Analysis of the investment attractiveness of the "green" bonds of JSC "Russian railways"

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Abstract. The present scientific article reveals a brief description of investment projects in the energy industry. The principles of green financing and the practice of its application in the Russian Federation are revealed. There have been identified the directions, the development of which should increase the attractiveness of socially and environmentally responsible investment of funds. There has been carried out the analysis of the investment program of the energy enterprise, which is part of the transport holding. Scientific research methods. There have been surveyed global approaches to estimation of investment projects, in particular, the investment program of the enterprise, which is part of JSC "Russian Railways", has been investigated and estimated. Outcomes and conclusions. The indices of the assessment of "green finance" of various countries are considered, the criteria for the verification of projects and programs that support the social well-being of society and the policy of caring for the environment are investigated, the normative acts regulating ESG financing in the Russian Federation are characterized. The obtained outcomes of the research of this article could be applied in the sphere of estimation of investment programs of the energy and transport industries for compliance with ESG principles.

1 Introduction

Nowadays, environmental issues and environmental concerns have come to the fore. The world community has come to the need to choose an environmental policy strategy that would be aimed at preserving the well-being of society and the environment.

"Green" technologies and projects are being developed as a response to the public's request to implement a "green" economy policy. In order to implement projects, it is required to ensure the implementation of activities aimed at increasing the investment attractiveness of "green" projects." Eurobonds act as material support for the implementation of programs – the placement of securities on the global financial market allows you to diversify the investor base.

The relevance of the research is envisaged by the increased demand for attracting funds for the implementation of the investment policy of transport complex enterprises, in particular JSC "Russian Railways".

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The term "green economy" was introduced by leading UK economists in 1989 in a paper considering the problems of the impact of economic growth on the environment.[5]

Subsequently, UNEP has developed a narrower definition of a "green" economy, namely: an economy that leads to improved human well-being and social equality while reducing environmental risks and environmental scarcity.[7]

The strategic and investment directions of the formation of a "green" economy and the regularities of the relationship between ecology and finance are described in the works of B.N. Porfiriev, V.A. Plotnikova and O.A. Molchanova.

The issues concerning increasing investment attractiveness are considered in a wide list of scientific papers and articles. S.M.Vdovin in his papers outlines that investment attractiveness is a factor of sustainable development of a region. Esteem and ways of improvement are depicted in scientific papers of O.V. Litvishko and A.V. Gvozdeva.

Over the past three years since the first issue of "green" bonds was placed on the Moscow Stock Exchange, Russia's "green" finance system has made a breakthrough: not only new issues of "green" and social bonds have appeared in the country. The Moscow Stock Exchange, development institutions and the state take an active part in the process of market formation.

Implementing of activities aimed at exceeding attractiveness of investment projects for both private bodies and investors will produce a positive impact on the economic situation in the country.

In 2020, Expert RA approved methodologies for expressing an independent opinion on the compliance of bonds with the principles of social bonds and on the compliance of bonds with sustainable development standards.

By 2021, four rating agencies have developed five methodologies for ESG assessment of market participants. ESG assessment is an expert independent opinion regarding the exposure of a company, organization, subject of the Russian Federation or individual portfolios of management companies to environmental and social business risks, as well as corporate governance risks.

According to statistics from the Moscow Stock Exchange, the volume of green bonds issued by Russian enterprises is 108 billion rubles, while the global volume of green investments is $ 1 trillion. Green and adaptation financing instruments have not yet been actual within other Russian exchanges.

In order to increase the volume of green financing and increase the attractiveness of using techniques to reduce the impact of harmful factors of production on the environment in September 2021. The Government of the Russian Federation has prepared a resolution "On approval of criteria for sustainable (including Green) Development Projects in the Russian Federation and Requirements for the Verification System for Sustainable (including Green) Development Projects in the Russian Federation".

