

SUSTAINABLE DEVELOPMENT ISSUES IN CORPORATE GOVERNANCE AND SUSTAINABILITY-RELATED INFORMATION DISCLOSURE

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SOFT REGULATION APPROACH



Bank of Russia



For implementing the principles for responsible investment

Bank of Russia Information Letter No. IN-06-28/111 of 15 July 2020



Bank of Russia



For financial institutions on incorporating ESG factors and sustainable development issues into their corporate governance procedures

Bank of Russia Information Letter No. IN-02-28/145 of 28 December 2022



Bank of Russia



For developing an ESG ratings methodology and assigning such ratings

Bank of Russia Information Letter No. IN-02-05/46 of 30 June 2023



Bank of Russia



For public joint-stock companies on the disclosure of non-financial information pertaining to their activities

Bank of Russia Information Letter No. IN-06-28/49 of 12 July 2021




Bank of Russia




For financial institutions on providing (disclosing) information about sustainable finance products to customers

Bank of Russia Information Letter No. IN-02-28/38 of 24 May 2023



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For financial institutions on accounting for climate risks

Bank of Russia Information Letter No. IN-02-28/38 of 24 May 2023




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For boards of directors of public joint-stock companies on accounting for ESG factors and sustainable development issues

Bank of Russia Information Letter No. IN-06-28/96 of 16 December 2021



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For financial institutions on sustainability-related disclosures

Bank of Russia Information Letter No. IN-02-28/44 of 13 June 2023



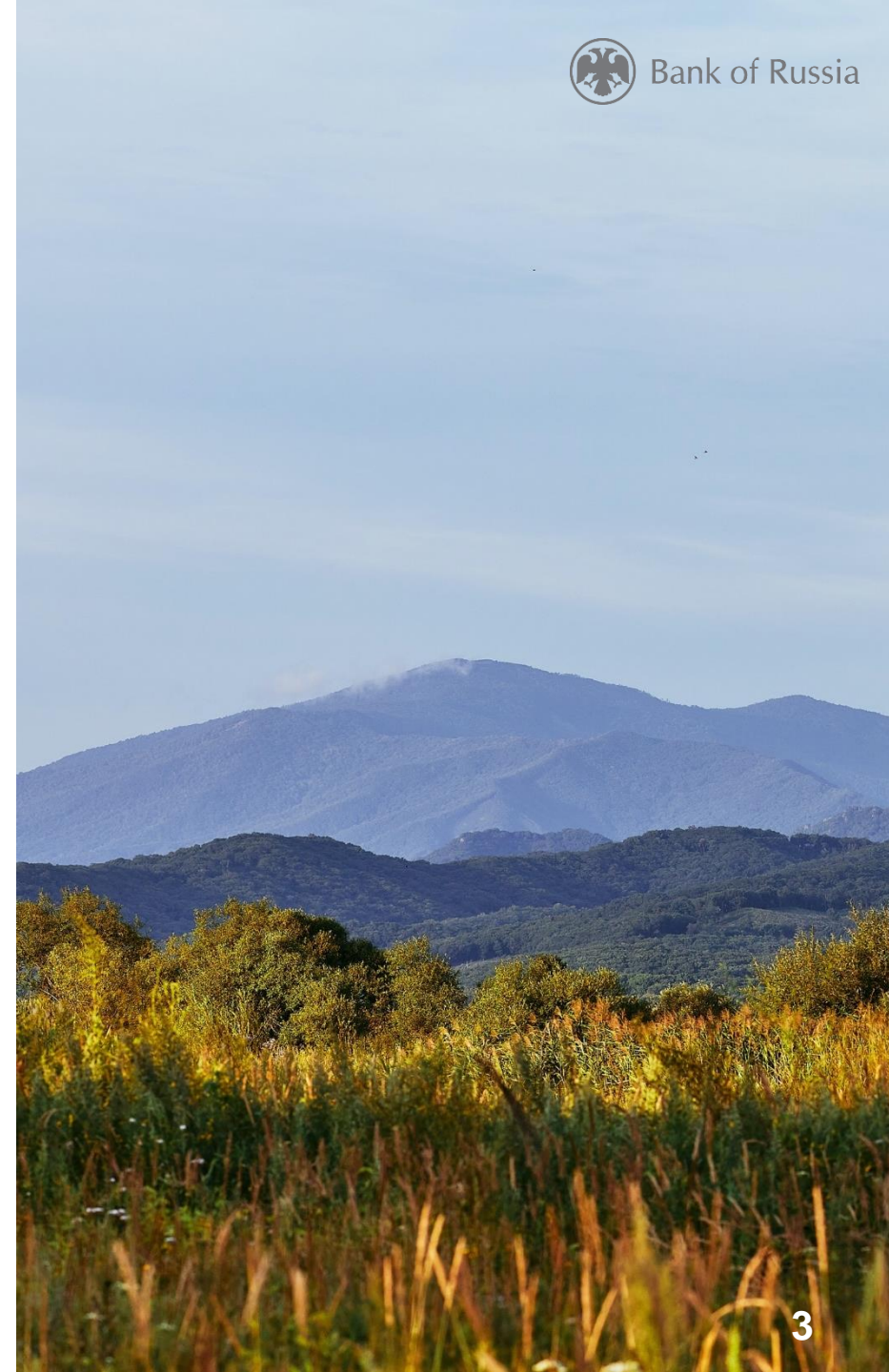
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On developing a sustainable development strategy and a climate transition strategy

