PAST EVENTS

TThe weight of an effective board of directors in the company value: assessment of global investors. Challenges of 2022

On 27th January 2022 the Climate Governance Initiative Russia (CGI Russia) together with Korn Ferry held a round table discussion for investors and members of the boards of directors. The event included the presentation of the latest study by CGI Russia and Korn Ferry titled “The importance of an effective board of directors for the value of a company: an assessment of global investors. Challenges of 2022.” The study is based on data from global investment funds with $12 trillion under management, including JP Morgan AM, Amundi, BMO Global AM and Axa IM. The event was held with the support of Sber, the general partner of CGI Russia.

Speakers at the event featured Natalie Alexandra Braginsky Mounier, Sber; Anna Belova, Sistema; Anton Storozhenko, Korn Ferry; David Nicholls, East Capital; Xavier R. Rolet, PhosAgro; Oleg Viyugin, Moscow Exchange; Andrey Yakushin, Bank of Russia.

The discussion was moderated by Olga Pascault and Elena Haykin Sapozhnikova, CGI Russia.

Key findings of the report:

• The added value of effective corporate governance for a company varies from 10 to 50%.
• Ineffective corporate governance can reduce a company’s value up to 80%. Most portfolio managers exclude a company with weak corporate governance from their potential investment portfolio.
• The weight of ESG factors in assessing a company's value is on average 25%. In the absence of an ESG strategy, some investors require a separate justification for investing in a company.
• When evaluating ESG factors, the weight of Governance can be between 30 and 70%. For most investors it is 50%.

Key conclusions of the discussion:

• Without high-quality corporate governance, it is impossible to implement the environmental and social provisions of a company's ESG strategy. The importance of compliance in the context of emerging ESG standards will grow.
• According to the participants, the CGI Russia and Korn Ferry study quantitatively confirmed what had been qualitatively felt before: exactly how the effectiveness of the board of directors affects the valuation of companies. The study is yet another reason for companies to adopt best corporate governance practices in the interest of strengthening IR.

Left to right: Elena Haykin Sapozhnikova and Olga Pascault, CGI Russia; Anna Belova, Sistema; Oleg Viyugin, Moscow Exchange

Directors shape the image of a company. A carefully selected and diverse composition of boards of directors is crucial. Furthermore, reputation and cross-industry expertise are important for independent directors.

• The independence of directors is relevant since directors are the most important link between a company and investors.

• The difficulty of investors to value companies lies in the structural asymmetry of information. It is important for investors to achieve greater transparency and predictability of a company's activities. To do this, portfolio managers need a regular and open dialogue with boards of directors.

• An efficient board of directors is involved in the development of a company's strategy. The degree of this involvement is the most important marker of its effectiveness.

• The extent to which directors fulfil their stated goals is the central criterion for qualitatively assessing the work of boards of directors.

• 2022 will be the year of quantifying and measuring all aspects of corporate governance. This is necessary to achieve the stated goals of companies.

• 2022 will be a challenging year for public companies to raise capital. Companies face increased competition for investors. Capital will be selectively allocated to the highest quality companies, which considers their ESG strategy implementation success. The task of boards of directors in 2022 is to convincingly demonstrate that it is their company that deserves to be selected by investors.

The round table discussion demonstrated that issuers, investors and regulators are in an agreement that high-quality corporate governance continues to grow in importance. At the same time, it will be necessary to quantify the individual ESG components more clearly when assessing a company and to realize the ESG promises. Despite the importance of E, G will remain the determining factor in the valuation of a company.

Left to right: Elena Haykin Sapozhnikova, CGI Russia; David Nicholls, East Capital; Anton Storozhenko, Korn Ferry; Anna Belova, Sistema; Oleg Viyugin, Moscow Exchange; Olga Pascault, CGI Russia

UPCOMING EVENTS

Insurance Forum “ESG in insurance: Global Practice & Russian View”

February 11, 2022 offline discussion

CGI Russia in partnership with its Insurance Partner, Marsh, Russia & CIS, will hold an industry forum on the impact of ESG agenda on the Russian insurance market, where Executives and board members of insurance companies, banks and industry groups will meet.

Sustainable development of the global economy and the transition of leading companies to a new ESG business model were a key subject of both the World Economic Forum in Davos and the International Economic Forum in St. Petersburg in 2021.

