SSM aims to utilize an effective communication strategy to reach all key stakeholder groups to communicate goals & results in the right manner. The communication aims to develop a common partnership and goals environment.

30 Share your Experiences, Invest on your Intellectual Capital

Institutions increase their level of maturity in their life cycles, experiences at every stage form the foundations of corporate culture. Accumulating experiences and bringing them into the corporate culture makes the development and learning ground strong.

SSM's Recommendations

For the development of intellectual capital, positive and negative experiences should be considered as learning tools as well as R&D and P&D studies. In order to achieve this and ensure sustainable success, resources and priorities should be allocated to developing content, producing case studies from in-house experiences, and creating records, documentation and archives.

SSM's Implementation Approach

We have developed a key tool for long-term success with SSM, and we invite you to share your own experiences and practices that you can present as good examples with us:

info@arge.com

APPENDIX A

RELATIONSHIP TABLE SSM, EFQM & <IR>

	SSM	EFQM	<IR>
	VISION		
1	What is your Philosophy? Define Purpose,Mission, Vision, Values, Principles	DIRECTION – Purpose, Vision and Strategy – 1.1 Define Purpose & Vision	Integrated Thinking
2	Define Value to be Created	EXECUTION – Creating Sustainable Value	Integrated Reporting Value Model
3	Define your Governance Model	DIRECTION – Purpose, Vision and Strategy – 1.5 Design & Implement a Governance & Performance Management System	Integrated Reporting, Governance, Business Model
4	Define your Ecosystem and Stakeholders	DIRECTION – Purpose, Vision and Strategy – 1.3 Understand the Ecosystem, own Capabilities & Major Challenges	Integrated Reporting 6 Capitals, Materiality, Stakeholders
5	Define and Align your Business Model with the SDGs	Guiding Principles DIRECTION – Purpose, Vision and Strategy – 1.3 Understand the Ecosystem, own Capabilities & Major Challenges	Integrated Reporting Value Model
6	Share your Experiences, Invest on your Intellectual Capital	EXECUTION – Driving Performance & Transformation – 5.4 Leverage Data, Information & Knowledge RADAR Diagnostic Tool	Integrated Reporting, Integrated Thinking

	SSM	EFQM	<IR>
	APPROACH		
7	Define Strategy	DIRECTION – Purpose, Vision & Strategy – 1.4 Develop Strategy	Integrated Reporting, Materiality, Stakeholders
8	Define Your Organization Structure	DIRECTION – Purpose, Vision & Strategy – 1.2 Identify & Understand Stakeholders Needs	Integrated Reporting, Business Model
9	Define your Processes Hierarchy	EXECUTION – Driving Performance & Transformation	Business Model
10	Define Resource Management Approach	EXECUTION – Driving Performance & Transformation	Integrated Reporting 6 Capitals
11	Define KPI Set, Performance Management and Reporting Structure	RESULTS – Strategic & Operational Performance	Integrated Reporting, Output, Outcome, Performance
12	Share your Experiences, Invest on your Intellectual Capital	EXECUTION – Driving Performance & Transformation – 5.4 Leverage Data, Information & Knowledge RADAR Diagnostic Tool	Integrated Reporting, Integrated Thinking
	LEARN		
13	Measure your Operational Performance and Perception	RESULTS	Integrated Reporting, Output, Outcome, Performance
14	Measure Board Performance	DIRECTION – Purpose, Vision & Strategy – Design & Implement a Governance and Performance Management System	Integrated Reporting, Governance
15	Conduct Internal and External Audit	EXECUTION – Driving Performance & Transformation – 5.4 Leverage Data, Information & Knowledge criterion	Integrated Thinking, Governance, Performance, Consistency, Reliability, Comparability

	SSM	EFQM	<IR>
16	Reporting	RESULTS	Integrated Reporting
17	Evaluate and Implement Lessons Learned	RESULTS – Driving Performance & Transformation	Integrated Reporting, Integrated Thinking, Performance
18	Share your Experiences, Invest on your Intellectual Capital	EXECUTION – Driving Performance & Transformation – 5.4 Leverage Data, Information & Knowledge RADAR Diagnostic Tool	Integrated Reporting, Integrated Thinking
	UNIFY		
19	Assess Needs for Different Resources and Understand Expectations of Resource Owners	RESULTS – Stakeholder Perception	Integrated Reporting, Stakeholders, Materiality
20	Update Strategy with Learning	RESULTS – Driving Performance & Transformation	Integrated Reporting, Integrated Thinking, Outlook, Performance
21	Address Gaps	RESULTS – Driving Performance & Transformation	Integrated Reporting, Integrated Thinking, Strategy, Business Model, Outlook, Stakeholders
22	Communicate Internally and Externally with Focused Messages	RESULTS – Driving Performance & Transformation	Integrated Reporting, Value Creation
23	Manage Stakeholders	RESULTS – Driving Performance & Transformation	Integrated Reporting, Value Creation
24	Share your Experiences, Invest on your Intellectual Capital	EXECUTION – Driving Performance & Transformation – 5.4 Leverage Data, Information & Knowledge RADAR Diagnostic Tool	Integrated Reporting, Integrated Thinking

