

CAPITALS  
COALITION®

# A primer on integrated decision-making



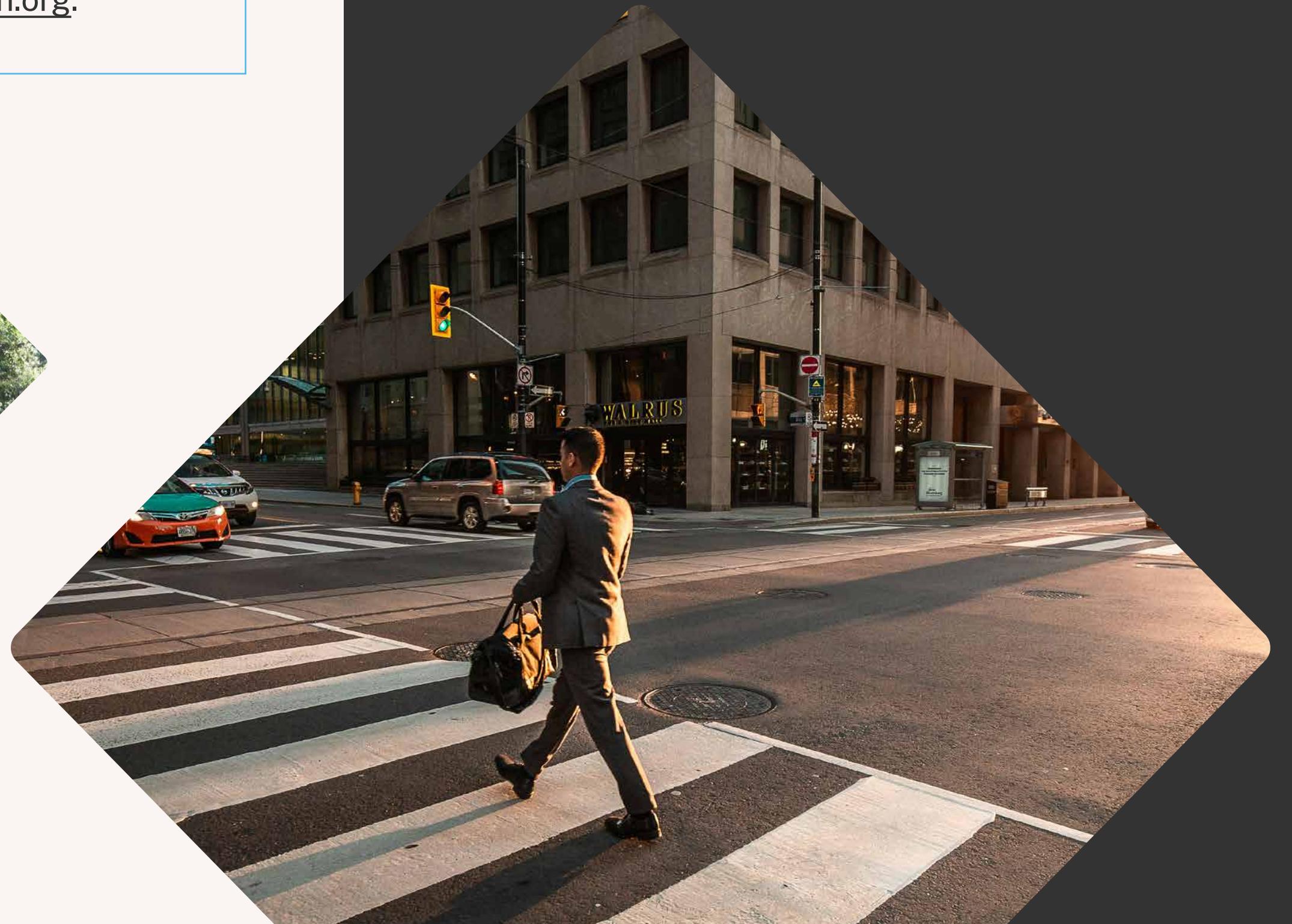
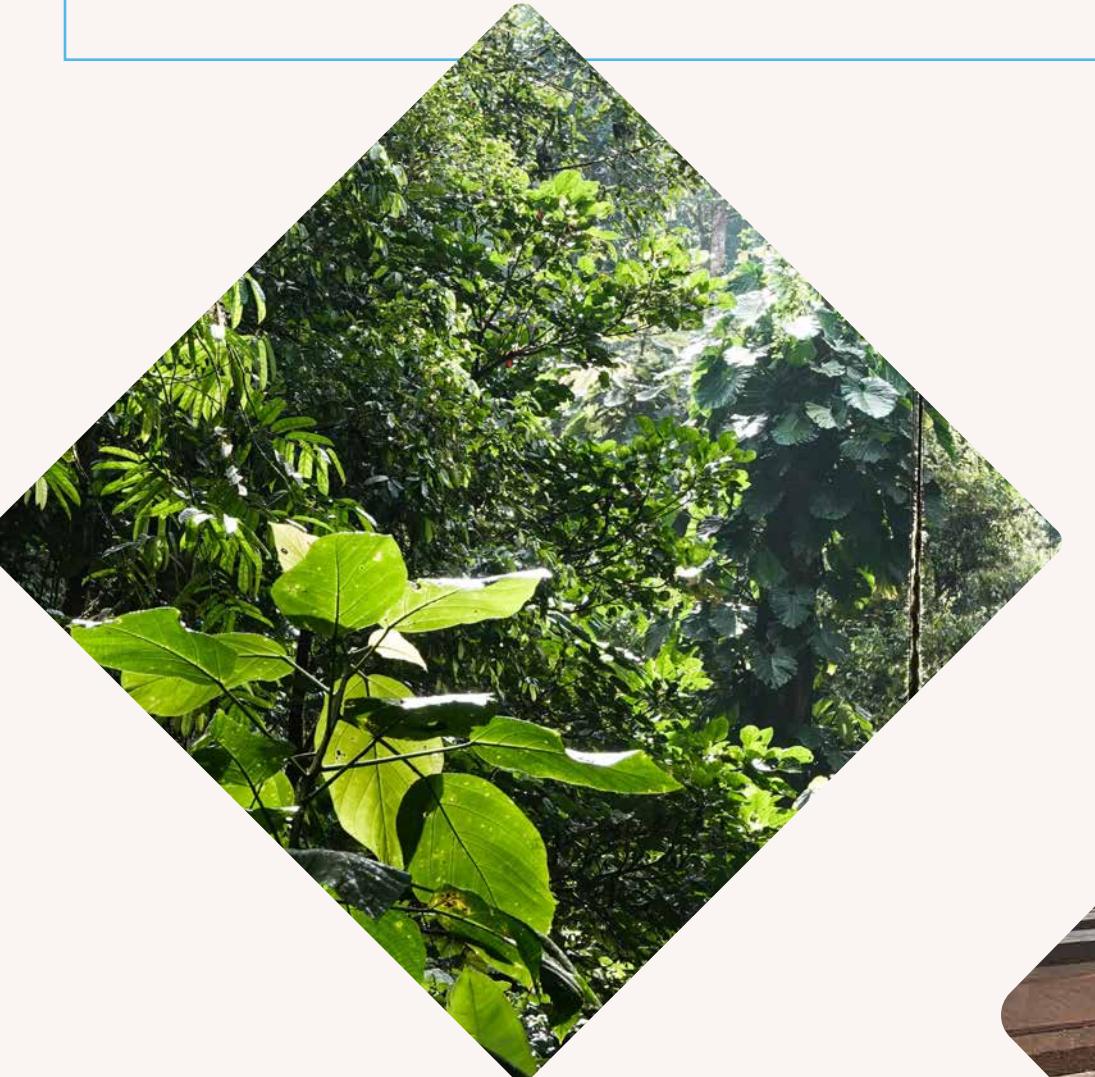
# Why we need integrated decision-making

This primer is an introduction to integrated decision-making and aims to demonstrate the reasons and the ways to embed the value of four capitals (natural, social, human and produced) into all decision-making. It is intended as a practical overview to better understand, implement and build trust in capitals valuation.