That's why CGI Russia together with its insurance partner, international broker Marsh, will hold an industry forum on the impact of ESG agenda on the Russian insurance market. The forum will bring together Executives and board members of insurance companies, banks and industry groups to discuss:

- ESG and risk management - what businesses need to know?
- What the international insurance market thinks about ESG status and what it means for Russian companies?
- How is the Russian market building its ESG strategy, and what regulatory requirements may they face in the near future?

Speakers:

Igor Yurgens, President All-Russian Insurance Association

Philip Gudgeon, Member of the Supervisory Board, «Otkritie» Financial Corporation, President of Crescat

Amy Barnes, Head of Climate & Sustainability Strategy, «Marsh Ltd.»

Eugenie Eleanor Molyneux, Chief Risk Officer of Commercial Insurance Zurich Group

Moderators:

Olga Pascault, Founder and Chair of the Management Board, CGI Russia

Elena Haykin (Sapozhnikova), Founder and Member of the Management Board, CGI Russia

The event is by invitation only.

For all questions please contact info@cgi-russia.ru

The banking sector is a key element in efforts to decarbonize the economy

March 1, 2022 offline

CGI Russia is delighted to invite members of the boards of directors of Russian banks and foreign financial institutions to take part at the round table "The banking sector is a key element in efforts to decarbonize the economy".

Russian business is preparing for an energy transition. Banks are a crucial element of the emerging green economy that is at the forefront of the climate agenda.

A legal framework in Russia is being developed for this economy, building a foundation for the growth of green financing. On July 14, 2021, the Government outlined the goals and directions of green financing, which will be implemented through environmentally-friendly and adaptive financial instruments. The document covers the following areas: energy, construction, industry, waste management, transport, agriculture, water supply, and sanitation.

On September 21, 2021, a resolution was issued approving the Russian Federation's definition of sustainable development projects and the requirements for their verification.
The Government is also discussing with the Central Bank measures to stimulate ESG financing in Russia within the taxonomy of green projects.

Green bonds accelerate the pace of development. The global market is for green bonds is $1.378 trillion, while in Russia, it is only $2 billion, of which $1.5 billion were in 2021. However, in Russia trends for green financing are growing exponentially. The market for green bonds in the MICEX sustainable development sector is estimated at 108 billion rubles (less than 1% of all bonds) but is projected to grow to 300 billion rubles by 2024.

The social bond market ($117 billion worldwide) is also developing.

As drivers of ESG transformation, banks are the most crucial link between investors and borrowers, taking on the challenges of responsible investment.

Questions for discussion:

- What are the prospects for the development of sustainable financing?
- To what extent should banks' boards of directors include green financing in the business strategy?
- How should the risk committee assess the challenges of these new ventures?

Moderators:

Olga Pascault, Founder and Chair of the Management Board, CGI Russia
Elena Haykin Sapozhnikova, Founder and Member of the Management Board, CGI Russia

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Leaders in Support of Climate Transformation initiative

Alexander Vedyakhin, First Deputy Chairman of the Executive Board, PAO Sberbank: «Russia has a long way to go in the coming years – both in terms of adapting to climate change and transitioning to a low-carbon economy. In this context, Sberbank's task as the country's largest financial institution is to both achieve carbon neutrality in its own operations by 2030 and mitigate the climate risks of our clients by assisting them in their ESG business transformation».

Yaroslav Glazunov, CEO, Korn Ferry Russia & CIS: «Global business leaders today are becoming true visionaries and ideological inspirers of the climate transformation for their companies and, as a result, for the entire world economy. Close attention to environmental issues on the part of corporate owners, a responsible, thoughtful and supportive approach of directors, board members and management teams to this topic can radically affect the speed and quality of environmental transformation of entire industries».

ESG Vacancies

CGI Russia's initiative "ESG Vacancies" aims to create a unique platform to unite concerned companies and ESG specialists.

Please submit vacancies and resumes to info@cgi-russia.ru.

CGI Russia News

CLIMATE GOVERNANCE INITIATIVE RUSSIA

Independent, diversified and ESG-focused Board of Directors augments company value, as CGI Russia / Korn Ferry research demonstrates

The joint CGI Russia and Korn Ferry research based on a standpoint of global investors with $12 trln. AUM highlights the main assessment criteria for BoDs of public companies and main trends for 2022.

