



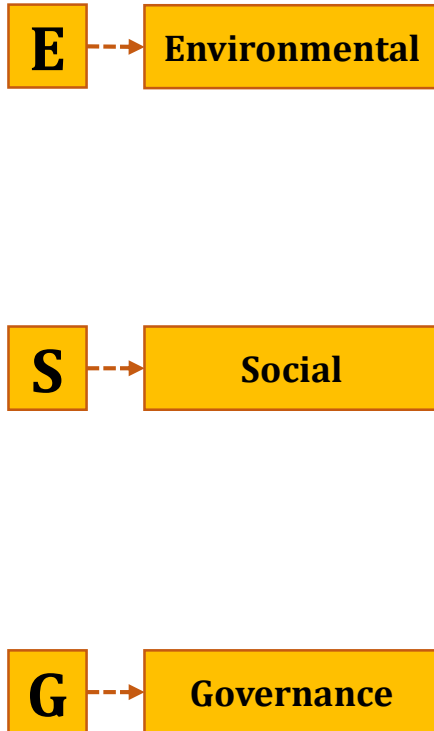
# ESG rating of the Tambov region

Vladimir Gorchakov  
Rating Associate  
Rating-Agentur Expert RA GmbH  
Walter-Kolb-Straße 9-11, 60594 Frankfurt am Main  
[gorchakov@raexpert.eu](mailto:gorchakov@raexpert.eu)

Frankfurt am Main, December 2019

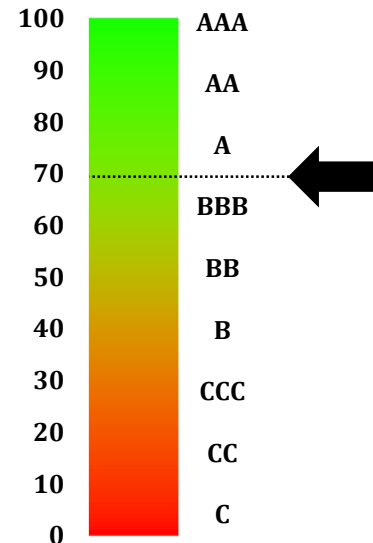
# Our ESG rating

## ESG?



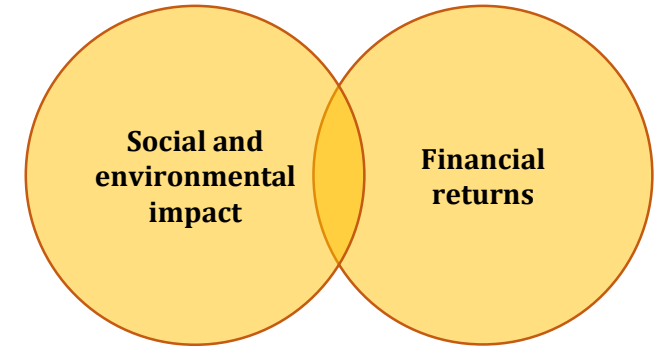
## What is an ESG rating?

*A measure of how well an entity manages its exposure to environmental, social and governance risks and opportunities.*

