

EM|CO

**STUDY ON NON-FINANCIAL REPORTING OF
OPEN JOINT STOCK COMPANIES WITH THE
STATE PARTICIPATION**

Moscow, 2014

TABLE OF CONTENTS

| | |
|--|----|
| I. APPROACHES AND METHODOLOGY | 3 |
| PROJECT GOAL..... | 3 |
| COMPANIES COVERED BY THE STUDY..... | 3 |
| DEFINITION OF “NON-FINANCIAL REPORTING” IN THE STUDY | 4 |
| SUBJECT OF THE STUDY | 4 |
| GRI NON-FINANCIAL REPORTING STANDARD AS THE KEY INFORMATION DISCLOSURE INDICATOR..... | 5 |
| METHODOLOGY OF THE STUDY | 5 |
| Stage 1. Analysis of non-financial reports for 2013 published by companies..... | 6 |
| Stage 2. Expert interviews | 6 |
| II. STUDY RESULTS FOR STAGE 1. TABLES AND GRAPHS | 8 |
| NUMBER OF THE GRI INDICATORS DISCLOSED..... | 8 |
| INFORMATION DISCLOSURE LEVEL | 8 |
| DIALOGUE WITH STAKEHOLDERS TO VERIFY A NON-FINANCIAL REPORT..... | 9 |
| BREAKDOWN BY TYPE OF NON-FINANCIAL REPORTS | 9 |
| COMPREHENSIVENESS (FULLNESS OF THE INFORMATION DISCLOSURE WITH RESPECT TO THE THREE ASPECTS OF THE COMPANY PERFORMANCE) | 10 |
| CONSOLIDATED INFORMATION DISCLOSURE RATING OF COMPANIES | 12 |
| III. STUDY RESULTS FOR STAGE 2 | 13 |
| INTEGRATED OPERATING EFFICIENCY RATING OF COMPANIES..... | 13 |
| GENERAL COMMENTS FROM EXPERTS..... | 18 |
| HIGH GRADES COMMENTS OF EXPERTS | 18 |
| LOW NUMBER OF POINTS. COMMENTS OF EXPERTS..... | 19 |
| CURRENT STATE OF CORPORATE SOCIAL RESPONSIBILITY. COMMENTS OF EXPERTS..... | 20 |
| DEVELOPMENT PROSPECTS OF CORPORATE SOCIAL RESPONSIBILITY IN RUSSIA. COMMENTS OF EXPERTS | 21 |
| IV. CONSOLIDATED NON-FINANCIAL REPORTING RATING OF COMPANIES | 23 |

I. APPROACHES AND METHODOLOGY

PROJECT GOAL

Studying actual practices of the largest government-owned companies with regard to social and environmental issues and the process of organizing non-financial reporting. Compiling a rating list and consolidated analytical report on results of the study among Russian government-owned companies.

COMPANIES COVERED BY THE STUDY

In 2012, there was issued Order of V.V. Putin, the Chairman of the Government of the Russian Federation, No. 1710п-П13 dated March 30, 2012, stipulating that government-owned companies should publish non-financial reports on a regular basis.

The annex to the Order contained a list of 22 largest government-owned companies¹:

1. OJSC Aeroflot
2. Agency for Housing Mortgage Lending OJSC
3. OJSC ALROSA
4. JSC Transneft
5. JSC VTB Bank
6. PJSC GAZPROM
7. OJSC SIA (OJSC Sheremetyevo International Airport)
8. OJSC Rosneft Oil Company
9. PAO Modern Commercial Fleet (PAO Sovcomflot)
10. JSC Russian Railways
11. JSC Channel One Russia
12. OJSC Rosneftegaz
13. Zarubezhneft JSC
14. Rosagroleasing JSC
15. JSC Rosselkhozbank
16. PJSC RusHydro
17. SO UPS, JSC (System Operator of the United Power System, Joint-stock Company)
18. PJSC FGC UES
19. PJSC ROSSETI

¹OJSC "SVYAZINVEST", one of the companies on the list, was absorbed by Rostelekom in 2013, so it was not covered by this study.

20. JSC United Grain Company
21. JSC Rusgeology

DEFINITION OF “NON-FINANCIAL REPORTING” IN THE STUDY

In accordance with the Concept for development of public non-financial reporting in the medium term prepared by an interdepartmental working group of the Ministry of Economic Development of the Russian Federation, non-financial reporting means “the document containing data and indicators that reflect approaches and results of the organization performance relating to all material social responsibility issues for the reporting period and intended for a wide range of stakeholders”.

The Russian Union of Industrialists and Entrepreneurs distinguishes three main types of reports in the National Register of Corporate Non-Financial Reports:

- social reports,
- sustainable development reports,
- environmental reports.

A significant part of the expert community agrees with such conventional definitions of the term “**non-financial reporting**”. Such approach and interpretation of the term are common among Russian specialists.

Thus, modern Russian practice (and in the planned study), a corporate non-financial report is a tool for informing stakeholders of the company and the society in general about implementation of programs aimed at maintaining **economic security and social and environmental stability**. This is a document that comprehensively reflects the key results and performance indicators of the company in the field of social responsibility and sustainable development.

SUBJECT OF THE STUDY

The subjects of the study are the year 2013 **non-financial reports** of the government-owned companies included in the list in the annex to Order of the Government No. 1710п-П13 dated March 30, 2012. The study is limited only to non-financial reports of companies. Annual reports are not covered by this study.

As of October 10, 2014, only 11 of the 22 companies mentioned in the Order issued non-financial reports²:

- **Social reports** were issued by OJSC ALROSA, JSC VTB Bank, JSC Russian Railways, JSC Channel One Russia, PJSC FGC UES, PJSC ROSSETI.

²Typology of the reports are presented according to the data from the National Register of Corporate Non-Financial Reports of the Russian Union of Industrialists and Entrepreneurs.

- **Sustainable development reports** were published by PJSC RusHydro and OJSC Rosneft Oil Company.
- **Environmental reports** were submitted by PJSC GAZPROM³, JSC SIA (JSC Sheremetyevo International Airport) and SO UPS, JSC (System Operator of the United Power System, Joint-stock Company).

As of 10.10.2014, Zarubezhneft JSC is the only company that has not published its report out of the companies issuing non-financial reports.

