

**Feed-back for IR Discussion Paper
made by the project group of State Nuclear Energy Corporation “Rosatom”**

Question 1.

(a) Do you believe that action is needed to help improve how organizations represent their value-creation process? Why/why not?

We agree that action is needed to help improve how organizations represent their value-creation process. Reporting should reflect the real value of the company, a significant part of which are intangible assets. Modern reporting doesn't well reflect intangible assets and almost doesn't reflect their value and contribution to value-creation process. There aren't any generally accepted methodologies for measuring/digitizing intangible assets.

(b) Do you agree that this action should be international in scope? Why/why not?

Yes, we agree that this action should be international in scope.

One of the reasons is the fact that the activity of the large companies is mainly international; therefore the requirements for the reporting information should not be regulated at the national level.

In addition, the international scope will allow to attract to the process of creating a Framework more companies, that will increase the efficiency of actions taken to create the Framework.

Question 2.

Do you agree with the above definition of Integrated Reporting? Why/why not?

No, we don't agree, because this definition describes the functions of integrated reporting, but the very definition of the integrated report is not formulated.

We offer to add the definition of an integrated report to the definition of the integrated reporting: An integrated report is a single (one) annual report on material results and the system of management of the company in the process of value creation.

In the integrated report there are disclosed economic, financial and production results for the main direction of activity of the organization, evaluation on the economic, environmental and social influences, and the results to the achievement of the strategic objectives. The value-creation process is analyzed in the integrated report; in that report information is provided on the significant external factors affecting the activity of the organization and on assets, to which it affects; that report contains disclosures on management approach, the plans and intentions of the organization on the future and the conditions for their implementation. Integrated report allows analyzing the manageability and quality of the performance management of the organization.

Question 3.

Do you support the development of an International Integrated Reporting Framework? Why/why not?

We support the development of an International Integrated Reporting Framework. Integrated reporting will not be able to become a common practice without the Framework, which contains the requirements to the content of the report and the process of its preparation and reinforces the company's responsibility for the provision and verification of the reporting information.

Question 4.

(a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?

We support the idea that at the first stage the integrated reporting should be prepared by large companies, because they shape the behavior models for other companies.

But we do not agree with the fact that at the first stage it is necessary to pay attention only to one group of stakeholders - the investors. In our opinion, it may cause substantial harm to the Framework, because in this case the understanding of the value-creation process may be formed distorted, as it will not be taken into account the interests of other participants of the value chain (for example, suppliers or staff).

In our opinion, at the first stage the following groups of stakeholders should be involved in the process of developing the standard (in addition to the investors): the trade unions and the partners in the value chain (suppliers).

(b) Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?

The concept underlying the Integrated Reporting will be entirely applicable for medium-sized enterprises, state-owned enterprises and non-profit organizations. For small business the format of the integrated reporting, probably, would be superfluous.

Question 5.

Are: (a) the organization's business model; and (b) its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting? Why/why not?

The proposed themes (the organization's business model, its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting) are appropriate as central themes at this stage of the process. Also we guess that the theme Strategy (strategic goals, their implementation in the reporting period, risks and opportunities) is important and commensurate. But on the first stage it would be difficult to work out all the themes. So we propose to make the theme "Strategy" central on the next stage of the pilot program (after 2013).

Question 6.

Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?

The concept of multiple capitals is helpful in explaining how an organization creates and sustains value. The availability and capitalization of the resources, their reproduction and accumulation and, in general, the ability to manage resources (capitals) in a civilized way is a key factor of the sustainability.

Question 7.

Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?

- Mentioned principles are not and can not be the sound foundation for preparing the integrated report. We guess that it's extremely important to include in the Framework the ways of their realization. Thus would exclude the possibility of different (contradictory) interpretation of the principles. The ways of the realization of the principles can be expressed in the form of requirements to the integrated reporting.

From our point of view the requirements should be divided on the requirements to the content of the report and on the requirements to the process of its preparation. The example of the requirement to the process of the preparation of the report: «During the process of preparation of

the report a company should hold no less than 3 dialogues with its stakeholders. The theme of the first one should be devoted to the conception of the report, the theme of the second dialogue should be material for the stakeholders (socially significant theme/ topic important for the society) and public hearings over the project of the report. The stakeholders' requests should be taken into account during the preparation of the report or the company should take liabilities to meet the needs of the stakeholders in the future or the company should provide stakeholders with the argumentative answer why their request can not be fulfilled/ their needs can not be met.

