

Russian Regional Network on <IR> organized a presentation of the Consultation Draft of the International <IR> Framework, which was held on April 26th, 2013. More than 60 representatives of big Russian companies (ROSATOM, Rosneft, URALSIB, Vnesheconombank, ALROSA, Norilsk Nickel, etc.), consulting and audit companies (KPMG, Da-Strategy Group, PricewaterhouseCoopers, Ernst&Young, Nexia Pacioli, etc.), academic and expert community (MIRBIS, International Association of Corporate Education, Expert Ra Rating Agency, Russian Union of Industrials and Entrepreneurs, ACCA etc.) took part in the event. In order to discuss the Draft Framework theme-based round tables were organized, results of their discussions are provided below.

Roundtable “Disclosure of Business Model in an Integrated Report”

1. “Capitals” and “inputs” as well as “outputs” and “outcomes” should be defined more specifically. Methodical comments and examples of disclosure would be very useful.
2. The Framework should clearly state, on what grounds should a company include capitals in its business model. Taking into account the concept of “collective ownership”, it cannot be based only on property right, which would be understandable. Thus, specific criteria are necessary.
3. In case of a holding company: should the company show the holding’s business model or every company that it owns. This should be specified in the Framework.
4. Business-model should constitute a minimum set of approaches which the company uses in order to create value. Then it would be possible to draw a strict line between data that are commercially confidential and data that the company does not want to disclose. For the first stage it is not recommended to design business models for different sectors and spheres because it may call for much redundant expenses and efforts and not provide the desired effect.

Roundtable “Implementation of the Materiality Principle”

1. Stakeholders should necessarily participate in the live process of determining the materiality of information disclosed in an integrated report (collective opinion). This interaction is important in order to make the content of the report linked to the information needs and current agenda of stakeholders as they are related to the company’s business activities. As a result, the value of the integrated report for the investor community would be raised significantly, as such a report would be more risk-oriented for the providers of capital.
2. All of the members of the roundtable agreed that the IR Framework should consider the interests of all key stakeholders. The primary considered target audience should be – local communities and non-governmental environmental organizations (both regional and international).
3. If the Framework is dedicated to substitute other forms of corporate reporting in the long term, it should contain indicators which disclose the material matters of a company’s activities. The key sources from which the indicators can be picked are: IFRS, GRI (G 3.0), ISO 26000.
4. Sustainability of the business, as also the «triple bottom line» should be directly (not only implicitly through the concept of the «providers of capital») integrated into the text of the Framework.
5. The text of the Framework should state how it is linked to other reporting standards.
6. The Framework should include a recommended scheme (step by step) for the companies how to install the system of integrated reporting (similar to the GRI Application Levels).
7. The Framework should set the obligation for the reporting companies to organize live consultations (stakeholder dialogues) as a part of the materiality determination process by report-making.

Roundtable “Disclosure of Capitals in an Integrated Report”

1. Provide a clear metrics and measurement methodology for all six capitals mentioned in the Framework.

2. Provide integrated quantitative indicators, which could be used to measure flows between various types of capitals in the value creation process.
3. Specify the list of report-users (apart from investors). In the current Framework input capitals can be taken from external sources (these capitals can be partially owned by stakeholders). Output capitals are used both by the company and by external stakeholders. Therefore an integrated report is dedicated to the whole community (not only providers of the financial capital).
4. Suggest a methodology of how to evaluate intangible capitals with a short commentary why this particular methodology was chosen.
5. Specify the text of the Framework and introduce a pool of indicators for each capital (possibly in future).
6. Try to connect the capitals concept with the systems of risk evaluation used by companies.

Roundtable “Verification of the Report Information”

1. Since intentionally or not most companies do not provide reliable information in their reports, the IIRC should make the audit of an integrated report obligatory for all companies.
2. Since the <IR> Framework has changed, there is no urgent need to introduce an integrated audit standard. During the transition period companies can use both standards of financial and non-financial audit separately until the integrated standard is developed (this should be mentioned in the Framework).
3. The Framework should provide explanations:
 - how an auditor can provide assurance on the information about the future according to the future-orientation principle;
 - how an auditor can assure the business-model of a company.
4. In order to find out whether a report is prepared in accordance with the <IR> Framework it is reasonable to use the “traffic lights method” – (the Framework was used fully/partially/not used). This method can be applied both to the whole report and to its parts and single <IR> principles.
5. The Framework should also include a requirement for the companies to make their reports assured by key stakeholders to make sure that the report information is material, complete and responsive to stakeholders’ recommendations.

Roundtable “Typical Report Structure”

1. The Framework should determine the primary structure of an integrated report. There can be three criteria for such determination:
 - **First:** a basic set of compulsory characteristics, which could be used to compare companies and their performance. The core characteristics can be similar to listing requirements on major stock exchanges. This information should include: corporate governance, strategy, risk management, financial reporting and key social aspects;
 - **Second:** a set of industry indicators, which would enable report-users to compare companies within a single industry. In order to create this set of indicators some approaches of investment banks could be used;
 - **Third:** optional information which a company considers relevant and significant to include into the report.

Roundtable “Development of the <IR> Framework”

1. Define the status of the <IR> Framework (whether it is a Framework or a Standard with its own methodology and approach).
2. Give more attention to particular industry reporting matters. This can be done by issuing industry supplements to the basic Framework (especially for financial, energy and extracting industries).
3. The Framework should be gradually customized for small and medium businesses.

4. In 2014-2015 the IIRC should concentrate on providing some performance indicators, creating industry-specific supplements and integrating the <IR> Framework with the IFRS Standard.