In addition to reviewing non-financial reports, another subject of the study will be **perception and evaluation by experts of social and environmental activities of the key Russian government-owned companies**. Thus, opinions of the experts on social and environmental activities of government-owned companies broken down by the three aspects of performance being social impact, environmental activities and economic impact will be established.

GRI NON-FINANCIAL REPORTING STANDARD AS THE KEY INFORMATION DISCLOSURE INDICATOR

The Global Reporting Initiative (GRI), an international standard, is most widely used in preparation of standardized reports by international and Russian government-owned companies.

The report prepared basing on such standard provides to stakeholders the information on the three key aspects of the company activities: economic, social and environmental. The GRI reporting system offers a methodology for quantitative measurement of social and environmental responsibility using specific indicators. One of the advantages of the GRI standard is its flexibility: within the framework of the report companies may either use it partially or use the GRI general principles. Such feature of the GRI standard makes it the most preferable for Russian government-owned companies in terms of building their own system of non-financial reporting.

That is why the level of using and disclosing the GRI indicators was taken in account in this study when evaluating non-financial reports of government-owned companies.

Companies can submit their sustainable development reports for Application Level check to the GRI's Report Services that provides an official opinion on whether the report conforms to the declared information disclosure level. The study took into account whether the reports underwent the GRI's Report Services review.

METHODOLOGY OF THE STUDY

The study consists of two stages.

³ The study examined PJSC GAZPROM reporting without taking into account the corporate social and environmental reports of its subsidiaries.

Stage 1. Analysis of non-financial reports for 2013 published by companies.

This stage included a desk study that analyzed **the performance indicators** presented in non-financial reports issued by government-owned companies.

The performance indicators include:

1. The number of the GRI indicators disclosed:
 - 0-49 indicators - 10 points,
 - 50-99 indicators - 20 points
 - 100-150 indicators - 30 points;
2. Information disclosure level in accordance with the GRI:
 - level A - 30 points,
 - level B - 20 points,
 - level C - 10 points,
 - “+” - 5 points,
 - not indicated - 0 points;
3. Conducting or failing to conduct external audit of non-financial reporting
 - 0 points – external audit was not conducted,
 - 10 points – external audit was conducted;
4. The company performing or failing to perform the “dialogue with stakeholders” procedure to verify the non-financial report:
 - 0 points – external audit was not conducted,
 - 10 points – verification was performed;
5. Verification of non-financial reporting by the GRI:
 - 0 points – verification was not performed,
 - 10 points – verification was performed;
6. Comprehensiveness (fullness of the information disclosure with respect to the three aspects of the company performance). These aspects are social policy, environmental activities and economic impact. Depending on how many performance aspects were disclosed in the report, companies received from 10 to 30 points:
 - 10 points - one aspect,
 - 20 points - two aspects,
 - 30 points - three aspects,

Stage 2. Expert interviews

At this stage experts shared their opinion on social and environmental activities of government-owned companies. The experts participating in the study are representatives of the following organizations:

1. Ernst & Young (EY)
2. Agency for Social Information

3. World Wildlife Fund (WWF)
4. Managers Association. Corporate Social Responsibility Committee
5. MIRBIS Corporate Social Responsibility Center
6. Nonprofit Partnership Financial Communications and Investor Relations Alliance
7. Nonprofit Partnership Donors Forum
8. Lomonosov Moscow State University
9. Moscow State Institute of International Relations
10. National Research University Higher School of Economics

Company performance evaluation parameters

Each interviewed expert will be asked to evaluate activities of the company based on the three parameters:

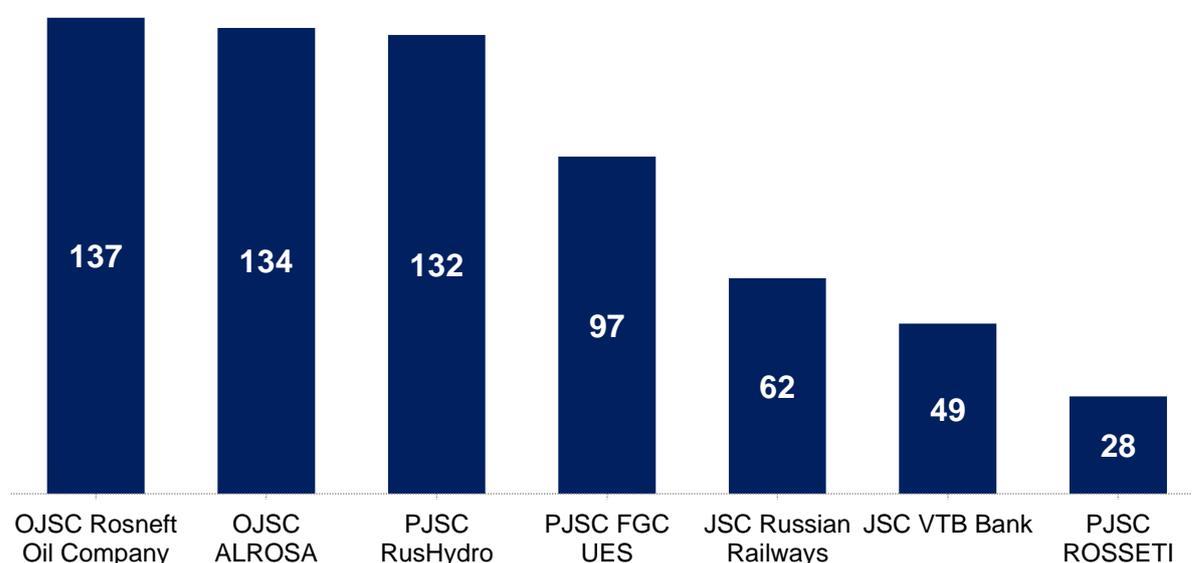
1. **Social activities of a company** are social programs and HR-focused activities in the regions where it operates, including support and development of social infrastructure, labour remuneration and incentive system, personnel development and training, pool of candidates formation, improvement of housing conditions of employees, making health resort treatment available, non-state pension schemes, charitable programs, corporate culture.
2. **Ecology or environmental impact of the company** is ensuring environmental safety of production activities, mitigation of the negative environmental impact, biodiversity and natural systems conservation activities in the regions where the companies operates, interaction with environmental organizations, energy saving.
3. **Economic impact** comprises production performance, dividends, salary, taxes, procurement of goods and services. Procurement policies in the sphere of sustainable development; economic, environmental and social criteria used to evaluate the costs and financial obligations.
4. **Information disclosure extent** comprises the GRI application level, the number of the GRI indicators disclosed, interaction with stakeholders, dialogues with stakeholders, effective non-financial reporting audit practices.