- We consider principles “Responsiveness and stakeholder inclusiveness” and “Strategic focus” to be well formulated.
- We propose to rename the principle “Conciseness, reliability and materiality” to the principle “reliability and materiality”. The conciseness of the report or, the opposite, its length is not the guarantee of the report quality. It's more important to include in the report reliable, material information, the information which is enough for understanding. The ability to distinguish material information and to structure it will lead to the decrease in length of the report. Moreover the parallel development of the interactive reports will create the working-with-text technologies (like multilevel information structuring) that will also help to decrease the length of the reports.
- The principle “Future orientation” is unnecessary, because its sense is included in the principle “strategic orientation”. We propose to rename it to the principle “balance of the past, the present and the future”. The realization of this principle means the disclosure of information about the performance in present in retrospective and in perspective.
- From our point of view, the principle «Connectivity of information» is important but technical requirement to the text of the report: the existence of the logical connections, links, disclosure of information about the realization of the strategy in every chapter etc. For the good text structuring you should use methodical recommendations. “Rosatom” uses a methodical technique “priority topic” that works on the connectivity of the whole text. Meanwhile the list of principles misses the principle that will work with integration itself; with the contribution of both tangible and intangible capitals to the value creation process and to the business sustainability. Possible ways: 1. To include this sense (the integration of the non-material information to the main parts of the report) to the principle “Connectivity of information”; 2. To include this sense to the description of content element “Organizational overview and business-model”.

Question 8.

Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?

1. Content Element «Performance» should include the results of all material aspects of the company's activity: the financial, manufactured indicators, the results in the sustainable development, the contribution to the strategy realization, KPI etc. This should be explained in the Discussion Paper or in the practical guide.
2. We propose to rename Content Element «Future outlook» to the subelement “The Management of the development / value-creation management /governance of the value creating process / perspectives of the development” and to shift this subelement to the content of the element “Strategy”.

Question 9. From your perspective:

(a) Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

The benefits should be formulated more accurate. Companies will use this description of the benefits to promote integrated reporting, to solve the PR tasks. Using the formulation of the benefits in the Discussion Paper it would be hard to explain why it's profitable for the companies to make integrated reports and why stakeholders should use them.

From our point of view the main benefits are:

- Report reveals the quality of management,
- Integrated report is the only one analytical reporting document of the company,
- Preparation of the integrated report let managers make complex analysis of the company's performance annually.

(b) Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

In general yes. But the tasks are not well formulated.

Question 10.

(a) Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?

We support actions proposed by IIRC. Also we guess these actions to be important:

- to create a training program (for consultants, auditors, managers);
- to organize an international contest/rating of the integrated reports;
- to publish systematically the overviews of the IR best-practices;
- to support the companies that occupies the development of the "future themes" of integrated reporting like system of indicators;
- to form the next step of the integrated framework development in 2013 (like new pilot program). A part of this step should be the development of the system of indicators.

(b) What priority should be afforded to each action? Why?

The prioritized actions are: "Pilot Program", "Governance", «Overview of the IR best-practices», «Contest». This actions are the main mechanisms to form the infrastructure of the Framework development.

Question 11.

Do you have any other comments that you would like the IIRC to consider

- We guess that the focus on the point that the reports should not be long, made in the discussions about the volume of reporting information, is harmful for understanding the sense of conversions for the pilot program participants. The volume of the report is not the guarantee of the report quality, the guarantee that a report includes material and sufficient information. From our point of view it's more important to focus on the information structuring, process of selecting the material themes and disclosures material information. These activities will regulate the volume. We propose to take this point of view into account and to focus on the materiality, sufficiency, logicity of the text, and not on its volume.
- We propose to include in the Glossary term "material information". Material information – is information that considered to be material (sufficient) by the management of the company and its stakeholders. The materiality of information should be determined not only by the management of the company but also by stakeholders of the company following certain procedures.

- In order to provide the next step, it makes sense to form temporary working groups to make preliminary work for:
 - Systems of indicators;
 - The ways of assurance and verification of the integrated report: the verification of the reporting information (audit of the integrated report) and public assurance (assurance made by stakeholders to assure the materiality and inclusiveness).
- On the basis of the experience of installation the reporting Standard in the subsidiaries of “Rosatom” we consider important to fix in the Framework not only principles but also requirements to the content of the report and to the procedure of preparing the report that let to implement (realize) the principles.
- We consider actions, proposed in the Discussion Paper not to be enough to spread the integrated reporting all over the world. It is necessary to form a critical mass of adherents and supporters of integrated reporting among companies, consultants, auditors, experts etc. To solve this task it’s important to make trainings in different countries. In Russia it is possible to make such trainings on the basis of Rosatom, may be with ACCA.
- To spread integrated reporting all over the world we propose to organize an international contest (or rating). In “Rosatom” the reporting contest is an extremely successful mechanism that works on motivation of the participants (subsidiaries) to increase the quality of reporting. During 3 years subsidiaries increase the quality of the reports, become the winners of the national reporting contests. We are ready to present the model and methodology of the contest of integrated reports to the IIRC.