	SSM	EFQM	<IR>
	ECOSYSTEM		
25	Identify Stakeholder Impact Area and Relationship Strategy	DIRECTION – 1.2 Identify & Understand Stakeholders Needs	Integrated Reporting, Stakeholders, Materiality
26	Identify Stakeholder Priorities	EXECUTION – Engaging Stakeholders	Integrated Reporting, Stakeholders, Materiality
27	Measure and Manage Perceptions	RESULTS – Stakeholder Perceptions	Integrated Reporting, Stakeholders, Materiality, Performance
28	Measure and Manage Outcomes	EXECUTION – Creating Sustainable Value	Integrated Reporting, Value Creation
29	Communicate Goals and Results	RESULTS	Integrated Reporting
30	Share your Experiences, Invest on your Intellectual Capital	EXECUTION – Driving Performance & Transformation – 5.4 Leverage Data, Information & Knowledge RADAR Diagnostic Tool	Integrated Reporting, Integrated Thinking

APPENDIX B

INTEGRATED REPORTING AND INTEGRATED THINKING

Integrated Reporting is a principle based corporate reporting system, addressing the communication of an organization's value creation process through disclosure of useful qualitative and quantitative information for relevant stakeholders.

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 which leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term. Each organization needs resources to create value. Integrated thinking and integrated reporting framework define these resources as six capitals.

An Integrated Report aims to provide insight about the resources and relationships used and affected by an organization –*these are collectively referred to as "the capitals" in the <IR> Framework*. It also seeks to explain how the organization interacts with the external environment and the capitals to create, preserve, or erode value over the short, medium, and long term[1]. **The six capitals** are stocks of value that are increased, decreased, or transformed through the activities and outputs of the organization.

- **Financial capital** – financial resources,
- **Manufactured capital** – equipment, infrastructure, objects used for value creation,
- **Intellectual capital** – know-how and knowledge owned by organization,
- **Human capital** – competencies, capabilities, experiences, and motivations of the human resources,
- **Social and relationship capital** – relationships with stakeholders,
- **Natural capital** – all renewable and non-renewable environmental resources.

1 *International <IR> Framework, Integrated Reporting, January 2021, page 6*

Integrated Report is prepared according to Guiding Principles and Content Elements which define the content of the report. There are **7 guiding principles**:

- **Strategic focus and future orientation** – Organization needs to explain its strategy and how it will help to create value in short, medium, and long term. This explanation needs to have a future perspective.
- **Connectivity of information** – Information needs to be presented in a holistic manner where all interdependencies, relationships, combinations have been presented.
- **Stakeholder relationships** – Report needs to give an insight regarding the nature of relationship with stakeholders and how their needs, requirements, expectations have been collected and considered in the decision making process.
- **Materiality** – Information provided in an integrated report needs to disclose the issues that have substantial impact on value creation capability of an organization in short, medium, and long term.
- **Conciseness** – Provided information needs to be concise.
- **Reliability and completeness** – All material information needs to be presented in a balanced manner in the report which means that both positive and negative aspects of activities and impacts should be covered.
- **Consistency and comparability** – Presented information needs to be consistent over time and needs to be comparable with part performance and other organizations.

Integrated Report has been prepared according to **8 content elements** that are linked to each other, which are:

- Organizational overview and external environment,
- Governance,
- Business model,
- Risks and opportunities,
- Strategy and resource allocation,
- Performance,
- Outlook,
- Basis of presentation.

Integrated thinking approach supports collaboration, cooperation, and integration between different parts of the organization. This approach enables cross fertilization of ideas, developing new value adding initiatives and interaction between capitals.

"Integrated thinking is a multi-capital management approach that enables organizations to deliver their purpose to the benefit of their key stakeholders over time.

Integrated thinking is about creating and protecting value. Linking purpose and values to strategy, risks, opportunities, objectives, plans, metrics, and incentives throughout the organization enables better decision-making.

Integrated thinking requires effective governance, culture, accountability, and transparency. It recognizes the importance of addressing value destruction, boundary conditions, changing conditions/context and feedback loops.[2]"

It could be considered as a holistic perspective.

Integrated thinking improves governance practices which ensures effective risk management practices besides improving business performance.