II. STUDY RESULTS FOR STAGE 1. TABLES AND GRAPHS

NUMBER OF THE GRI INDICATORS DISCLOSED

OJSC ALROSA, PJSC RusHydro, JSC VTB Bank, JSC Russian Railway⁴ and PJSC ROSSETI presented information in accordance with GRI G3.1. PJSC FGC UES social report for 2013 was based on GRI G4.

NUMBER OF THE GRI INDICATORS DISCLOSED

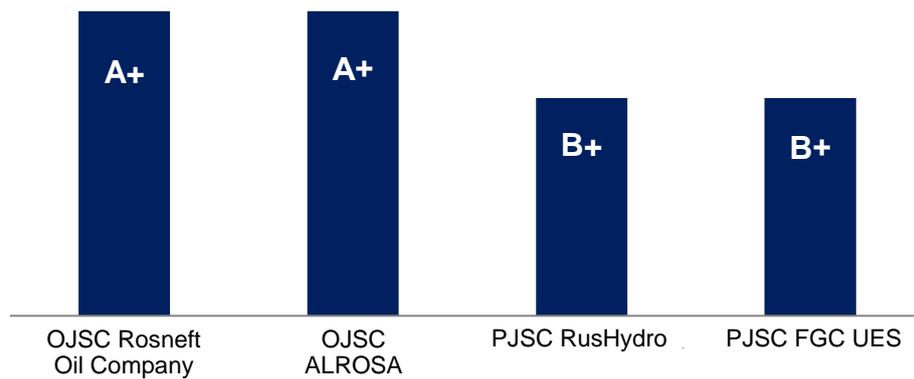


INFORMATION DISCLOSURE LEVEL

Only four companies, OJSC ALROSA, PJSC RusHydro, PJSC FGC UES and OJSC Rosneft Oil Company, in their non-financial reports indicated the level of disclosure in accordance with the GRI standards. However, only PJSC RusHydro had its non-financial report for 2013 verified by the GRI.

⁴ The table of conformity of the report with the GRI Guidelines (G 3.1) is not provided in the corporate social report of JSC Russian Railways for 2013. The number of the GRI indicators disclosed in the report of JSC Russian Railways is given based on assessment made by EmCo Agency.

INFORMATION DISCLOSURE LEVEL



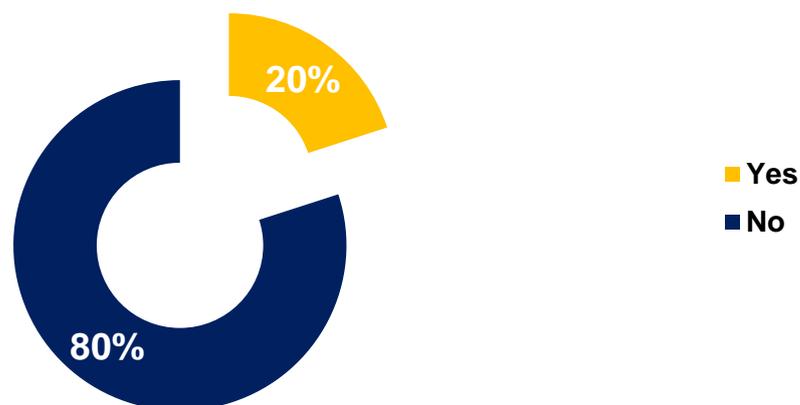
DIALOGUE WITH STAKEHOLDERS TO VERIFY A NON-FINANCIAL REPORT

Out of the 10 companies that published non-financial reports for 2013, only two companies, namely PJSC RusHydro and PJSC FGC UES, indicated in their reports that they had dialogues with stakeholders in preparation of the non-financial reporting.

The stakeholders are natural or legal persons that may influence actions or decisions of the organization or are exposed to its actions and decisions, or consider themselves to be affected by its actions or decisions.

Participants in the dialogue with stakeholders, discuss preparation of the non-financial report and can freely express their views on the report.

DIALOGUE WITH STAKEHOLDERS TO VERIFY THE NON-FINANCIAL REPORTING



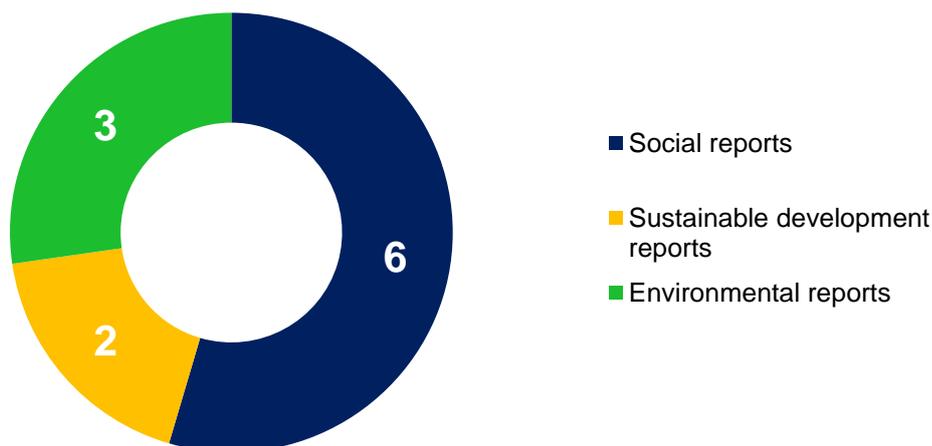
BREAKDOWN BY TYPE OF NON-FINANCIAL REPORTS

Social reports were issued by OJSC ALROSA, JSC VTB Bank, JSC Russian Railways, JSC Channel One Russia, PJSC FGC UES, PJSC ROSSETI.

Sustainable development reports were published by PJSC RusHydro and OJSC Rosneft Oil Company.