The resolution regulates the directions of investment programs and the criteria that must be met in order to pass the verification procedure for placing financial instruments on the domestic and international ESG financing market. The Resolution also establishes the obligation of the verification organization to analyze the use of funds raised within the framework of green financing for compliance with the signs of green and adaptation financing.[10]

The key industries for the development of green investment markets in the Russian Federation are: the energy sector, construction, waste management and the transport sector.

To assess the attractiveness of "green" investment projects in the world practice, indices are used, the characteristics of which are presented in Table 1.
Table 1. Global ESG Project Evaluation Indices.

<table>
<thead>
<tr>
<th>Name of the parameter</th>
<th>Brief overview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomberg, Barclays and MSCI</td>
<td>They include strict criteria for the selection of environmental projects and estimates the balance of the portfolio, but includes a complex procedure for the selection of issuers</td>
</tr>
<tr>
<td>International Indexes</td>
<td></td>
</tr>
<tr>
<td>Standard and Poor's Indexes</td>
<td>Integration with SVI and high reliability, but the risk of issuers manipulating the criteria increases</td>
</tr>
<tr>
<td>Solactive Index</td>
<td>Applied by private bodies and integrated with the CBI, the risk of manipulation by issuers with criteria increases</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch Index</td>
<td>High degree of environmental friendliness, strict selection procedure, often the profitability is lower than other indices</td>
</tr>
<tr>
<td>FTSE China Index</td>
<td>One of the frequently used indices, the risk is the preservation of the conflict economic potential in US-Chinese relations[5]</td>
</tr>
</tbody>
</table>

2 Materials and methods

A comprehensive study of the problem of the low level of attractiveness of "green" projects for domestic investors and project verification tools at the level of a separate economic entity has been carried out. The potential directions of solving the issues of the studied area are depicted. The persuasiveness and consistency of the presentation, conclusions, proposals are determined by research materials: using sources from scientific journals, dissertation research. The nature of the outcomes is ensured, including through application of various methods of collecting empirical data and processing the results of the study. The conditions for proving the diverse significant influence of information, organizational and socio-economic environment factors on the organization of the control and management system were both fixing the degree of awareness of the problem, and compliance with the principles of purposefulness, objectivity, applied orientation, systematicity and integrity.

3 Outcomes

JSC "Russian Railways" is the largest natural resource user operating within the territory of 77 subjects of the Russian Federation. The choice of priorities of JSC "Russian Railways" in the field of rational use of natural resources and improvement of environmental safety until 2025 is determined by the Fundamentals of the State Policy in the field of Environmental Development of the Russian Federation for the period up to 2030, approved by the President of the Russian Federation on April 30, 2012, and Decree of the President of the Russian Federation dated May 7, 2018 No. 204 "On National goals and Strategic objectives of the development of the Russian Federation for the period up to 2024".

In 2019, JSC "Russian Railways" and the Ministry of Economic Development of the Russian Federation signed a memorandum of cooperation in the field of financing and implementation of infrastructure projects using technologies that are safe for the environment. The document describes joint activities in terms of the development of railway industry projects, including the use of "green" financing mechanisms.

As per the outcomes of the auction of the first issue of 2019. most of the Eurobond issue - 71% - was bought by representatives of the banking sector, a quarter of the bonds were purchased by asset managers and investment funds, VTB Capital said. According to the terms of the deal, investors will receive coupon income on ruble Eurobonds of JSC "Russian
Railways" every six months. Within the frameworks of the ESG loan program, the Company used a new source of long-term financing – loans from international development institutions to attract funds to projects aimed at sustainable development and reducing the negative impact of the pandemic of a new COVID-19 infection.

The strategic priority of JSC "Russian Railways" in the field of sustainable development is the achievement of the Sustainable Development Goals of the United Nations. The Sustainable Development Goals are aimed at taking measures to ensure the optimal use of limited resources, the use of natural, energy, and material-saving technologies, maintaining the stability of social and cultural systems, and ensuring the integrity of biological and physical natural systems.