Decision-makers in all organizations need complete and consistent information to make decisions that build competitiveness and resilience. Information decision-makers can trust, helps them understand all relevant impacts of their decisions. Even if this sounds logical, most decisions are based on incomplete information.

Often, direct financial impacts are prioritized in decision-making, while other impacts, such as those related to nature, people and society are not considered to the same extent, although equally real and tangible. Therefore, there is a business case for integrated decision-making from both a financial and a long term value perspective.

At the Capitals Coalition, our vision is to build a resilient economy that values what matters. We can only build resilience by acting on the complete picture – understanding and embedding the value of the four capitals. Our work is developed through the Capitals Coalition network supported by the Value Commission and is available at [www.capitalscoalition.org](http://www.capitalscoalition.org).



## The audiences of this primer

- **Decision-makers** – Those who make decisions in all types of organizations, from business, finance, and government.
- **Practitioners** – Technical knowledge experts supporting decision makers.
- **Regulators** – Those that are legally mandated to oversee, control, or enforce rules and standards.

# What integrated decision-making is

To create decision-useful information, a holistic approach is needed, one that uses 'capitals' to express value consistently, acknowledging different perspectives, and providing a clear governance structure to drive rigor.



## Take a holistic approach: start with systems

Integrated systems thinking is key. It is a holistic approach that considers decision impacts across timescales and geographies. Systems thinking is the precursor to a focus on long-term value. It identifies drivers of change determined and impacted by feedback loops, delays, and non-linear relationships.



## Express value consistently: use 'capitals'

Historically, capital described a stock of financial assets, but many other forms of capital are often overlooked or not valued. The Capitals Coalition aligns with the OECD, World Bank, and many other organizations to reference four capitals: Natural, Social, Human, and Produced capital. Using the four capitals helps organizations to understand relevant stocks and flows, and express value consistently. Valuation moves beyond pure measurement of an amount to its relative importance, usefulness, and value. (See also Principles for Integrated Capitals Assessments, Capitals Coalition 2021)



## Strengthen valuations: bring in diverse perspectives

Decision-making does not exist on its own – it impacts people and the environment. To make more informed decisions, it is essential to include the views of all relevant stakeholders in capitals valuation.

Integrated decision-making requires consultation and dialogue, to scope views, ascertain alignment, and build support for decisions. Such dialogues include business, finance, government, and (local) communities across relevant value chains.



## Lock in capitals: drive rigor through governance

Externalities that are not captured present considerable risks and limit opportunities. By structuring information around four capitals, all externalities are fully visible and can be factored into organizational decision-making. Widely accepted standards provide a transparent governance process and structure for accounting which builds confidence in financial information. We need the same to cover the critical externalities for optimal decision-making. This includes a better understanding of how capitals-related data and information is generated, criteria to judge whether the valuation is fit-for-purpose, and a clear summary of how it informs the decision.

# A practical approach to integrated decision-making

Only through the rigor of a structured process can we increase transparency and consistency, and embed values into decision-making. A stepwise integrated capitals assessment is needed, secured by a robust governance structure to test confidence in and suitability of the valuation of impacts and dependencies used.

For an integrated capital assessment to be truly valuable, it must be paired with robust governance. This ensures that the valuation used is transparent and fit for the purpose of the decision, giving decision-makers confidence in the assessment's outcome.

The Integrated Decision-Making Framework provides a practical approach for an integrated capitals assessment with a clear governance structure. It also provides detailed technical guidance for practitioners and it is aimed to support them in preparing capitals information for decision-making.