Environmental reports were submitted by PJSC GAZPROM, JSC SIA (JSC Sheremetyevo International Airport) and SO UPS, JSC (System Operator of the United Power System, Joint-stock Company).

BREAKDOWN BY TYPE OF NON-FINANCIAL REPORTING

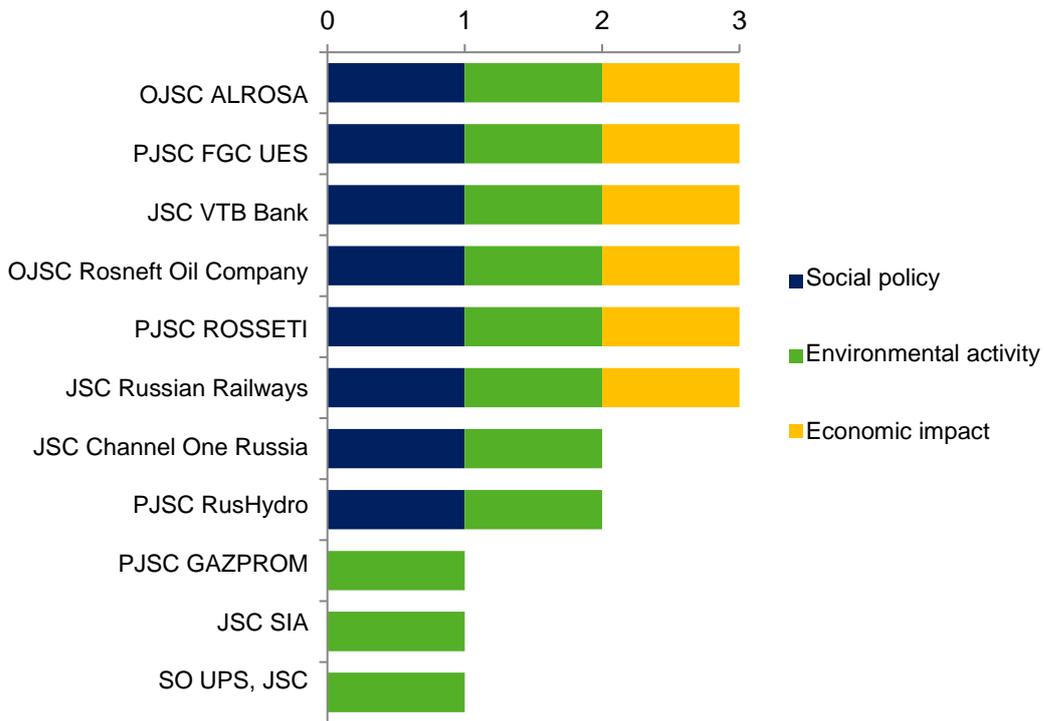


COMPREHENSIVENESS (FULLNESS OF THE INFORMATION DISCLOSURE WITH RESPECT TO THE THREE ASPECTS OF THE COMPANY PERFORMANCE)

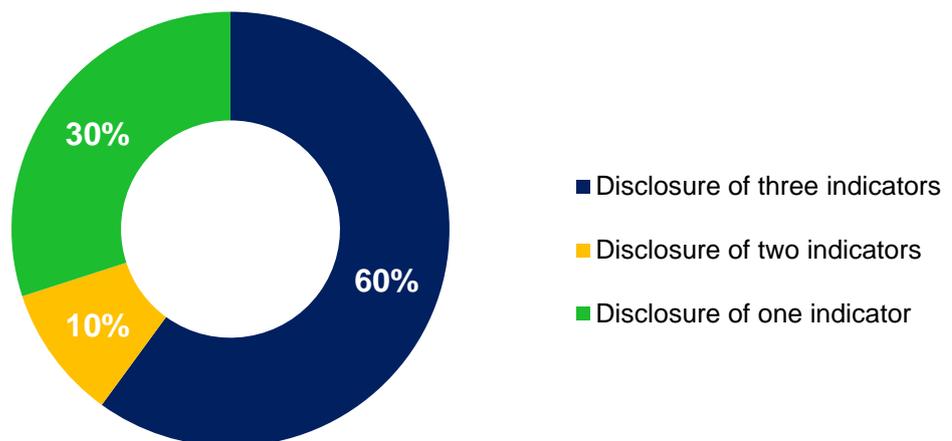
The aspects are social policy, environmental activities and economic impact.

| Disclosure of three indicators | Disclosure of two indicators | Disclosure of one indicator |
|--------------------------------|------------------------------|-----------------------------|
| OJSC ALROSA | PJSC RusHydro | PJSC GAZPROM |
| PJSC FGC UES | | JSC SIA |
| JSC VTB Bank | | SO UPS, JSC |
| JSC Russian Railways | | |
| JSC Channel One Russia | | |
| PJSC ROSSETI | | |
| Rosneft | | |