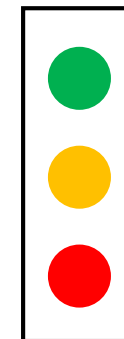


## What are the benefits?

### For Investors

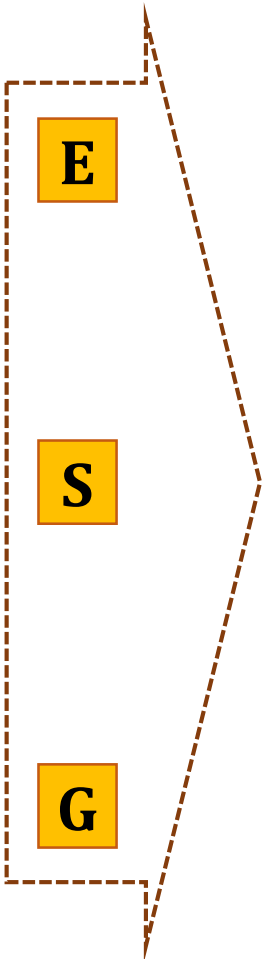


### For the rated entity



Signal for investors and consumers

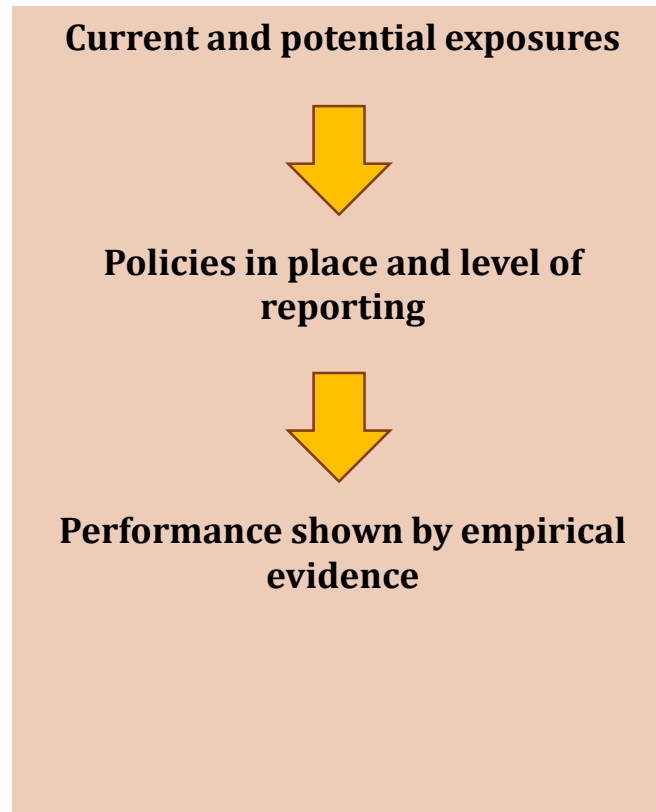
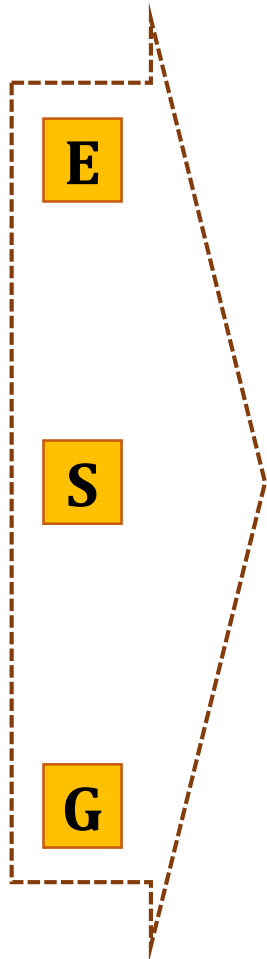
# The ESG rating process