Bank of Russia Information Letter No. IN-02-28/76 of 29 December 2023

SUSTAINABLE DEVELOPMENT ISSUES IN CORPORATE GOVERNANCE



BANK OF RUSSIA RECOMMENDATIONS ON SUSTAINABLE DEVELOPMENT ISSUES IN CORPORATE GOVERNANCE

AIM OF RECOMMENDATIONS

to incorporate **ESG factors and sustainable development issues** into corporate governance

JOINT STOCK COMPANIES

*Bank of Russia Information Letter No. IN-06-28/96 of **16 December 2021** “On recommendations for board of directors of joint-stock companies on accounting for ESG factors and sustainable development issues”*

KEY RECOMENDATIONS

- Evaluate the significance of ESG risks and opportunities
- Update the company’s strategy, policies, and procedures to incorporate ESG factors and sustainable development issues
- The Board of Directors and the Executive Body should pay attention to issues of sustainable development (in particular, during regular meetings)

FINANCIAL INSTITUTIONS*

*Bank of Russia Information Letter No. IN-02-28/145 of **28 December 2022** “On recommendations for financial institutions on incorporating ESG factors and sustainable development issues into their corporate governance procedures”*

- Consider establishment of a separate structural unit responsible for sustainable development issues
- Integrate sustainability issues into the sustainable development strategy, risk management, internal controls, and internal audit
- Integrate sustainable development issues into the remuneration system



*Credit institutions, brokers, non-governmental pension funds, joint-stock investment funds, insurance companies, managers and management companies of investment funds, unit investment funds and non-governmental pension funds.

RECOMMENDATIONS ON DEVELOPING A SUSTAINABLE DEVELOPMENT STRATEGY (SDS) AND A CLIMATE TRANSITION STRATEGY (CTS)

Bank of Russia Information Letter No. IN-02-28/76 of **29 December 2023** “On recommendations for joint-stock companies and issuers of equity securities on developing a sustainable development strategy and climate transition strategy”

GOALS

- To enhance the contribution of organizations' activities to the achievement of national development goals, SDGs and the goals of the Paris Agreement
- To ensure sustainable development of the organization's business in the context of the transition to a low-carbon economy
- To ensure a high level of long-term competitiveness of the organization's
- To increase the confidence of stakeholders
- To justify raising funds to finance long-term strategically significant projects of the organization