Taking into account the low energy intensity and intensity of carbon dioxide emissions in railway transport, the development of railway transport is an important element of improving energy security and reducing emissions of harmful substances into the atmosphere. Shifting the volume of passenger and freight traffic from more intensive modes of transport (such as personal cars, trucks and airplanes) to rail transport will significantly reduce the amount of such emissions and reduce the negative impact on the environment [12]. Due to the fact that the holding's activities are aimed at constantly expanding the capacity of passenger public transport, building and modernizing passenger infrastructure and increasing the share of transportation using environmentally friendly electric transport, JSC "Russian Railways" makes an important contribution to the decarbonization of the economy. This is the basis for the Company's issuance of green bonds and provides investors with the opportunity to support the financing of transport assets and infrastructure in the Russian Federation.

The activities of JSC "Russian Railways" in the field of sustainable development have been evaluated by independent analytical centers and rating agencies, such as MSCI, Sustainalytics, ISS, RAEX-Europe. Taking into account the global challenges of Russian Railways, part of its activities is aimed at improving the rating of sustainable development for the Company's stakeholders. JSC "Russian Railways" constantly analyzes the reports of rating agencies in order to improve its business processes and implement the best practices in the field of sustainable development, taking into account the specifics of the Company's activities and regulatory environment [8].

Presently, active work is underway aimed at improving the Company's non-financial reporting in order to disclose important information about its activities in the field of sustainable development. But meanwhile, due to the peculiarities of corporate governance and the regulatory environment, not all the requirements of rating agencies can be met by the Company, some of them (for example, the number of independent directors) are outside the perimeter of the Company's control, which as a result affects the final ESG rating.

It is necessary to pay attention to the fact that in its program in the section "Management of funds from placements", the Company plans to use for financing and refinancing acceptable green projects (taking into account the costs related to these projects incurred during the three-year period prior to the date of issue of the corresponding green bonds). The costs of eligible green projects during the period will correspond to or exceed the total revenue received from attracting green financing instruments.

The placement of securities on world exchanges in various currencies illustrates the Company's request to expand the number of international investors.

It is necessary to point out that the Eurobonds issued to the Russian Railways market are the first to receive confirmation of compliance with Russian and international standards.

In order pass the verification procedures, JSC "Russian Railways" attracted services of the agency "Expert RA". Experts are provided with accounting documentation and a report on "green" financing for the reporting period.
The Green Finance report consists of 5 sections. The 1st section reveals general information about the Company, a brief description of the report. The 2nd section depicts data concerning contribution to the achievement of the UN Sustainable Development Goals, the implementation of ESG principles and the company's assessment in ESG ratings. The 3rd section characterizes the concept of project financing, acceptable categories of projects. The 4th section contains information on the issue of perpetual bonds, including the allocation report. The last section discloses information about the environmental impact on the environment [3].

The issue fully complies with the basic criteria of the ESG principles, namely:
- use of funds;
- project selection procedure and transparency of the issuer at the preliminary stage;
- isolation of accounting;
- disclosure of information.

Transparency is ensured by the diverse composition of the working group evaluating and selecting green projects. The composition of the working group is shown in Figure 1.

![Composition of the working group of JSC "Russian Railways".](image)

The company has monitored the use and placement of the funds obtained in the absence of the possibility of investing in a green project at certain points in time. The adopted concept of financing sustainable development projects states that the costs of acceptable green projects during the period will correspond to or exceed the amount of funds received from attracting green financing instruments. The above-mentioned procedures indicate compliance with the Principles of Green Bonds of Accounting Isolation.

Within the frameworks of the work that is underway, an assessment was also given to the investment project, which is part of the investment program of the October Directorate for Energy Supply – a structural subdivision of Transenergo – a branch of JSC "Russian Railways". To disclose the information, the company publishes explanatory notes, including explanations to the Energy Saving and Energy Efficiency Improvement Program for the provision of electric power transmission services through the electric networks of JSC "Russian Railways" at the Oktyabrskaya Railway landfill. The indicators disclosed in the notes are presented in Table 2.
Table 2. Contents of the explanatory note of the investment program of JSC "Russian Railways".