Business world is in transition. Decision making practices of business previously focus mainly on customers and shareholders. However, it is understood that negative impacts are not considered, and these impacts have been claimed as externalities in the previous business practices. New business practices have a different value focus which covers broader:

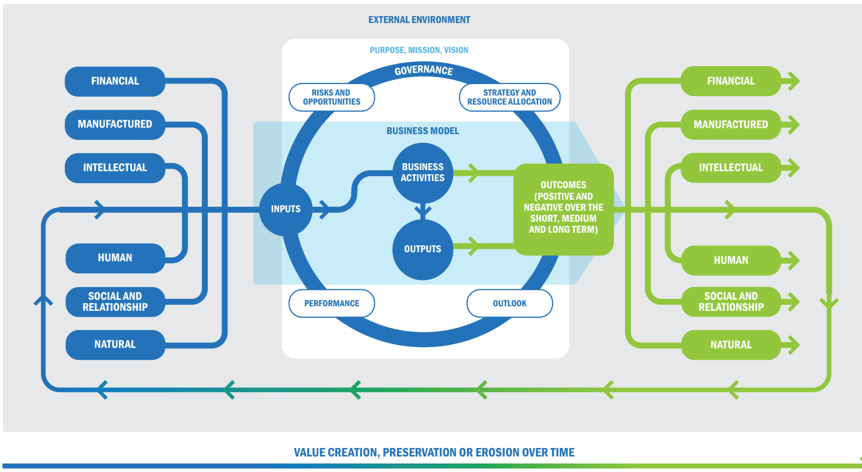
- **A broader set of issues** – more than just financial performance or product benefits,
- **A wider set of stakeholders** – more than just a company's shareholders or customers,
- **Multiple time horizons** – impacts need to be understood in the short, medium, and long term, not just the short term.

As it has been stated previously integrated reporting approach is more than reporting where integrated thinking approach is at the center of the reporting process to show how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term.

Integrated thinking and reporting approach focus on outputs and outcomes. Outputs are the services and products obtained after the implementation of the business plan of the organizations. Outcomes are defined as the impacts created by the outputs and by the business model of the organization on the six capitals. Outcomes could be internal and external impacts. They could have positive and negative effects. The realization of outcomes could take some time to be observed.

2 *Integrated Thinking and Strategy State of Play, Integrated Reporting, December 2019*

The Integrated Reporting approach has been modelled as[3]:



A good example for understanding the outcome could be:

"The core output of an automobile company's business model is cars. Outcomes to customers include mobility and convenience (positive) and added expense and the risk of road-related accidents (negative). Outcomes to society include connected communities and economic prosperity (positive), as well as fossil fuel depletion, air pollution and health-related incidents (negative).[4]"

More detailed information regarding Integrated Reporting and Integrate Thinking can be found at https://integratedreporting.org/

3 *International <IR> Framework, Integrated Reporting, January 2021, page 22*

4 *International <IR> Framework Revision Topic Paper 2 Business Model Considerations, Integrated Reporting, February 2020*

APPENDIX C

EFQM 2020 MODEL

The EFQM Model is a globally recognized management framework. The model helps organizations to be successful through measuring their performance, understanding the gaps regarding their targets, and developing solutions to eliminate the gaps, promoting the progress to improve organizations' performance. The Model can benefit organizations of any size or sector.

The utilization of the model enables organizations[1]:

- To define a strong purpose,
- To inspire leaders at every level,
- To create a culture committed to driving performance,
- To remain agile, adaptive,
- To be able to evolve for the future.

EFQM 2020 model structure is based on three important questions of[2]:

- "Why" does this organization exist? What Purpose does it fulfil? Why this Strategy? (Direction)
- "How" does it intend to deliver on its Purpose and its Strategy? (Execution)
- "What" has it achieved to date? "What" does it intend to achieve tomorrow? (Results).