OBJECTIVES

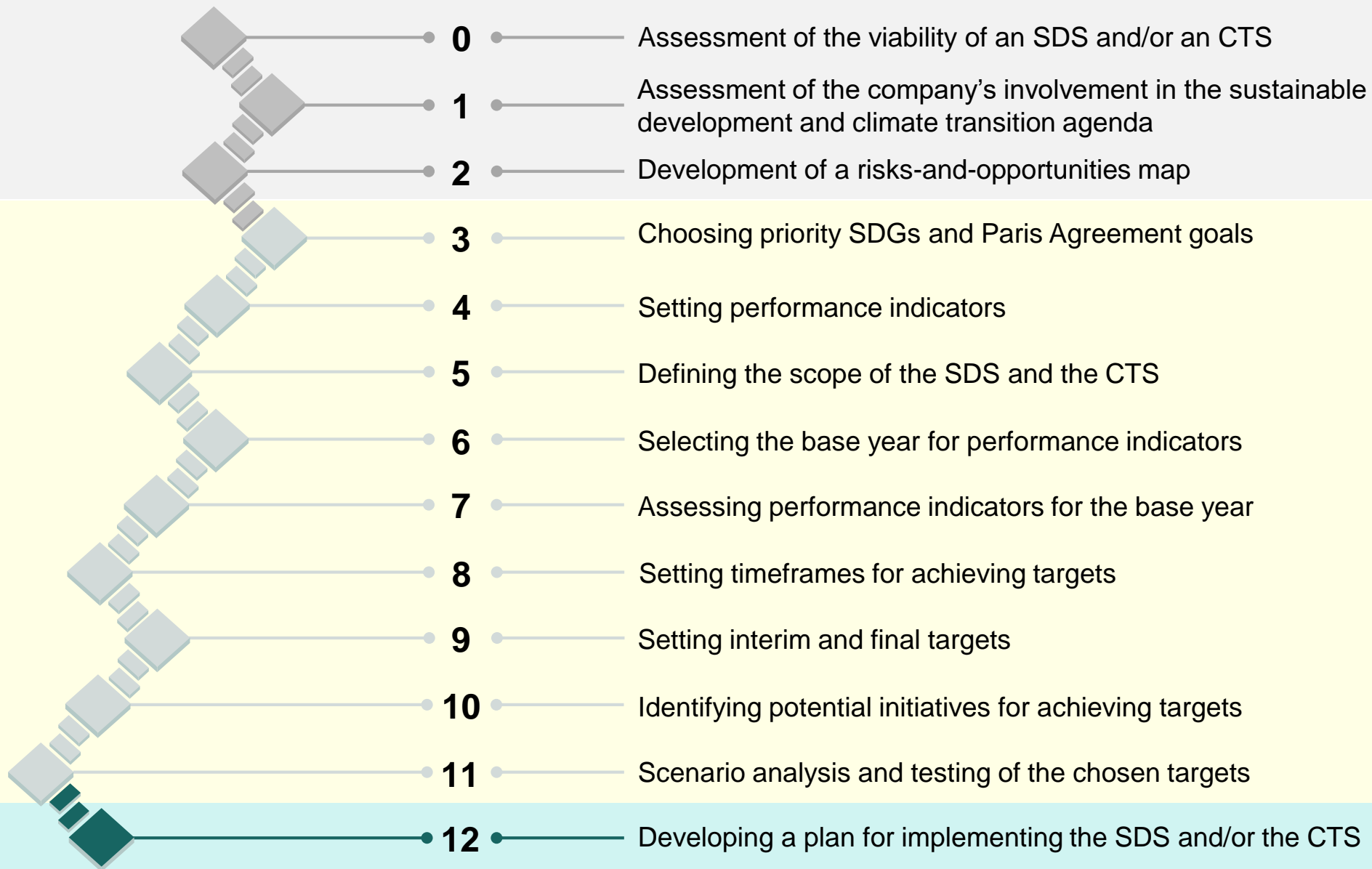
- Integrating sustainable development and climate issues in the strategic objectives of the organization's activities
- Accounting for risks and opportunities associated with sustainable development
- Giving stakeholders a clear understanding of the development path of the organization's activities
- Establishing a basis for raising funds to finance long-term strategic projects of the organization
- Creating a tool for managing changes in the activities of the organization and prioritizing investments in business development

