



Green finance market in Russia

December 2020



STATE
DEVELOPMENT
CORPORATION

Road Map for Developing Sustainable Finance in Russia

Issuers/ Borrowers

- ✓ **Aligning corporate strategy** with internationally accepted sustainability principles
- ✓ **Modernizing existing facilities** and **designing new projects** in accordance with internationally accepted ESG norms

Institutional Investors/ Commercial Banks

- ✓ **Changing lending/ investment policies** to account for ESG-related risks and benefits
- ✓ **Creating funds** specifically dedicated to ESG-investment

VEB.RF

- ✓ **Adjusting lending policy** to account for ESG-related risks and benefits
- ✓ **Promoting understanding of ESG frameworks** among Russian companies
- ✓ Collaborating with the Regulator, Government and Legislature to create **fiscal and regulatory stimuli** for Issuers/ Borrowers, as well as Banks and Investors

VEB.RF's Key Areas for Implementing Green Projects



Green Transport



Railways electrification, modern electric locomotives, eco-friendly public transport



Waste Management



25 waste-to-energy plants across Russia



Green Industrial Production



Modern energy efficient and eco-friendly production facilities



Water supply and waste-water disposal



Major clean water supply project in Russian regions



Renewable Energy



Solar panel production plants, hydropower



Green Construction



Energy efficient buildings, motor-free public spaces



Natural Landscapes, Rivers, Water Bodies and Biodiversity

Case study: Russian Railways green perpetual bonds



Bond overview

- **Issue size:** 100 billion roubles
- **Maturity:** no maturity date, call option every 5 years
- **Coupon rate:** G-curve for 5 years + 165 bps premium
- **Issuer credit rating :** Baa2 / BBB- / BBB / ruAAA / AAA (Moody's / S&P / Fitch/ Expert RA/ ACRA) (**Issue** credit rating from ACRA – AA+)
- **Issue** included in **Euroclear**
- **Bookrunners:** Sberbank, VTB Capital, Credit Bank of Moscow, Russian Agricultural Bank, Sovcombank
- **Issue date:** 30 September 2020



Eligibility for green bond status

- **Compliance with the Taxonomy:** proceeds from the issuance are used to finance the following projects:
 - Energy-efficient transport (purchase of electric locomotives)
 - Construction and rehabilitation of rail transport infrastructure
 - Electrification of rail transport infrastructure
 - The proceeds can be used to implement **new projects** and **refinance** previously incurred expenses
- **Positive environmental impacts:** declared environmental goals under the Long-Term Development Programme 2025 (compared to 2018 levels) are as follows:
 - Reduce greenhouse gas emissions by 4.5%
 - Reduce pollutant emissions from stationary and mobile sources by 18%
 - Reduce water consumption by 20%
 - Reduce pollutant effluents discharged into surface waters and flowing into the ground by 18%
- **Management of proceeds:**
 - A fully fledged monitoring mechanism is in place for the proceeds from the issuance
- **Regular reporting:** Russian Railways publishes an annual green bond report disclosing the use of proceeds and describing environmental impacts

Green status

Recognised as a green bond by **Expert RA verification** for compliance with the **ICMA Green Bond Principles** and the **VEB.RF Guidelines**. Verified as compliant with the VEB.RF Guidelines



Investor demand

The issuance was increased from the initial 20 billion roubles to **100 billion roubles** in response to a huge demand (in excess of 110 billion roubles). It became the largest bond issue in the history of Russian Railways

The **G-curve spread** was revised 3 times and reduced from 175–185 bp to **165 bp**