It is presented in two parts:

- The **Capitals Protocol**, which provides technical guidance for integrated capitals assessments;
- **Governance for Valuation**, which provides a rigorous structure for ensuring the transparency and suitability of the valuation approach used.

The figure on page 5 shows the interplay between the assessment and governance.

## A step-by-step integrated capitals assessment with trusted and suitable valuation – the Capitals Protocol

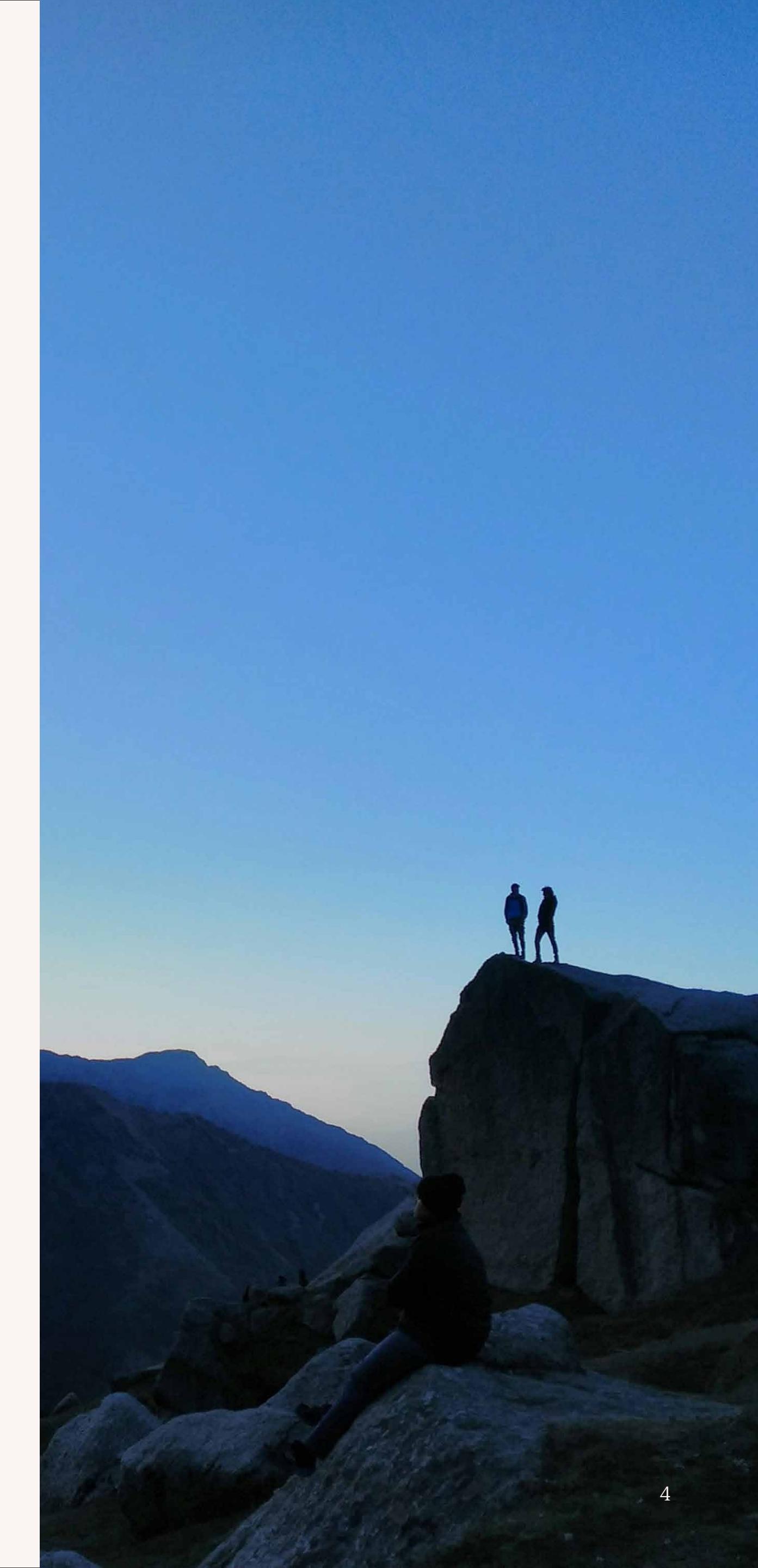


**How can information on impacts and dependencies across all capitals be prepared in a consistent way?**

To provide practical guidance for users on how to value four capitals systemically in decisions, the Capitals Protocol provides seven steps for integrated decision-making . These steps form the backbone of an integrated capitals assessment, and are organized in three stages:

- **Assemble** – What needs to be considered when making an integrated capitals decision.
- **Assess** – What needs to be considered when assessing impacts and dependencies on all forms of capital.
- **Act** – How results can be applied towards the goal of integrating the capitals into existing processes.

Although the seven steps are presented consecutively it is important to recognize that they are inherently iterative. While a user may start at Step A, new insights from each step may necessitate revisiting previous steps.



# Building trust in valuation – Governance for Valuation

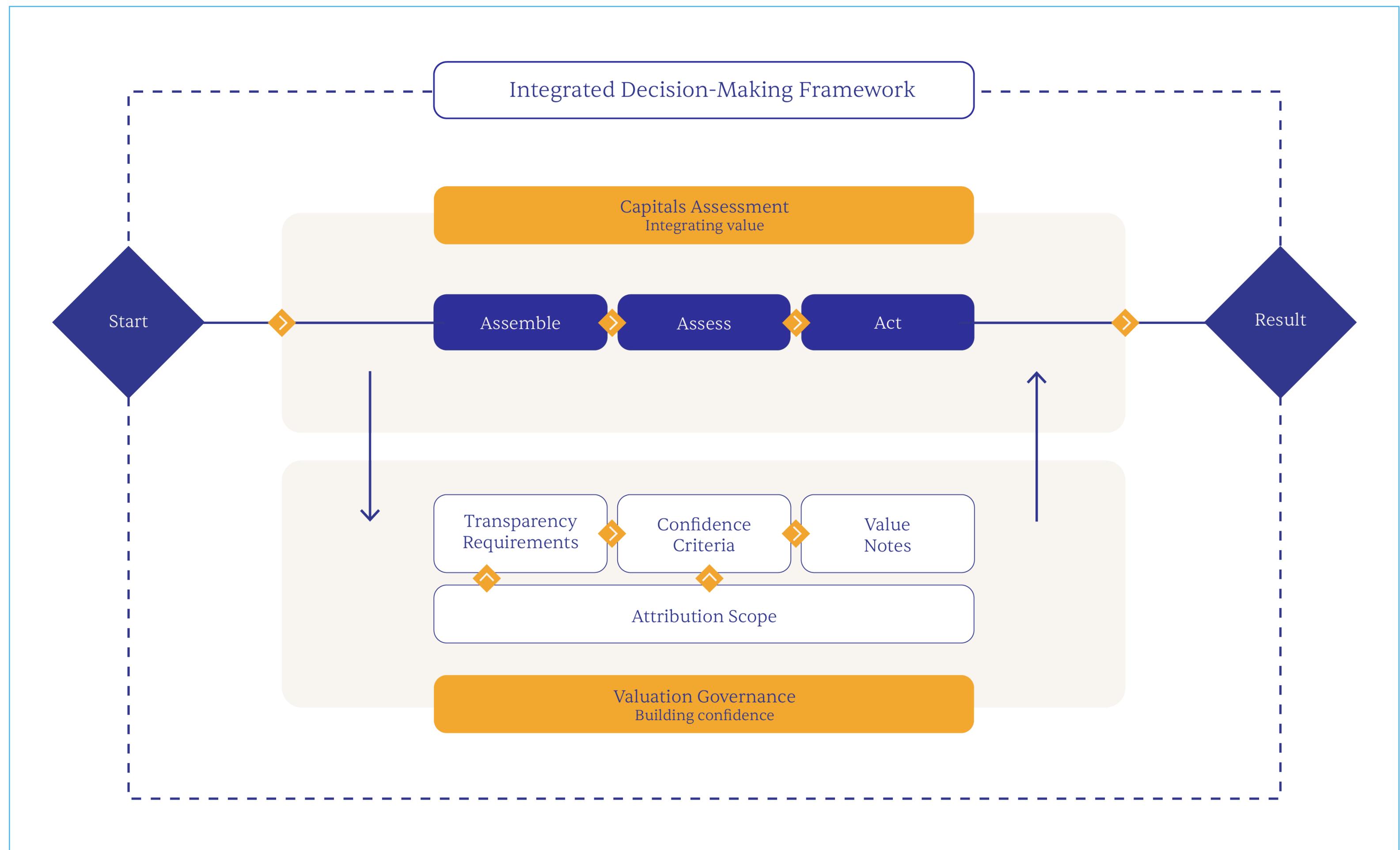
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What information is required and how can decision-makers judge if it is fit-for-purpose?