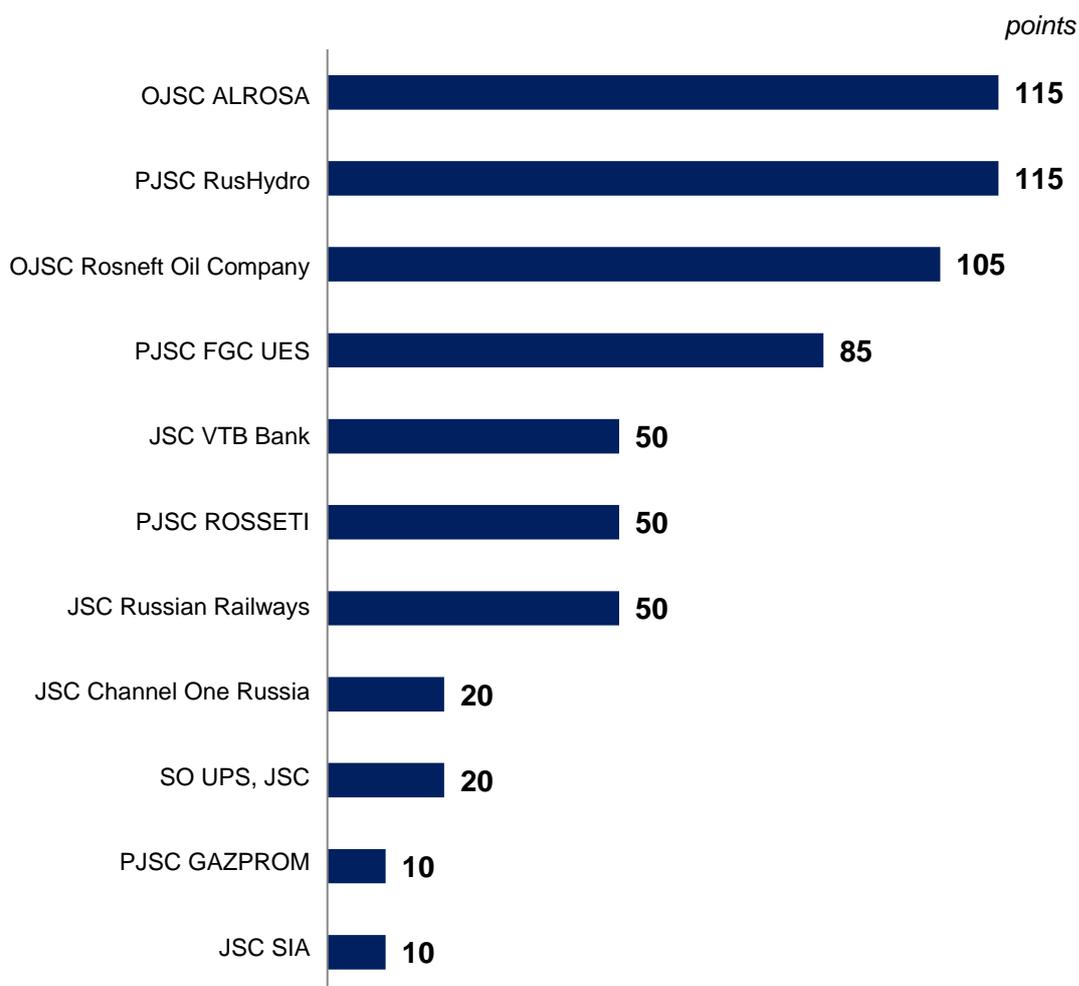
COMPREHENSIVENESS
(FULLNESS OF THE INFORMATION DISCLOSURE WITH RESPECT
TO THE THREE ASPECTS OF THE COMPANY PERFORMANCE)



COMPREHENSIVENESS
(FULLNESS OF THE INFORMATION DISCLOSURE WITH RESPECT TO THE
THREE ASPECTS OF THE COMPANY PERFORMANCE)



CONSOLIDATED INFORMATION DISCLOSURE RATING OF COMPANIES



Based on **the actual indicators** of the non-financial reporting of government-owned companies, OJSC ALROSA and PJSC RusHydro share the first position in the consolidate rating list. The second and third positions are occupied by OJSC Rosneft Oil Company and PJSC FGC UES. These four companies most fully disclosed their performance indicators in non-financial reports.

III. STUDY RESULTS FOR STAGE 2.

INTEGRATED OPERATING EFFICIENCY RATING OF COMPANIES

Results of this rating were obtained during expert interviews. Experts evaluated performance of each of the 20 companies covered by Order of V.V. Putin, the Chairmen of the Government of the Russian Federation, No. 1710п-П13 dated March 30, 2012, based on the following parameters:

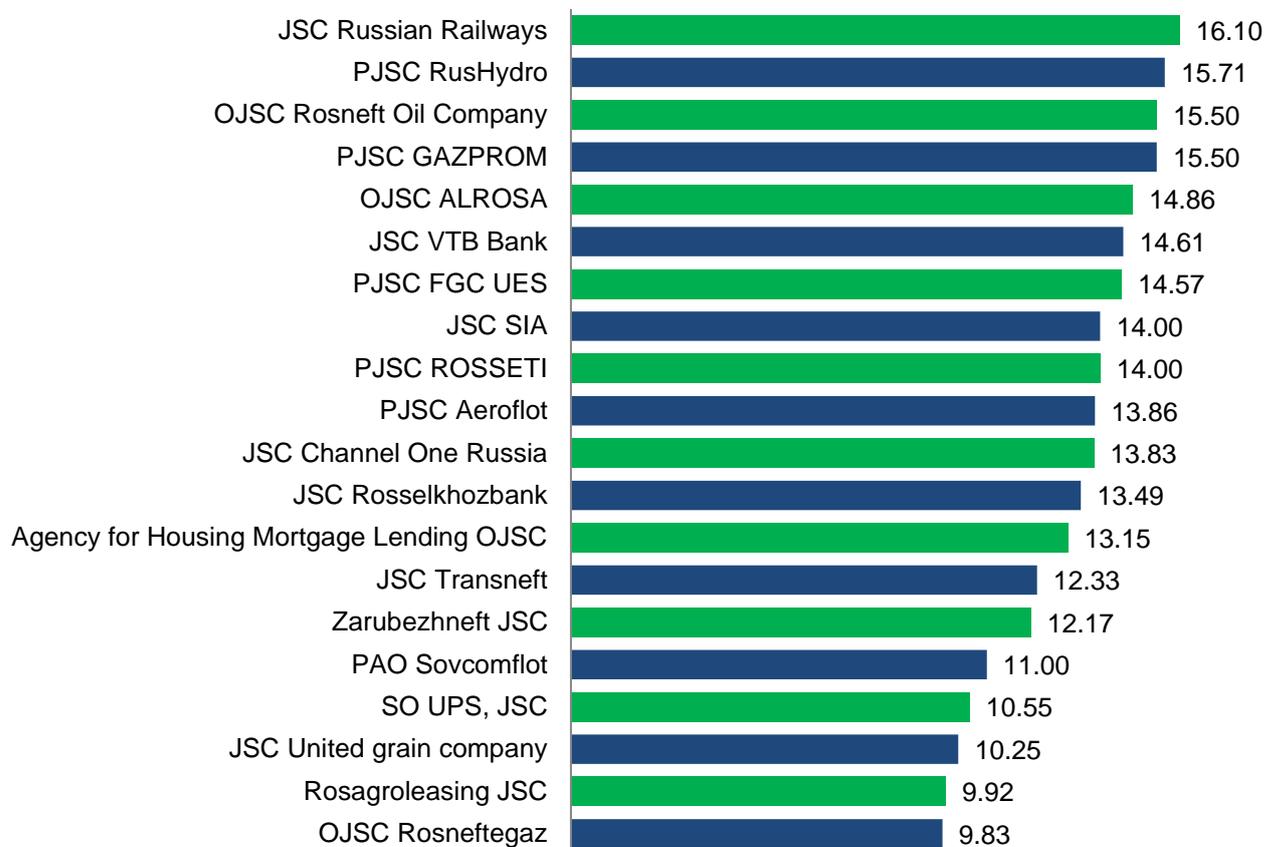
- **Social activities of a company** are social programs and HR-focused activities in the regions where it operates, including support and development of social infrastructure, labour remuneration and incentive system, personnel development and training, pool of candidates formation, improvement of housing conditions of employees, providing health resort treatment, non-state pension schemes, charitable programs, corporate culture.
- **Ecology and environmental impact** is ensuring environmental safety of production activities, mitigation of the negative environmental impact, biodiversity and natural systems conservation activities in the regions where the companies operate, interaction with environmental organizations, energy saving.
- **Economic impact** comprises production performance, dividends, salary, taxes, procurement of goods and services. Procurement policies in the sphere of sustainable development; economic, environmental and social criteria used to evaluate the costs and financial obligations.
- **Information disclosure extent** comprises the GRI application level, the number of the GRI indicators disclosed, interaction with stakeholders, dialogues with stakeholders, effective non-financial reporting audit practices.

