

The World Bank

CHARLES A. MCDONOUGH
Vice President and Controller

July 15, 2013

Mr. Paul Druckman
Chief Executive Officer
The International Integrated Reporting Council

Re: *Consultation Draft of the International Integrated Reporting <IR> Framework*

Dear Paul,

The World Bank appreciates the opportunity to comment on the consultation draft of the *International Integrated Reporting <IR> Framework* ("Framework"). We acknowledge the importance of the Framework as a corporate reporting means to provide stakeholders with concise communication about how the entity's strategy, governance, performance and prospects lead to the creation of value over a short, medium, and long term. We also would like to express our support for the work that the International Integrated Reporting Council has been doing to make communication about how businesses create value over time, more meaningful for a wide range of stakeholders, with the particular focus on providers of financial capital.

We recognize the challenge of providing companies with flexibility for implementing the Framework while, at the same time, trying to ensure that a defined set of requirements is followed to allow for comparability and comprehensiveness of information. It is in this context that we are offering a few general comments for your consideration:

- **Meaningful Communication Tool** - We appreciate the Framework as a tool for providing stakeholders with meaningful communication about an entity's business and how it creates value. In this regard, we encourage the Council to make efforts to ensure that the application of the Framework does not result in a mere compliance exercise, but rather foster good communication, which enables stakeholders to be able to derive a good understanding of an entity's operations, strategy, and risks.
- **Flexible Tool** - The Framework, as envisaged, is designed to provide companies with flexibility on the content of their integrated reports, based on their materiality assessment and judgment. We believe that this flexibility, especially in the initial stages of the application of the Framework, is paramount to allow companies time to "pilot" the Framework and to appropriately build the processes surrounding the

Consultation Draft of the International Integrated Reporting <IR> Framework

generation of information for the content of the Integrated Report. On an ongoing basis, it is desirable to continue maintaining the balance between the flexibility allowed by the Framework and compliance with its basic parameters.

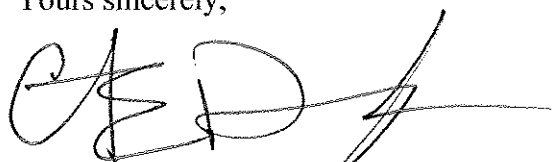
- **Decision-Useful Tool** – We agree that the principle of materiality should underlie the information included in the Integrated Report, if the principle of conciseness is to be maintained. We understand that to be decision-useful, the Integrated Report should include information that, on one hand, is important for communication from an entity’s standpoint and, on the other hand, will be useful to the primary intended users, and providers of financial capital. However, the selection of what is material is a matter of judgment. Therefore, we support the emphasis in the Framework of making transparent to users how decisions about materiality are made. However, we do not believe the Framework should create a new definition of materiality. Rather, we propose that the Framework encourages entities to include references to existing standards, if any, which are being used to arrive at materiality determination.
- **Reliable Tool** – We believe that reliability of an Integrated Report could be enhanced by an independent external assurance that the principles in the Framework have been complied with. However, consistent with the overall approach of flexibility, we believe that auditability of the process or of the Integrated Report itself should be flexible. The companies should be allowed to choose what sections of the Integrated Report, or processes surrounding its generation, should be audited or reviewed by an independent party, provided that that is disclosed to the users. Additional guidance or explanatory materials could be helpful in this regard.

In addition to the above, we would like to identify two areas that we believe would improve the information in the Framework:

- Including more guidance on how to report on the future outlook of an entity, as this is a highly judgmental area, and
- Providing guidance, currently not included in the Framework, on how an entity captures and addresses grievances and concerns of internal and external stakeholders.

Again, thank you for the opportunity to provide comments on the draft <IR> Framework. Please do not hesitate to contact us if you have any questions on the information included in this letter.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C.A. McDonough', with a long horizontal flourish extending to the right.

Charles A. McDonough
Vice President & Controller