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Brief overview</th>
</tr>
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<tbody>
<tr>
<td>Information about the number of electricity delivery points</td>
<td>Information about the equipment of measuring complexes is disclosed</td>
</tr>
<tr>
<td>Data concerning the used energy resources consumption</td>
<td>Determination of volumes and dynamics of energy resources consumption</td>
</tr>
<tr>
<td>Indicators of the balance of electric energy in terms of the provision of services for the transmission of electric energy</td>
<td>Information about the receipt of electricity into the grid and the volume of helpful vacation</td>
</tr>
<tr>
<td>The current state in the field of energy conservation and energy efficiency improvement of the organization</td>
<td>Characteristics of the potential in the field of energy saving</td>
</tr>
<tr>
<td>Data on the results achieved in the field of energy conservation and energy efficiency improvement</td>
<td>The data on the dynamics of the last 5 years has been revealed</td>
</tr>
</tbody>
</table>

Monitoring and control over the implementation of the program's targets is carried out through the provision of reports on the achievement of targets and other indicators, reports on the implementation of program activities, summary forms of monitoring the implementation of the program in terms and in a format determined by public authorities endowed with control functions in the field of energy conservation, including using the FGIS EIAS.

In order to monitor the implementation of the energy saving program and increase energy efficiency, the AIS "Energy Efficiency" system has been implemented and is functioning in JSC "Russian Railways", the results of the program implementation are reviewed by the permanent Commission on resource conservation of JSC "Russian Railways".

Quarterly meetings are held to review draft amendments to the investment program. The minutes of the meeting present the planned sources of funding, including:
- own funds;
- depreciation;
- advances under contracts for technological connection to electric networks;
- depreciation included in the e/e tariff;
- own funds;
- raised funds.

The data provided must be confirmed and sent to the Tariff Committees according to the zonal distribution.

The project also includes an explanatory note describing the technical indicators of the implementation of the program.

According to the results of the completion of the investment project, a package of supporting documents is formed. The report on the execution of the financial plan of the electric power industry entity is included in the composition. The structure of the plan consists of:
- budget of income and expenses;
- technical and economic indicators;
- sources of financing of the investment program of the electric power industry entity;
- cash flow budget.

The form provided assumes the separation of sources of financing and the decoding of borrowed and own funds under various articles. Despite this, all the money spent is reflected in the line "Own funds, including" and is not deciphered either in the report on the
implementation of a specific object or in the summary data on the implementation of the investment program.

Despite the positive ratings from various rating agencies and the verification of Expert RA, it is possible to highlight the lack of information provided. As of February 2022, information on the volume of financing raised through the placement of Eurobonds and securities in foreign currencies on the global market is not allocated in the sources of financing of the investment program. The lack of information provided may have a negative effect when deciding on the choice of an invested project. The provision of information will ensure the formation of a positive assessment of the sustainability of the organization in terms of the possibility of financing various "green" projects, including the renewal of fixed assets.

4 Conclusion

The study of the "green finance" market allows us to conclude about the essential role of all participants in the relationship. Investors make a request for transparency and information content of the data provided, which is necessary to make a decision on the priority of choosing the form and directions of investments. Issuers with the help of published reports can have both a positive and a negative impact on the results of the attractiveness assessment calculated by various methods.

The investment attractiveness of an enterprise is a complex set of unequal parameters. In order to mobilize reserves for the growth of attractiveness, it is necessary to evaluate the information provided by issuers.

The investment decision-making criteria often used by investors, such as net present value, internal rate of return, payback period, do not always allow the investor to unambiguously establish the preference ratio of various investment decisions. There is a need to attract additional criteria. Full disclosure of information about the sources of financing of projects that comply with the ESG principles will have a positive impact on the formation of the opinion of stakeholders.

The revealed trends indicate a high prospect for the development of the ESG direction in the field of construction, energy and waste management in the territory of the Russian Federation.

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