KEY RECOMENDATIONS

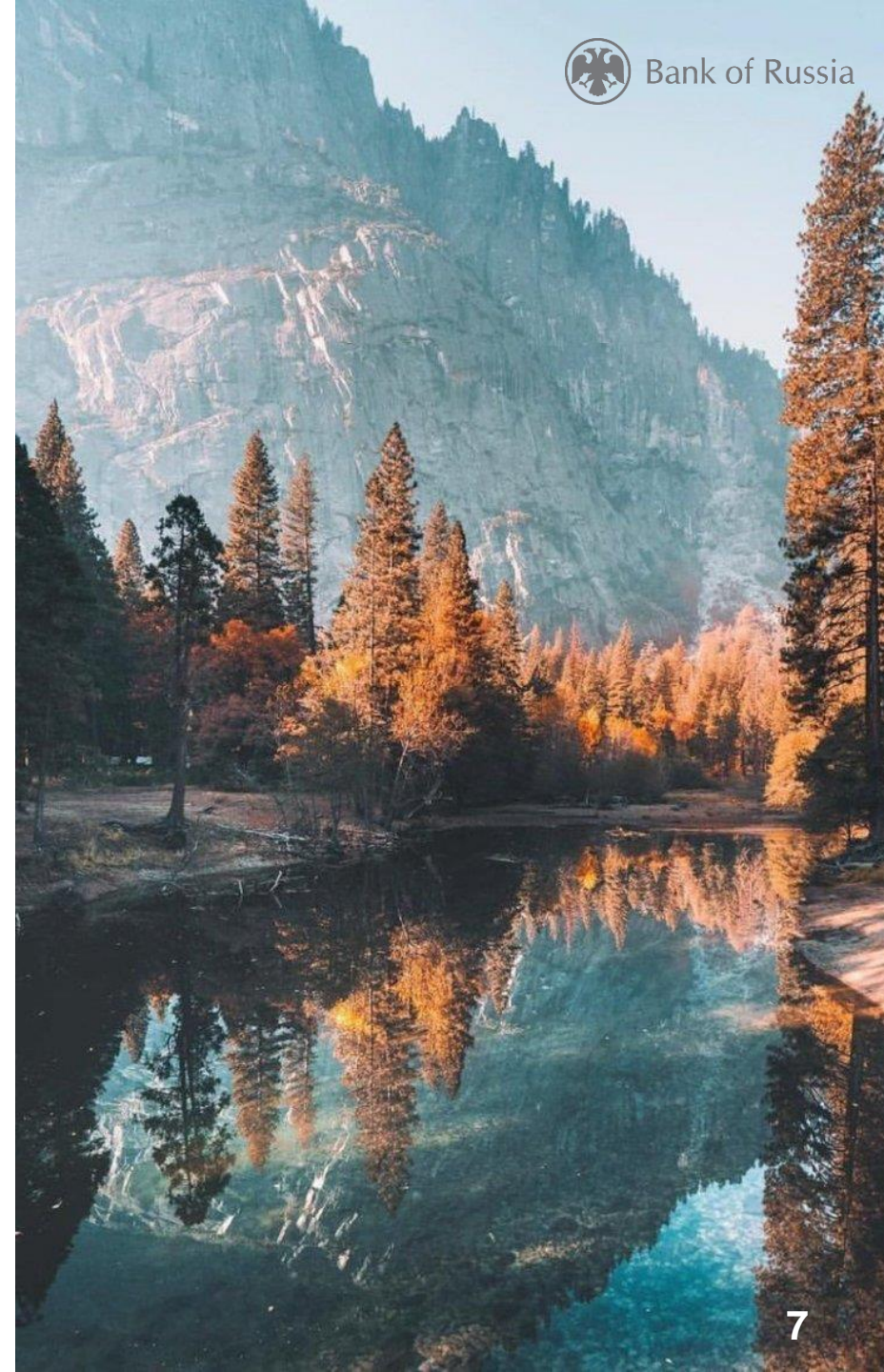
- 1 Assessment of the viability of an SDS and/or an CTS
- 2 Setting interim and final targets contributing to SDGs and Paris Agreement goals
- 3 Developing a plan for implementing the SDS and/or the CTS



DEVELOPMENT OF SDSs AND CTSs



SUSTAINABILITY-RELATED INFORMATION DISCLOSURE



BANK OF RUSSIA RECOMMENDATIONS ON DISCLOSURE OF SUSTAINABILITY-RELATED INFORMATION

AIM OF RECOMMENDATIONS

to ensure the disclosure of **material sustainability-related information**

JOINT STOCK COMPANIES

*Bank of Russia Information letter No. IN-06-28/49 of **12 July 2021**
"On recommendations for joint-stock companies on the disclosure of non-financial information pertaining to their activities"*

Based on principles of the TCFD, the GRI standard and European standards



The Board of Directors is recommended to take into account double materiality concept

FINANCIAL INSTITUTIONS*

*Bank of Russia Information letter No. IN-02-28/44 of **13 June 2023**
"On recommendations for financial institutions on sustainability-related information"*

Based on approaches used by the IFRS Foundation when developing the IFRS S1 and S2 standards, and international disclosure standards (China and Brazil)

the PCAF standard on financed emissions was taken into account in the development of the recommendations

*Credit institutions, brokers, non-governmental pension funds, joint-stock investment funds, insurance companies, managers and management companies of investment funds, unit investment funds and non-governmental pension funds.