**Governance for Valuation** increases transparency and consistency in valuation, building on four blocks to drive confidence in decision-making:

- **Transparency Requirements** – Before the suitability of capitals information for a particular decision can be ascertained, it is necessary to understand what is being valued and on what basis.
- **Confidence Criteria** – Structured as a series of decision trees, the Confidence Criteria are the heart of the Governance for Valuation. They allow decision-makers to assess whether capitals information they receive is suitable for their purpose.
- **Value Notes** – To conclude, Governance Valuation proposes analogous notes to those on Financial Statements.
- **Attribution scopes** – Also included to enable organizations and businesses to identify which specific activities or processes drive changes in capitals, providing the foundation for informed, holistic decision-making.

Figure 1: A visual representation of how the Capitals Protocol relates to the Governance for Valuation



Together, these four building blocks are critical to summarizing how capitals valuation informs the decision at hand. Value Notes are the culmination of empowering the decision-maker, as they are comparable to the notes in financial statements, which present pertinent information on how figures are calculated, interpreted, and any caveats to consider.

# Use cases

## Examples of benefits of using the capitals approach

Many real-life case studies show how a capitals approach can benefit specific decision-making. Within business, those which focus on risk, operational or financial management, strategy, or internal and external reporting, are able to manage these risks and flourish as a business more easily.

### Risk Management

Integrated decision-making can be used to improve the understanding of risks and opportunities. For example, an Asian-based global agricultural company used valuation to assess the risk of pollinator loss.

### Operational management

Integrated decision-making can inform options appraisal, where you have to decide between options. For example, one of the world's largest pharmaceutical companies used valuation to assess the societal impact of new medicines to drive go-to-market decisions.

### Financial management

Integrated decision-making can be used in financial management to inform investment planning or support the implementation of innovative finance mechanisms. For example, a global asset manager used valuation to improve its analysis of companies and reward industry leaders that provide environmental and social benefits. Additionally, a leading Mexican bank has used a capitals approach to assess its agricultural portfolio and has integrated best practices into the bank's social and environmental risk management system.

### Strategy

The insights from integrated capitals assessments can be used to support strategy development and transition planning, in particular by identifying relevant KPIs and metrics and informing target setting. For example, an Indian-based fruit and vegetable trader, linking small-scale farmers with small enterprises, bulk buyers, and institutional customers, has used a capitals approach to refine their strategic and business objectives.