## Sources of information:

- Rated entity
- Government
- Media
- Other public sources

# The ESG rating process

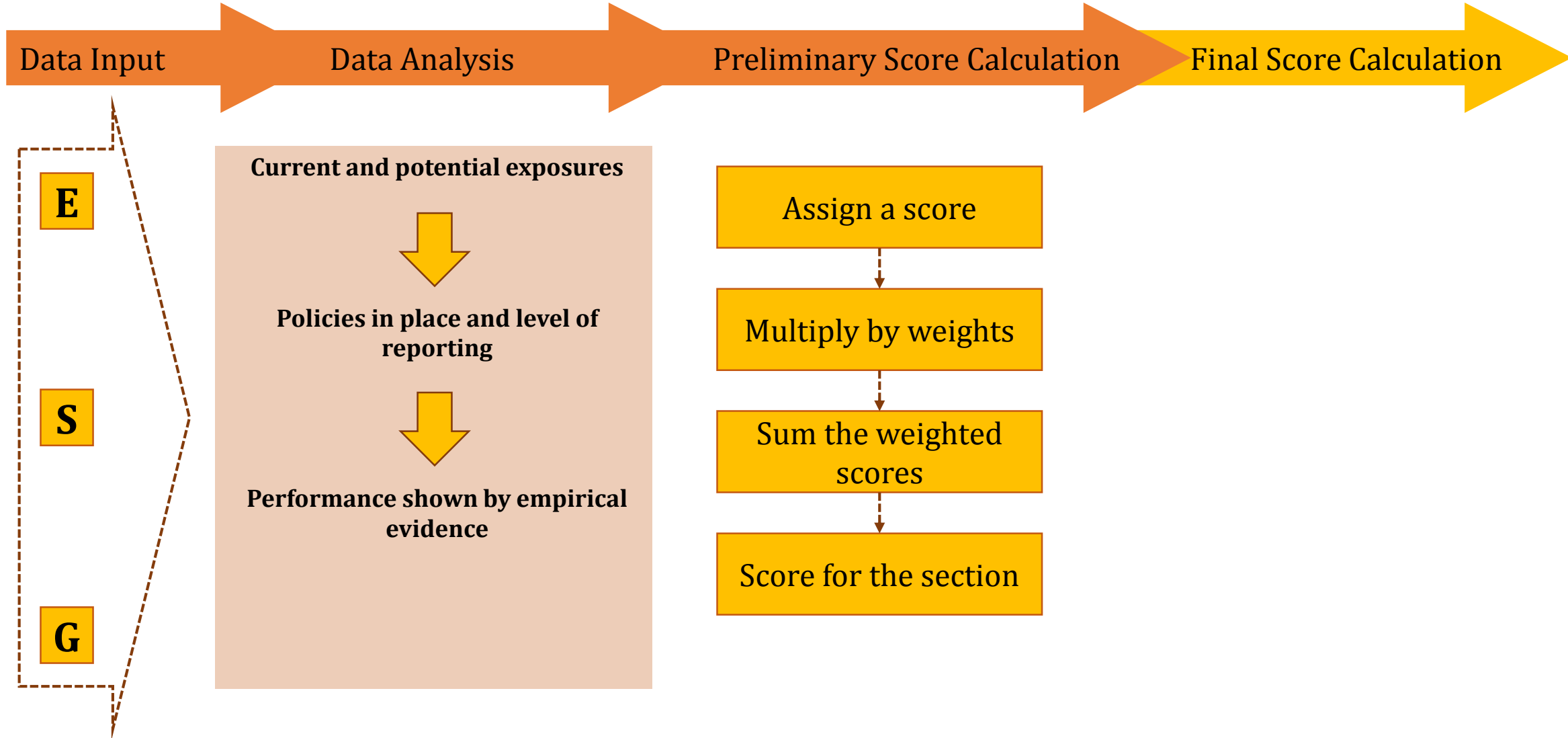


# The ESG rating process

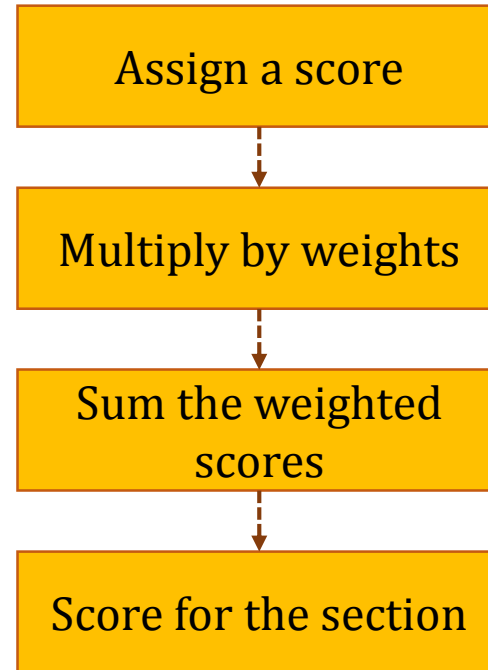
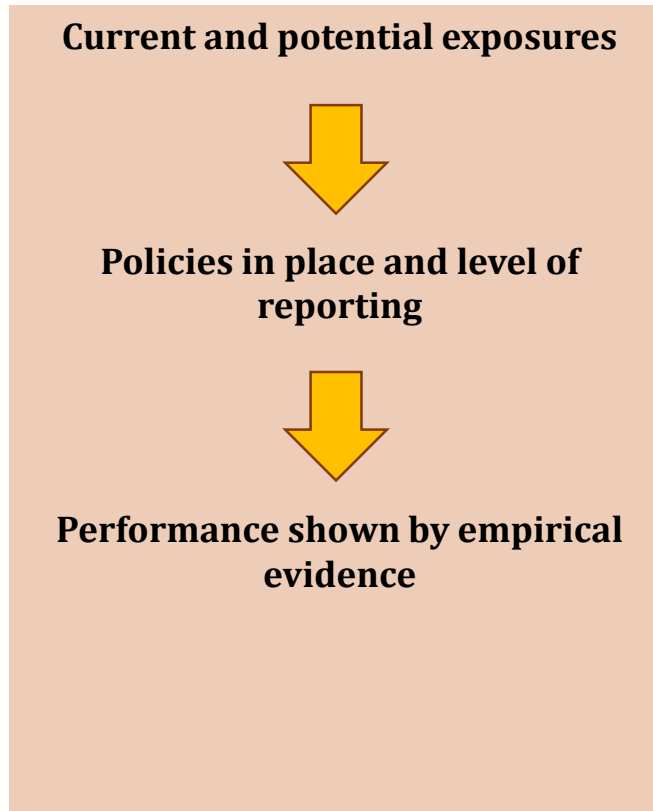
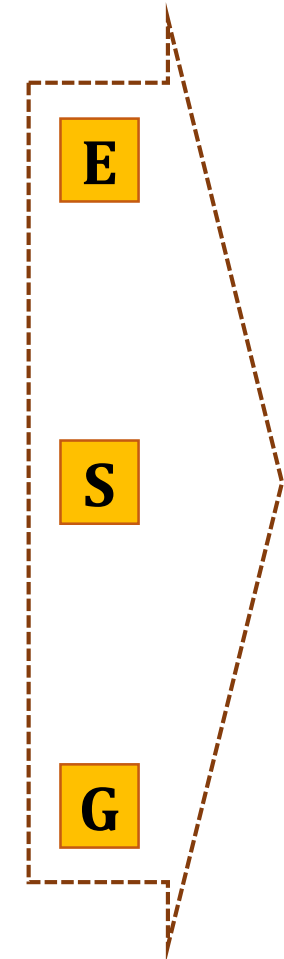


<b>E</b>	<b>Current and potential exposures</b>  Corruption.
<b>S</b>	<b>Policies in place and level of reporting</b>  The entity has a strong anti-corruption and compliance policies.
<b>G</b>	<b>Performance shown by empirical evidence</b>  The entity is not under investigation for corruption, bribery or any other type of fraud.