RECOMMENDATIONS FOR FINANCIAL INSTITUTIONS ON PROVIDING (DISCLOSING) INFORMATION ABOUT SUSTAINABLE FINANCE PRODUCTS TO CUSTOMERS

Bank of Russia Information Letter No. IN-02-28/38 of **24 May 2023** “On recommendations for financial institutions on providing (disclosing) information about sustainable finance products to customers”

ADDRESSED TO



Credit institutions

Non-credit financial institutions*

PURPOSE

To establish best practices for financial institutions with regard to providing (disclosing) information about sustainable finance products, including sustainability-related risks and opportunities

To combat greenwashing

WHAT IS RECOMMENDED FOR DISCLOSURE?

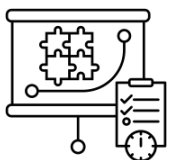
- The list of sustainable finance products offered by the financial institution, and their main features
- Information on any comparative advantages of sustainable finance products and opportunities associated with these products
- Information regarding verification of sustainable finance products and the verifier's conclusion
- Key criteria for classifying financial products as sustainable finance products

* Professional securities market participants, managers, investment advisors, brokers, non-state pension funds, management companies of investment funds, unit investment funds, and non-state pension funds, credit institutions, microfinance organizations, consumer credit unions, agricultural consumer credit unions, pawnshops, insurance companies, insurance brokers, and self-regulatory organizations in the financial market.

RECOMMENDATIONS FOR THE IMPLEMENTATION OF THE PRINCIPLES FOR RESPONSIBLE INVESTMENT

Bank of Russia Information Letter No. IN-06-28/111 of **15 July 2020** “On recommendations for the implementation of the principles for responsible investment”

ADDRESSED TO



Institutional investors

PURPOSE

To guide institutional investors in their investment activities

PRINCIPLES FOR RESPONSIBLE INVESTMENT

Investors should:

- develop and disclose their approaches to responsible investment
- **incorporate ESG issues into investment analysis and decision-making**
- be active owners and incorporate ESG issues into their ownership policies and practices
- exercise their corporate rights, both independently and in collaboration with other investors
- regularly communicate with companies regarding significant aspects of companies' operations
- manage conflicts of interest arising in their activities
- take into account the principles for responsible investment when choosing and interacting with agents (if applicable)

ESG RATINGS: DEVELOPMENT OF HARMONIZED PRINCIPLES

Bank of Russia Information Letter No. IN-02-05/46 of 30 June 2023 “On Recommendations for Developing an ESG Ratings (Sustainability Ratings) Methodology and Assigning Such Ratings”

ADDRESSED TO



Financial market participants*

PURPOSE

To harmonize ESG ratings: to ensure the **interpretability, transparency and comparability** of ESG ratings

CHALLENGES OF ESG RATINGS

- 1 Inconsistency and incomparability of data and methodologies
- 2 Nontransparent process of obtaining ESG data
- 3 Insufficient reliability of information sources
- 4 Different rating assignment demands from investors and issuers

KEY PRINCIPLES AND PROCEDURES

- 1 Securing the quality and transparency of ESG ratings
- 2 Competencies and development of human resources
- 3 Independence and mitigation of conflicts of interest
- 4 Communication with ratings users and rated entities

MAIN ELEMENTS FOR EVALUATING ESG RATINGS' COMPONENTS



ENVIRONMENTAL

- Climate
- Energy consumption and efficiency
- Air quality
- Water resources
- Waste management



SOCIAL

- Employee incentive system
- Equality policy
- Labor protection
- Interactions with the public and third parties



GOVERNANCE

- Ownership structure and exercise of rights by shareholders (members)
- Governing bodies
- Strategic management

* Credit rating agencies, stakeholders, other than credit rating agencies, that also provide sustainability assessment services; financial institutions making non-public assessments of clients; and rated entities. These recommendations should not be used to evaluate state and municipal authorities or financial instruments

POSSIBLE AREAS OF COOPERATION FOR BRICS

PROJECTS



PROJECT 1. Development of BRICS standards for corporate governance



PROJECT 2. Development of BRICS standards for sustainability-related information disclosure



**SUSTAINABLE DEVELOPMENT
BEGINS WITH EACH OF US**