### Internal and external reporting

Integrated decision-making can also be used as the basis for internal and external reporting. For example, a leading global forestry company used a natural capital account to put nature as an asset on their balance sheet. This helped improve investor relations and increased their market cap. Another global leader used integrated capitals assessments to produce an Integrated Profit & Loss statement that helped them to secure a substantial real sustainability-linked debenture tied to using bio-active ingredients.

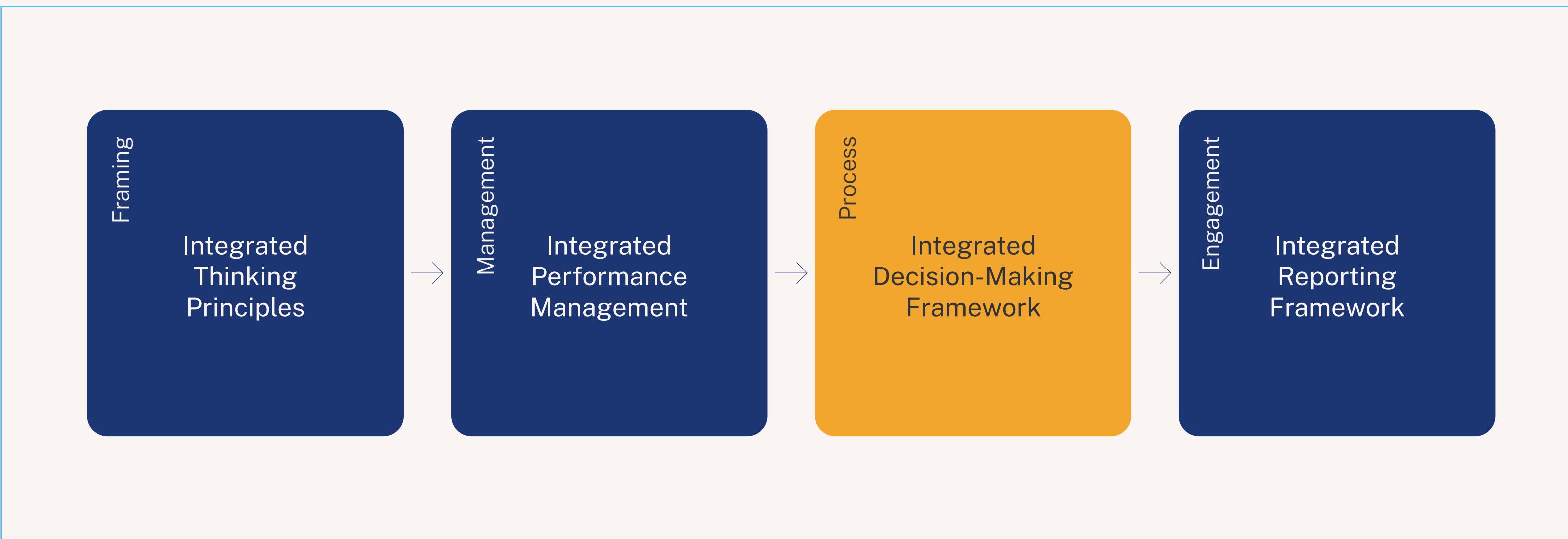
# How the Integrated Decision-Making Framework strengthens the landscape

There have been many resources produced to support decision-making. Whilst they cover a wide range of topics and areas, they often focus on single issues, e.g., Natural Capital Protocol, Task Force on Nature-related Financial Disclosure's LEAP Model, Social and Human Capital Protocol, and Social Value International's Standards. There has also been a trend to focus on disclosure and move to more regulated or mandatory approaches, e.g., GRI Framework, IFRS ISSB Standard 1, and the European reporting requirements).

While the focus is often on single issues, there also have been significant efforts to move from a single to an integrated approach. For example, at government levels, both the OECD Well-being Framework and the World Bank's Inclusive Wealth reports provide long-term assessments of a country's true wealth based on the capitals.