Based on the study results there was compiled the following consolidated rating list⁵:

| RATING | COMPANY NAME | TOTAL OF AVERAGE FIGURES FOR ALL PARAMETERS | WEIGHTED AVERAGE FOR ALL PARAMETERS |
|--------|--|---|-------------------------------------|
| 1. | JSC Russian Railways | 16.10 | 4.02 |
| 2. | PJSC RusHydro | 15.71 | 3.93 |
| 3. | PJSC GAZPROM | 15.50 | 3.88 |
| | OJSC Rosneft Oil Company | 15.50 | 3.88 |
| 4. | OJSC ALROSA | 14.86 | 3.71 |
| 5. | JSC VTB Bank | 14.61 | 3.65 |
| 6. | PJSC FGC UES | 14.57 | 3.64 |
| 7. | JSC SIA | 14.00 | 3.50 |
| | PJSC ROSSETI | 14.00 | 3.50 |
| 8. | OJSC Aeroflot | 13.86 | 3.46 |
| 9. | JSC Channel One Russia | 13.83 | 3.46 |
| 10. | JSC Rosselkhozbank | 13.49 | 3.37 |
| 11. | Agency for Housing Mortgage Lending OJSC | 13.15 | 3.29 |
| 12. | JSC Transneft | 12.33 | 3.08 |
| 13. | Zarubezhneft JSC | 12.17 | 3.04 |
| 14. | PAO Sovcomflot | 11 | 2.75 |
| 15. | SO UPS, JSC | 10.55 | 2.64 |
| 16. | JSC United Grain Company | 10.25 | 2.56 |
| 17. | Rosagroleasing JSC | 9.92 | 2.48 |
| 18. | OJSC Rosneftegaz | 9.83 | 2.46 |

⁵ JSC Rusgeology was assigned no rating due to lack of the data for evaluation.

EXPERT RATING



Regarding on the average figures obtained in the course of the study, the results of all the evaluated companies can be broken down into the following **clusters**:

| RATING | COMPANY NAME | |
|--------|--|---|
| 1. | JSC Russian Railways | High level of corporate social responsibility development |
| 2. | PJSC RusHydro | |
| 3. | PJSC GAZPROM | |
| | OJSC Rosneft Oil Company | |
| 4. | OJSC ALROSA | |
| 5. | JSC VTB Bank | |
| 6. | PJSC FGC UES | |
| 7. | JSC SIA | Medium level of corporate social responsibility development |
| | PJSC ROSSETI | |
| 8. | OJSC Aeroflot | |
| 9. | JSC Channel One Russia | |
| 10. | JSC Rosselkhozbank | |
| 11. | Agency for Housing Mortgage Lending OJSC | Corporate social responsibility development level is lower than the average level |
| 12. | JSC Transneft | |
| 13. | Zarubezhneft JSC | |
| 14. | PAO Sovcomflot | |
| 15. | SO UPS, JSC | |
| 16. | JSC United Grain Company | |
| 17. | Rosagroleasing JSC | |
| 18. | OJSC Rosneftegaz | |

Below there is given the average number of points of the companies⁶ for each of the four criteria:

| | Company name | Social activities | Ecology | Economic impact | Information disclosure extent | Total of average figures for all parameters |
|-----|--|-------------------|---------|-----------------|-------------------------------|---|
| 1. | JSC Russian Railways | 4.57 | 3.86 | 4.00 | 3.67 | 16.10 |
| 2. | PJSC RusHydro | 3.86 | 3.71 | 4.00 | 4.14 | 15.71 |
| 3. | PJSC GAZPROM | 4.13 | 3.75 | 4.13 | 3.50 | 15.50 |
| | OJSC Rosneft Oil Company | 4.13 | 3.50 | 4.13 | 3.75 | 15.50 |
| 4. | OJSC ALROSA | 4.43 | 3.00 | 3.57 | 3.86 | 14.86 |
| 5. | JSC VTB Bank | 3.88 | 3.00 | 3.86 | 3.88 | 14.61 |
| 6. | PJSC FGC UES | 3.43 | 3.86 | 3.43 | 3.86 | 14.57 |
| 7. | JSC SIA | 3.20 | 3.60 | 4.00 | 3.20 | 14.00 |
| 8. | PJSC ROSSETI | 3.20 | 3.60 | 3.60 | 3.60 | 14.00 |
| 9. | OJSC Aeroflot | 3.86 | 3.29 | 3.57 | 3.14 | 13.86 |
| 10. | JSC Channel One Russia | 4.00 | 3.33 | 3.25 | 3.25 | 13.83 |
| 11. | JSC Rosselkhozbank | 3.57 | 3.25 | 3.33 | 3.33 | 13.49 |
| 12. | Agency for Housing Mortgage Lending OJSC | 3.60 | 3.25 | 3.50 | 2.80 | 13.15 |
| 13. | JSC Transneft | 3.17 | 2.83 | 3.67 | 2.67 | 12.33 |
| 14. | Zarubezhneft JSC | 3.00 | 3.17 | 3.17 | 2.83 | 12.17 |
| 15. | PAO Sovcomflot | 3.00 | 2.50 | 3.00 | 2.5 | 11 |
| 16. | SO UPS, JSC | 2.80 | 3.00 | 2.50 | 2.25 | 10.55 |
| 17. | JSC United Grain Company | 2.25 | 2.50 | 3.00 | 2.50 | 10.25 |
| 18. | Rosagroleasing JSC | 2.33 | 3.00 | 2.25 | 2.33 | 9.92 |
| 19. | OJSC Rosneftegaz | 2.50 | 2.67 | 2.67 | 2.00 | 9.83 |