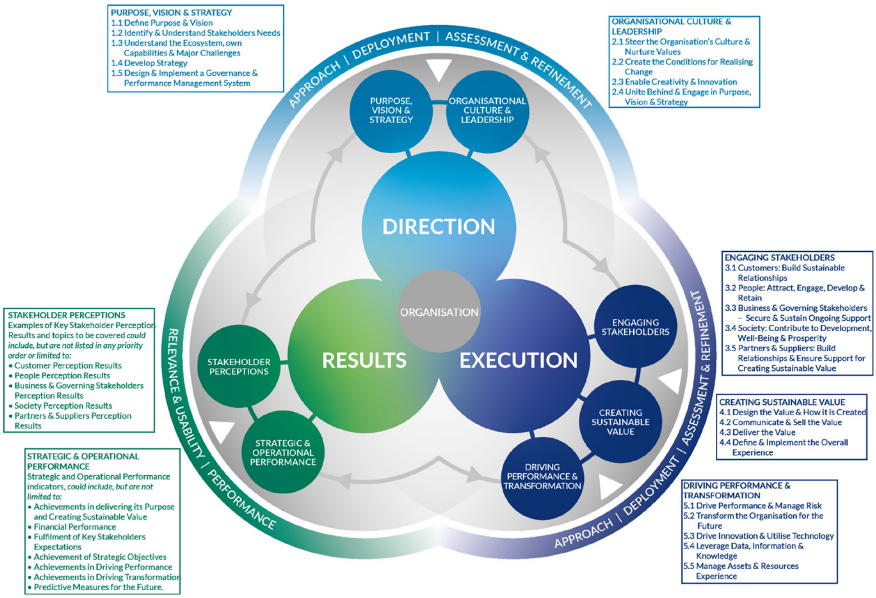
These three questions help to form the connection between purpose and strategy of an organization. This relationship is the main pillar for sustainable value creation for all stakeholders by the organization.

Organizations implementing the EFQM model are aware that they are operating in a complex ecosystem. They interact and engage with different stakeholders, who are customers, employees, competitors, society, etc., to follow the trends, communicate their messages and collect their needs, expectations and demands of the stakeholders. The main rationale for the EFQM Model is to connect purpose and strategy to create value for all.

1 *https://www.efqm.org/index.php/efqm-model/*

2 *"The EFQM Model", EFQM, 2019*

EFQM Model[3] is:



EFQM Model advises organizations

During determining direction:

- to determine their purpose in participative manner with their stakeholders,
- to create an aspirational vision to develop a strategy that creates value for all,
- to build a collaborative winning culture

During execution phase:

- to continuously engage with stakeholders,
- to focus on creating sustainable value through integrating needs and expectations of stakeholders to its value creation process, following changes in the needs and expectations of stakeholders,
- to continue to perform its operations to reach its goals successfully (driving performance),
- to monitor internal and external environments to detect the changes and successfully learn from experiences and transform organizations to continue to be successful (driving transformation).

3 *EFQM Model, EFQM, 2019*

During analysis of results phase:

- to continuously monitor stakeholder perceptions to understand how successful in implementing its strategy in meeting needs and expectations of key stakeholders,
- to analyze past and current performance as a learning opportunity to plan its future actions,
- to understand its ability to fulfil its purpose and deliver its strategy for sustainable value creation,
- to understand its fitness for the future (sustainability of the organization).

Since its inception in 1990 and throughout its developments till 2020, EFQM Model emphasized its applicability for all types of organizations. Even though initially some subsets were developed, like the EFQM Model for SMEs, it has evolved to be one Model for all. The EFQM Model states that it is flexible and adaptable for any kind of organization, any culture, any language, etc. This fact is evidenced via its usage in all five continents. NGOs from all areas of the world have used the EFQM Model both for Award purposes as well as for supporting organizations' development.

EFQM Model emphasizes continuous improvement and embeds it via its diagnostic tool RADAR. Acronym for Results, Approach, Deployment, Assessment & Review, RADAR imposes continuous improvement, trend analysis, benchmarking and comparisons, and learning to the Model criteria. This usage gives the EFQM Model an important tool to continuously drive organizations using it for developing their entire system.

More detailed information regarding EFQM can be found at
https://www.efqm.org/efqm-model

Helping You Succeed

This book has been printed
for ARGE Consulting's 30th Anniversary

Sustainable Success Model©

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Sixty percent of **ARGE**'s new projects have been awarded by existing clients, which we take as an important indicator to show high customer satisfaction rate.

Projects conducted by **ARGE** are focused on improving clients' performance who are frequently are leaders in their industries. We believe that continuous improvement is an important requirement for preserving leadership and success.

Our principles for success are:
- Utilizing world-class methodologies
- Spending our best effort to create maximum value for clients
- Respecting the confidentiality of our clients in our projects

"Deployment" and "Implementation" are very important steps to achieve the goals of projects. We assist our clients in deployment and implementation phase to ensure value creation.

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Our Services:

Strategy	Improving Quality of Management Practices	Institution Building	Good Governance
Strategy Development	Assessment of Effectiveness of Business Processes	Human Resource Management Systems	Board Structuring
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Strategic Alliances & Organization Structuring After M&As	Process Efficiency	Governance for Family Businesses	Governance in Public Institutions
Scenario Planning	Value Management	Management of Intellectual Capital	Governance of NGOs
Country Strategies	Restructuring	Assessment of Human Resource Infrastructure	Sustainability Governance

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