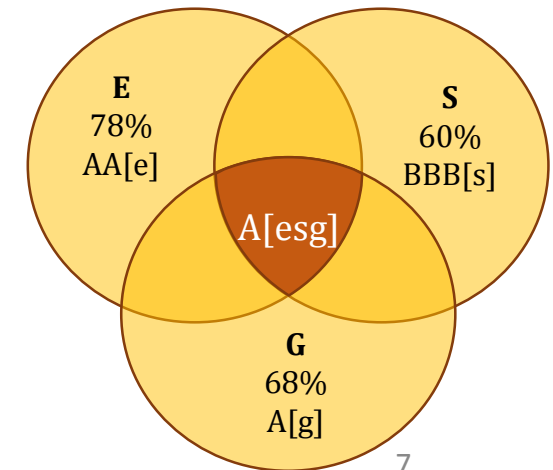
# The ESG rating process



# The ESG rating process

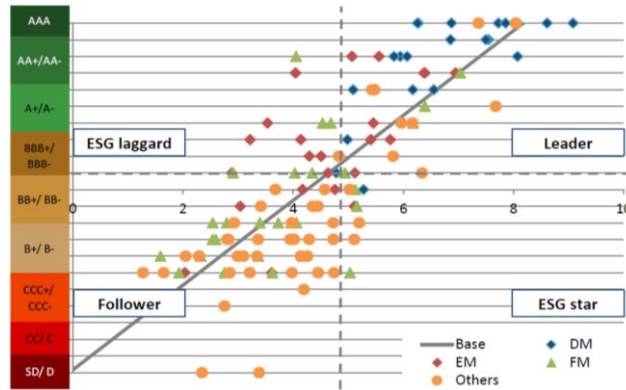


Score	ESG	E	S	G
89 - 100%	AAA[esg]	AAA[e]	AAA[s]	AAA[g]
78 - 89%	AA[esg]	AA[e]	AA[s]	AA[g]
67 - 78%	A[esg]	A[e]	A[s]	A[g]
56 - 67%	BBB[esg]	BBB[e]	BBB[s]	BBB[g]
44 - 56%	BB[esg]	BB[e]	BB[s]	BB[g]
33 - 44%	B[esg]	B[e]	B[s]	B[g]
22 - 33%	CCC[esg]	CCC[e]	CCC[s]	CCC[g]
11 - 22%	CC[esg]	CC[e]	CC[s]	CC[g]
0 - 11%	C[esg]	C[e]	C[s]	C[g]



# Why an ESG rating?

## ESG and Credit ratings not correlated

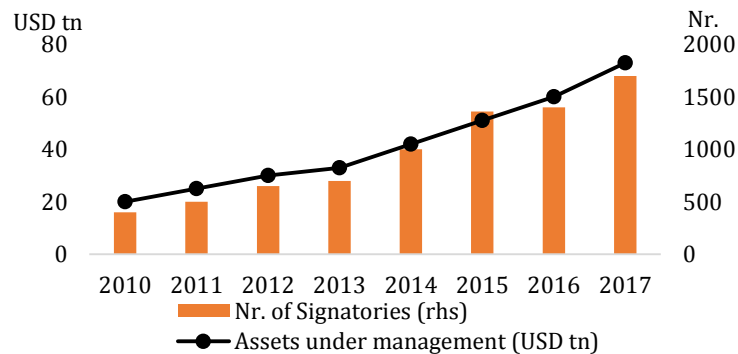


## Positive overall performance

- Corporate financial performance
- Better returns on bonds
- Lower cost of capital
- Better operational performance
- Less volatile

Source: Deutsche Bank, Morgan Stanley Institute for Responsible Investing, University of Oxford