 the highest number of points in the category

 the second highest number of points in the category

 the third highest number of points in the category

 the lowest number of points in the category

⁶ JSC Rusgeology was assigned no rating due to lack of the data for evaluation.

GENERAL COMMENTS FROM EXPERTS

- Information disclosure extent was the key evaluation parameter for the experts: it is this very parameter that served as the indicator of the CSR success of the companies. When making evaluations the experts took into account not only the reporting publication but also the open meetings held that involved opportunities for the dialogue (the focus was on importance not number of these meetings and on their contents).
- When evaluating the companies basing on each parameter, the experts had various preferences: for some experts the quality and reporting limit were of crucial importance (the openness and high level of detail tell them about the success of the company in the CSR sphere). For others it is “a subjective feeling” associated with activities of the company in the sphere of corporate social responsibility formed by the general informational field around the company (information on the programs being implemented, activities of charitable foundations, etc).
- The company having a strategy in the area of social policy and ecology and taking planned actions for its implementation were considered by majority of the experts in carrying out the evaluation. The chaotic nature of the CSR policy and irregularity of the non-financial reporting give the company less points from the experts and raise doubts about the “maturity” of the company.
- Experts experienced difficulties in evaluating activities of the companies - subsidiaries of the larger companies on the list (for example, OJSC Rosneftegaz and OJSC Rosneft Oil Company, PJSC FGC UES and PJSC ROSSETI): awareness of their activities and non-financial reporting is extremely low and is generally not perceived as independent.
- Some interviewed experts stressed the role of the companies whose activities are associated with single-industry cities: as a rule, experts give their corporate social responsibility higher marks though the awareness level is the same and the quality of the social reporting is comparable.

HIGH GRADES COMMENTS OF EXPERTS

"JSC Russian Railways has 15 single-industry cities, in 90% of cases the only normal job there is at the railway station. It is clear that in terms of CSR they do a lot." (Moscow State University)

“Rosneft: it is the first “showpiece” company on the list. They submit sustainable development reporting, try to develop a strategy, one can find information on the company concerning all the criteria, it is available... I know their activities from the Russian regional integrated reporting network. They move further, they do not only submit the sustainable development reporting, they prepare integrated reports in which financial and non-financial indicators are combined.” (MIRBIS CSR Center)

“If we talk about the Rosneft and Alrosa, they have it all written down and it is really the annual social responsibility report.” (EY)

“Rushydro: overall impression: they have had sustainable development reporting from 2007 to 2013, they did submit it, they have done a lot in this respect, so the mark is “excellent”. This is another company that together with Rosneft does a lot and strives for excellence. A very interesting team, I listened to them at different CSR forums, top-managers in charge of social, HR and communications activities speak and they all try to work on this topic. I was impressed that there is a systematic reporting and considering the whole picture, it's worth noting.” (MIRBIS CSR Center)

“Rushydro presents information in the reports in a good format that gives you a general idea but does not overload with details, there is no redundant information as in many reports... They have a compact but informative report.” (Agency for Social Information)

PJSC FGC UES before publishing the final report holds something like public hearings of the report and invites the key stakeholders. After that, if there are any comments or observations, they integrate it all in the final report. This is important.” (WWF)

“Contribution of any company in sustainable development is seen based on all the three aspects, namely social activities, ecology, economic impact... All the three aspects should be reflected in a good report... It is important how self-critical the company is in writing the report, not being self-overpraising.” (Agency for Social Information)

LOW NUMBER OF POINTS. COMMENTS OF EXPERTS

“The low number of points means that the report was not found or that it is some kind of classified information. On the other hand, if you look at Rosneftegaz there are always links to Rosneft, it is clear why. Or, for example, when the information was not disclosed. The existence of the report affected the “information disclosure extent” component of evaluation.” (EY)

“The actual situation very often differs from the proclaimed situation. I believe the devil is always in the details... And so when companies are placed high on the rating list basing on annual reports or any other indicators but there are know concrete situations

involving concrete people, who produces substantially worse assessment results and create a totally different impression. ("Donors Forum")

"Transneft: they have no reporting at all, I didn't find anything, all zeroes, I do not understand where the information on the company is. The company operates at a high level but the degree of information presentation is virtually zero." (MIRBIS CSR Center)

"JSC Rosselkhozbank: no figures disclosed in respect of ecology, non-financial reporting is poorly structured, bad loan portfolio creates a threat to stability of the bank." (WWF)

With respect to Agency for Housing Mortgage Lending OJSC, JSC SIA, PAO Sovcomflot, JSC Channel One Russia, OJSC Rosneftegaz, Zarubezhneft JSC, Rosagroleasing JSC, SO UPS JSC, PJSC ROSSETI, JSC United Grain Company, JSC Rusgeology I cannot say anything... There is no information." (National Research University Higher School of Economics)

Sovcomflot is a big enough company, I remember mostly negative news associated with some lawsuits involving managers of the company, disputes related to loans, etc, I have no positive impression of activities of this company in general and that produced its effect. It does not bother much about social responsibility." ("Donor forum»)