In the corporate sphere there have, to date, been three significant frameworks; these are the IFRS's Integrated Thinking Principles and Integrated Reporting Framework (the latter originally developed by the International Integrated Reporting Council), and AICPA-CIMA's Integrated Performance Management. The Integrated Decision-Making Framework now produced by the Capitals Coalition is complementary and focuses on the internal process that can be followed to integrate capitals into decision-making (see figure 2). These four frameworks are supported by other applications, piloting, tools and resources, including the International Foundation for Valuing Impacts (IFVI) methodology.

Figure 2: How the Integrated Decision-Making Framework strengthens the landscape



# How is this relevant?

Decision-makers	Practitioners	Regulators
Those who take decisions in all types of organizations, from business, finance, and government.	Technical knowledge experts supporting decision makers.	Those that are legally mandated to oversee, control, or enforce rules and standards.
This primer is a good starting point for decision-makers. Whilst the <b>Capitals Protocol</b> is relevant to practitioners and not decision-makers, it does have high level summaries, which might also be helpful. If the Capitals Protocol has been followed the preparation of the information presented to the decision maker, then they can be confident that a robust process has been followed for the stated objective.	The <b>Capitals Protocol</b> provides detailed technical guidance on how to conduct an integrated assessment and measure and value impacts and dependencies on four capitals. The first Assemble stage is especially helpful to those relatively new to integrated decision-making, or at the start of the first assessment for an organization. The second Assess stage contains full guidance to conduct a robust assessment.	Smart regulation should find the most efficient way to achieve desired outcomes. An integrated approach, as set out in the <b>Capitals Protocol</b> , can contribute to this by providing a robust process to look at the interdependence of issues and a framework for developing integrated policies.
The Confidence Criteria in the <b>Governance for Valuation</b> have been specifically designed to give decision-makers confidence that the work presented to them is fit for purpose. When Value Notes are included, they summarize the underlying assumptions in the valuation of impacts and dependencies in the same way as financial notes.	The Transparency Requirements and Confidence Criteria from <b>Governance for Valuation</b> ensures the valuation approach is fit-for-purpose and technically robust. The template for the Value Notes helps summarize the valuation approach in a consistent and communicable way.	<b>The Governance for Valuation</b> has been structured so it can be embedded into smart regulation. By requiring the application of governance across sectors and markets, we can deliver consistent outputs to improve confidence and reliability.
<b>A Business Decision Template</b> is available for decision-makers to structure the capitals information. <a href="#">Link here</a>	The <b>templates</b> help implement integrated assessment in practice. They give helpful frameworks and templates to fill in for the different steps for integrated decision-making.	<b>The Business Decision Template and Value Notes Template</b> can be used by regulators to inform future regulation and standards. <a href="#">Link here</a>

# Start integrated decision-making now

Integrated decision-making offers a pathway to lasting value creation for businesses, a more robust and complete financial analysis, and a more stable economic system overseen by regulators. It is a gear shift towards better governance, competitiveness, and resilience.

The Integrated Decision-Making Framework, supported by the use cases, provides the guidance and governance, and it can be applied now. It is practical and inspiring and can help create value in any organization.

**Get in touch with the Capitals Coalition to find out more or to apply the Framework.**

[capitalscoalition.org](http://capitalscoalition.org)

[info@capitalscoalition.org](mailto:info@capitalscoalition.org)

## Curating an ongoing dialogue

To support implementation around integrated decision-making and the capitals approach, Capitals Coalition will publish discussion papers and host open dialogues on a range of challenges, including:

- **Dealing with trade-offs** – Using pathways to better understand and manage impacts and dependencies
- **Valuing what matters** – pluralism, power and business decision-making – How to reach all stakeholders inclusively and openly
- **Selecting the right value factors** – On available sets of value factors for specific decisions
- **Auditing** – Integrated capitals assessments and related outcome documents audited and verified for increased trust in decision-making