## UNPRI Signatories



## Demand

**90%** of millennials are more interested in responsible investing.

**60%** of assets under management could be influenced by some sort of ESG motivated policy or regulation.

Source: TIIA, Investment Company Institute

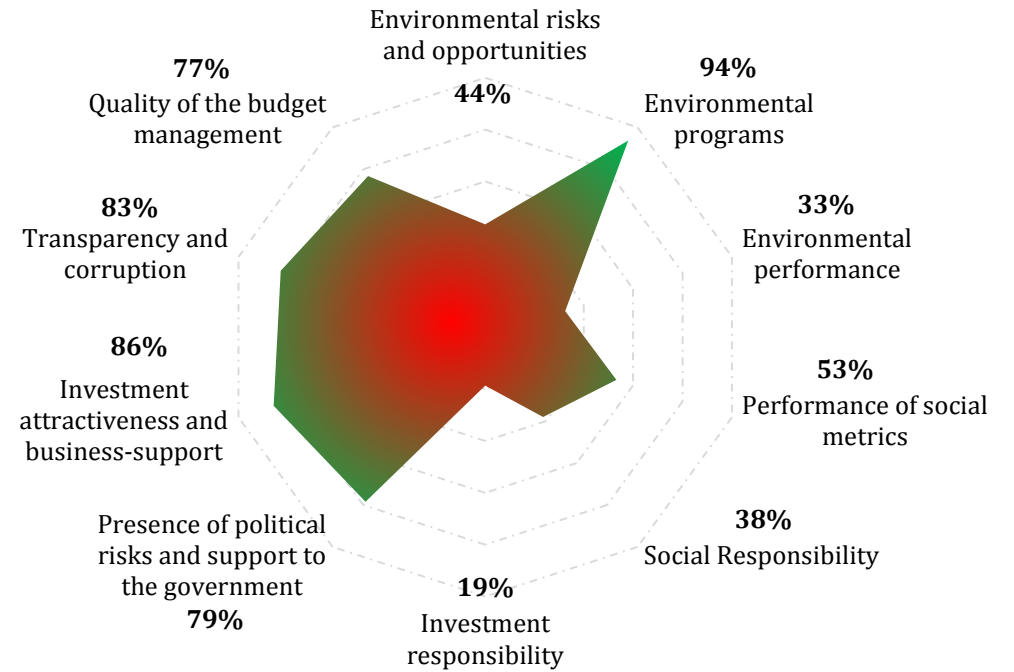
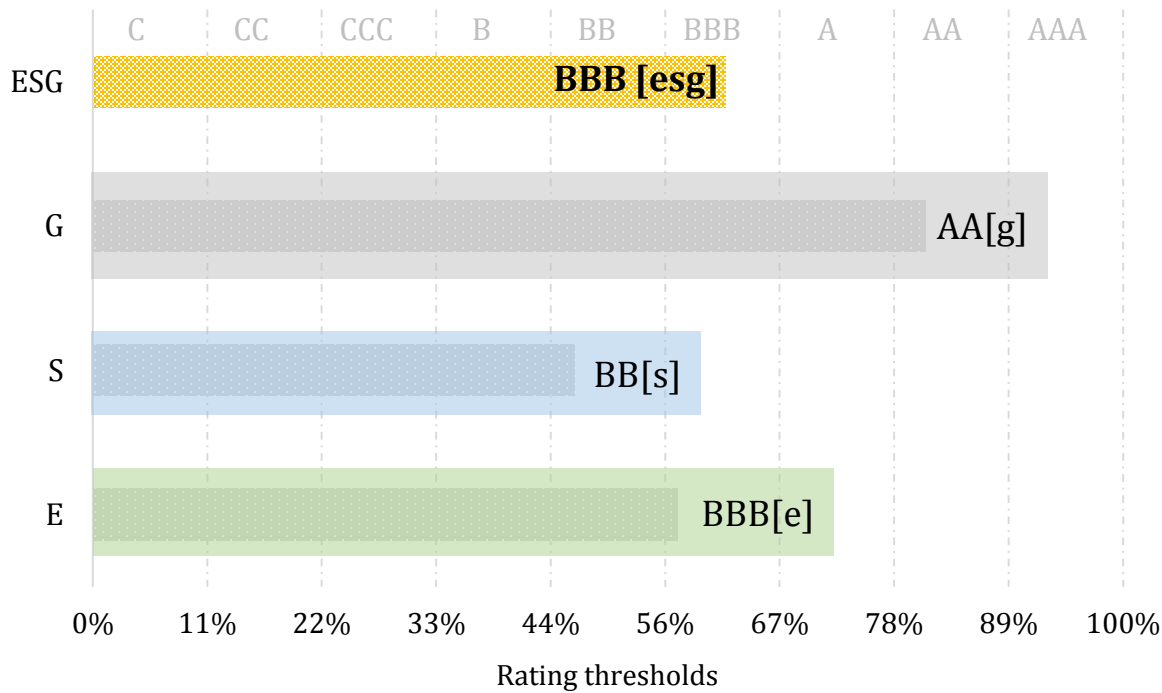


# ESG Rating of the Tambov region

## ESG score and rating per section:





ESG: BBB[esg]

- E: BBB[e]
- S: BB[s]
- G: AA[g]



# Environmental

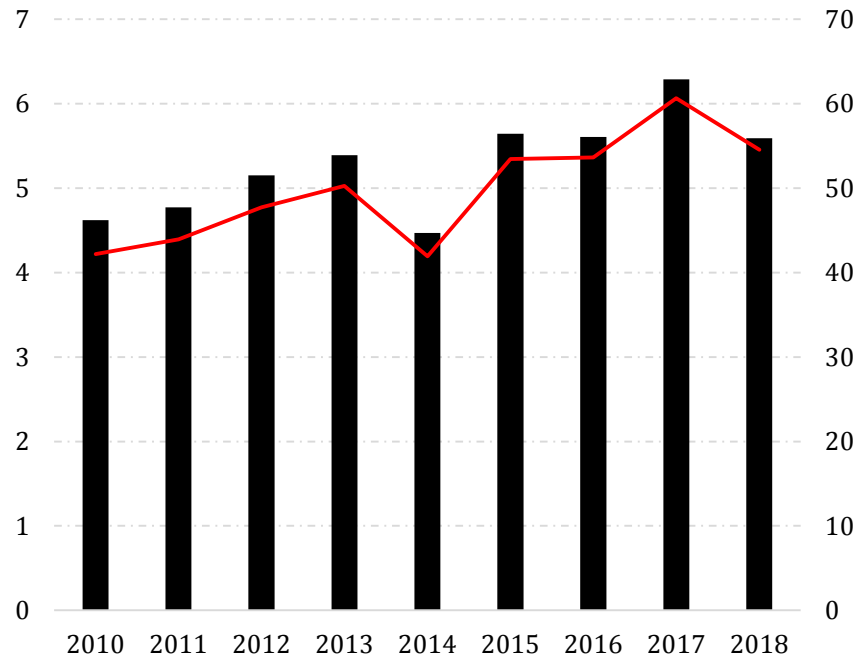
Sub-factor	Score
Environmental risks	37%
Environmental opportunities	49%
Environmental policy implementation and transparency	94%
Budget expenditure and efficiency	33%