CURRENT STATE OF CORPORATE SOCIAL RESPONSIBILITY. COMMENTS OF EXPERTS

"There should be a general CSR policy in the country and then it all will go "down", including in government-owned companies. We do not have anything like that. We have only just begun and it is just being somehow discussed at the expert level. And one more thing: the state does not show them /government-owned companies/ the necessity and importance of disclosure of all this information. A lot of statistics are submitted to government statistics agencies but the statistics are all encrypted and difficult to obtain. Government-owned companies are not an example of such openness and transparency. And if they do not show such example, but this situation is true for the whole economy." (MIRBIS CSR Center)

"I think that at present, in addition to purely economic factors, there is some general depression, which may also make impact ... For companies it is a kind of investment, an investment in the environment (in a broad sense) and they are justified if they understand that will develop in this environment. Now, I have a feeling that the companies, including government-owned companies, do not understand this any longer because the government policy is extremely controversial and in such circumstances it is difficult for companies to make any long-term forecasts and develop strategies and act in accordance with them in the sphere of corporate social responsibility." (National Research University Higher School of Economics)

“Our country in this sphere /CSR development/ has a long way to develop. The most problematic moment is stakeholders engagement, development of feedback and feedback. And, perhaps, disclosure of plans, disclosure of how and what the company's activities will affect. For the present, the information is disclosed only retrospectively. It is desirable that it is explained how this information will affect the future development of the company.” (EY)

“We see the first generation of businessmen who have strong “grasping” reflex but no urge to give and invest in social projects. As a rule, it appears in the “third generation” when it becomes clear that the well-being of the company comes from the society and the society should have its share. I mean that time should pass. Figuratively speaking, one cannot collect the capital and immediately give it away. What else? Some time ago our state itself bureaucratize this sphere by creating a great number of foundations ... Now company own foundations are being established. And they evaluate these opportunities in the first place in terms of their own opportunities for publicity: how much publicity will be then attracted. A rather natural economic substantiation of the corporate responsibility.” (Moscow State University)

“It looks like everything is okey with us but there is no rapid positive development of the situation... If you look at the global schedule of the social reports issuance, they have a steady growth. We have no sustainable growth and this sphere is limited to activities of large companies only, CSR is not about medium-sized businesses yet ... The state is now going to introduce the non-financial reporting in large government-owned companies, but almost all experts believe that the mandatory reporting will rather have a negative impact because what is imposed will be eventually performed in a formalistic manner and such reports will have no readers.” (Agency for Social Information)

DEVELOPMENT PROSPECTS OF CORPORATE SOCIAL RESPONSIBILITY IN RUSSIA. COMMENTS OF EXPERTS

“The smaller the interference of the state in this sphere will be, the better... This should be a natural process. However, there should be some kind of tax reliefs... But given the fact that our companies will begin to show almost all profit as subject to the tax reliefs, they must be very selective... Large companies may have such reliefs.” (Moscow State University)

“The recent course of events indicates that companies will be more careful in choosing the areas for investment and the projects for implementation. And it will not be “a bit for this and some of that”, there will be focused projects involving evaluation and some analysis. So everything will be less superficial and go into the sphere, when it starts earning dividends for companies. Through own funds or not, I don't know, it depends on the accounting system of the company, for some companies it is convenient to do so through the fund, others prefer social, charitable campaigns.” (EY)

“There should be introduced real incentives for companies to understand that the CSR is not only about supporting charitable foundations and allocating lots of money for tree planting but the CSR is a thing connected with risk management. If looked at from this point of view, the situation will be changing in a constructive manner. Directives are also important, they encourage discussion of all these things. We have a very large public sector and if such things are at least imposed from the top, it will promote discussion of the topics in the professional community.” (WWF)

“For companies with the participation of the state it should be imposed from above, that's for sure. But generally the activities of companies in the sphere of sustainable development is voluntary worldwide, they rather depend on the degree of managers awareness, awareness of the fact that they are a part of something bigger, something whole and begin to work in a constructive manner. Frankly speaking we have a long way to go in this respect. First national policy should be developed and thus the state will make clear its position: yes, there is such aspect and it is very important, we expect you to move in that direction. The overall direction should be specified and that will be enough, in my opinion, for business to begin turning there.” (MIRBIS CSR Center)

IV. CONSOLIDATED NON-FINANCIAL REPORTING RATING OF COMPANIES⁷

| RATING | COMPANY NAME | TOTAL OF AVERAGE FIGURES FOR ALL THE FOUR PARAMETERS | TOTAL OF AVERAGE FIGURES FOR ALL THE SIX PARAMETERS ⁸ | TOTAL POINTS |
|--------|--|--|--|--------------|
| 1. | PJSC RusHydro | 15.71 | 19.17 | 34.88 |
| 2. | OJSC ALROSA | 14.86 | 19.17 | 34.03 |
| 3. | OJSC Rosneft Oil Company | 15.50 | 17.50 | 33.00 |
| 4. | PJSC FGC UES | 14.57 | 14.17 | 28.74 |
| 5. | JSC Russian Railways | 16.10 | 8.33 | 24.33 |
| 6. | JSC VTB Bank | 14.61 | 8.33 | 22.94 |
| 7. | PJSC ROSSETI | 14.00 | 8.33 | 22.33 |
| 8. | PJSC GAZPROM | 15.50 | 1.67 | 17.17 |
| 9. | JSC SIA | 14.00 | 1.67 | 15.67 |
| 10. | OJSC Aeroflot | 13.86 | 0 | 13.86 |
| 11. | JSC Channel One Russia | 13.83 | 3.33 | 17.16 |
| 12. | SO UPS, JSC | 10.55 | 3.33 | 13.88 |
| 13. | JSC Rosselkhozbank | 13.49 | 0 | 13.49 |
| 14. | Agency for Housing Mortgage Lending OJSC | 13.15 | 0 | 13.15 |
| 15. | JSC Transneft | 12.33 | 0 | 12.33 |
| 16. | Zarubezhneft JSC | 12.17 | 0 | 12.17 |
| 17. | PAO Sovcomflot | 11 | 0 | 11 |
| 18. | JSC United Grain Company | 10.25 | 0 | 10.25 |
| 19. | Rosagroleasing JSC | 9.92 | 0 | 9.92 |
| 20. | OJSC Rosneftegaz | 9.83 | 0 | 9.83 |

⁷ JSC Rusgeology was assigned no rating due to lack of the data for evaluation.

⁸ The study covered only the non-financial reports of companies publicly available as of 10.10.2014.