-  Presence of a detailed and comprehensive long-term environmental policy program and public bodies responsible for the policy
-  Moderate level of involvement in environmental opportunities
-  Moderate level of environmental protection programs financing
-  Moderate level of exposure to environmental risks combined with limited mitigation effectiveness

# Environmental

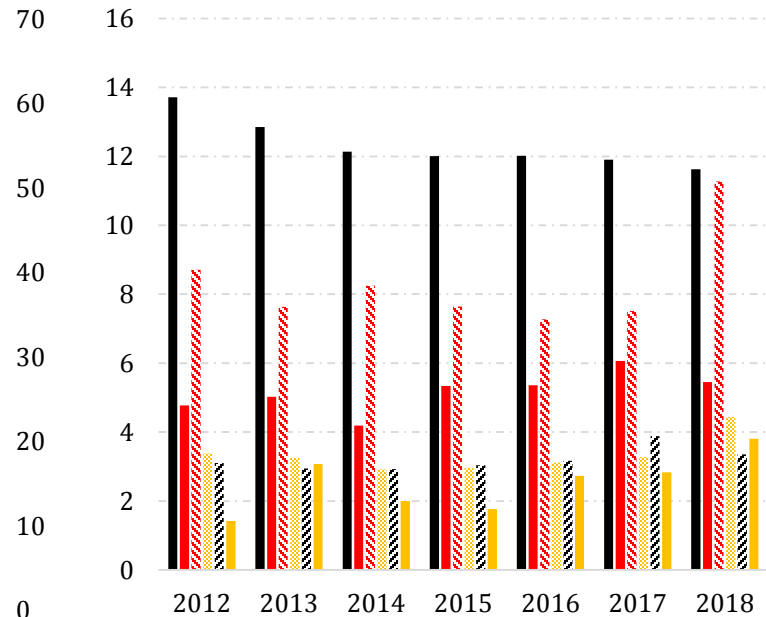
## Key environmental metrics of Tambov oblast

Industrial air emission metrics of Tambov region



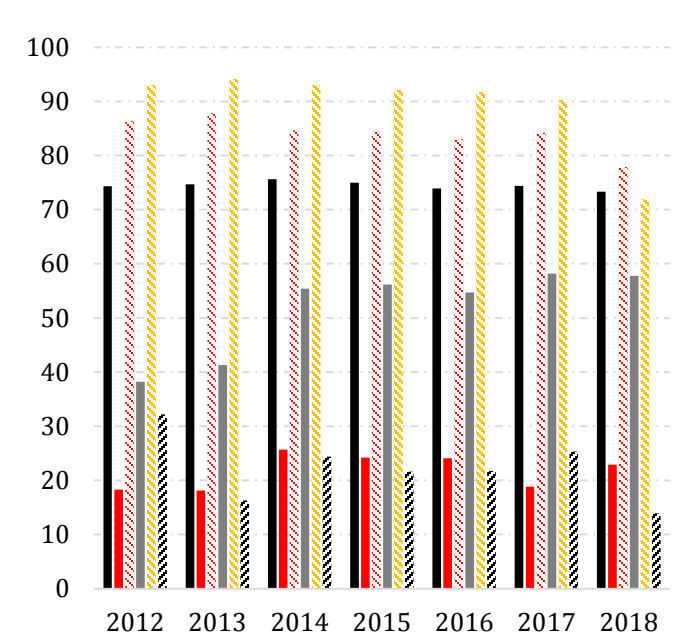
■ Total emission of pollutants to the atmosphere from stationary sources in Tambov region, th tons, rhs  
 — Per capita emission of pollutants to the atmosphere from stationary sources in Tambov region, th tons per 100 thousand people

Per capita emission of pollutants to the atmosphere from stationary sources, th tons per 100 thousand people



■ Russia ■ Tambov oblast ■ Belgorod oblast  
 ■ Voronezh oblast ■ Bryansk oblast ■ Oryol oblast







Share of captured and detoxified air pollutants in the total volume of departures from stationary sources, %



■ Russia ■ Tambov oblast ■ Belgorod oblast  
 ■ Voronezh oblast ■ Bryansk oblast ■ Oryol oblast

# Social

Sub-factor	Score
Social benefits and social security functions	75%
Education	30%
Health care system	63%
Security	41%
Socially responsible industry	53%
Socially responsible programmes	12%
PPP Investment	19%

-  Low poverty levels in national terms combined with elevated levels of public spending on social support per capita
-  Moderately low level of infant mortality rate combined with reduced level of health care public spending
-  Moderate level of education metrics
-  Moderately high crime rates as compared to global peers are partly mitigated by the level of public spending on security in the region
-  Lack of priorities for socially responsible industries and restrictions for controversial industries
-  Lack of social oriented PPP-projects and socially responsible programs

# Governance

Sub-factor	Score
Stability of the government	82%
Support to the government	75%
Investment attractiveness / business-climate	100%
Industrial parks and free economic zones	67%
Transparency of the regional government in the Internet	73%
Regulatory Impact Assessment (RIA) practices OR Similar practices	100%
Anti-corruption commission / department in the regional administration	68%
Characteristics of self-declarations of the employees of administration bodies	80%
Quality of the fiscal budget planning	43%
Quality of the fiscal budget execution	75%
Quality of the debt management	100%
Tax deductions and credits	100%

-  **High level of investment attractiveness** combined with a presence of industrial parks as well as various tax reliefs for investors complemented by the assessment of their efficiency
-  High level of the regional **government transparency** and well developed regulatory impact assessment procedures
-  Presence of **anti-corruption procedures** and satisfactory level of the self-declarations disclosure
-  Moderately high quality of **fiscal budget execution** and **debt management**
-  **Moderately low level of political risks**
-  **Moderate quality of fiscal budget planning**

# ESG-ranking of Russian regions 2019: methodology

Environmental risks and mitigation		Social risks and mitigation		The quality of governance
Amount of pollutants emitted from stationary sources into the atmosphere, per capita	The share of captured and neutralized air pollutants in the total amount of waste from stationary source	The share of population with incomes below the subsistence level	Amount of expenditures from the consolidated budget of the region on the "Social policy", adjusted for the cost of living, per capita	Position in the rating of investment attractiveness of Russian regions
Emissions of harmful substances (pollutants) in the atmosphere from motor vehicles, per capita	The share of cars, trucks and buses in the regions of the Russian Federation, with the possibility of using natural gas as a motor fuel	The share of school students enrolled in the second shift	Amount of expenditures from the consolidated budget of the region on the "Education", adjusted for the cost of living, per capita	The presence of certified industrial park / parks
Discharge of polluted wastewater into surface water bodies, per capita	The volume of recycled and used consistently water, per capita	Infant mortality rate (Number of registered death in the first year of life per 1,000 births)	Amount of expenditures from the consolidated budget of the region on the "Health care", adjusted for the cost of living, per capita	The presence of special economic zones
...	...	...	...	...

**In total more than 20 indicators**

# ESG-ranking of Russian regions 2019





# Thank you for your attention!

Vladimir Gorchakov  
Rating Associate  
**Rating-Agentur Expert RA GmbH**  
Walter-Kolb-Straße 9-11, 60594 Frankfurt am Main.  
Tel. +49 69 3085 4500 ext. 1213  
[www.raexpert.eu](http://www.raexpert.eu)  
[gorchakov@raexpert.eu](mailto:gorchakov@raexpert.eu)