In a business world being transformed by COVID-19, volatile operating environments, and heightened ESG (Environmental, Social, Governance) concern, the quality of Corporate Governance is critical. CGI Russia, in partnership with Korn Ferry, has conducted an independent study to find a correlation between the BoD effectiveness and business value based on data provided by portfolio managers of global investment funds with $12 trln. AUM. JP Morgan Asset Management , Amundi, BMO Global Asset Management, Axa Investment Management and other investment funds took part in the study..

Olga Pascault, Co-founder and Board Chair, CGI Russia, commented on the expediency of this study, pointing out that in 2022 the Board of Directors will face the daunting task of finding a balance between public and investor expectations for sustainability, long-term value, and the company's short-term profit targets in the context of a transition to a more inclusive economic model. “Under these conditions, it is necessary to understand what qualities a BoD should demonstrate in order to increase the value of a company in an investment assessment and how exactly ESG factors affect its market position”, - Olga Pascault said.

Study highlights that effective corporate governance has a major company value impact. Premiums for strong corporate governance range from 10% to 50%. But discounts for weak corporate governance can reach 80%, with many investors excluding companies with weak corporate governance from investment consideration. The weighting of ESG factors averages 25%. Some portfolio managers noted that without an incorporated ESG strategy, a separate justification can be required for an investment.

“We have known for a long time that good corporate governance impacts the company's capitalization. Yet it is only today that this premium is becoming too high to ignore” - commented **Anton Storozhenko**, Senior Client Partner, Practice Leader, Board Services, KornFerry.

The weighting of ESG factors averages 25%. Some portfolio managers noted that without an incorporated ESG strategy, a separate justification can be required for an investment.

“Today we see an expanding focus on responsible investment principles and the investors’ focus is also shifting to assessing non-financial performance, in particular climate governance issues. Investors increasingly prefer those companies in which BoDs and management are responsible for the analysis and minimization of environmental risks, where they pay attention to social initiatives and have strong and balanced corporate governance”, - said Elena Haykin Sapoznikova, Co-founder and Member of the Management Board, CGI Russia.

Click here to read the full research.

ABBYY becomes an IT partner of CGI Russia

ABBYY, the world's leading developer of smart information processing solutions, has become an IT partner of CGI Russia.

In 2021, ABBYY received Gold Award in the annual Forbes Employer Ranking, prepared in partnership with KPMG. ABBYY was noted among the leaders in the “Gold” category, according to the results of a comprehensive assessment of three metrics: Employees and Society, Ecology and Corporate Governance.

CGI News

Climate Governance Initiative

17	100,000+	21	8
Chapters	Members	Countries	Principles

Climate News

Deloitte.
CGI Russia Intellectual Partner

Top EU banks to publish 'pioneering' climate data

Large banks in the European Union will have to show how they help or hinder the bloc from meeting climate goals by publishing "pioneering" indicators from 2024, the EU's banking watchdog said on Monday.

The European Banking Authority (EBA) set out environmental, social and governance (ESG) templates for the top 150 banks such as Deutsche Bank, SocGen and UniCredit to complete each year.

This will allow investors to compare each bank's exposure to polluting and environmentally-friendly companies, and monitor how fast lenders shift to more sustainable business models.

Material is taken from the Reuters.com

Russian Deputy Prime Minister prioritizes adopting the recyclable materials law

In 2022, major environmental issues include adopting the recyclable materials law, introducing the new extended producer responsibility concept, and banning transshipments of dangerous goods outside of seaports. **According to Deputy Prime Minister** Viktoria Abramchenko, environmental agencies will be also involved in creating regulations to reduce pollutant emissions and improve air quality.

“The goal is a 20% reduction in pollutant emissions by 2024. Accordingly, companies should have a clear action plan to reduce emissions, and their shareholders should have a financial incentive to follow it.”

Citigroup sets target to reduce energy-sector emissions

Citigroup Inc (C.N) **laid out goals** for corporate borrowers to cut emissions that included a rare "absolute reduction" target for companies in the energy sector by the end of the decade.

Citi said in a report that it aims for emissions from companies across its energy loan portfolio to drop 29% by 2030 from 2020. Other banks have focused on cutting clients' "emissions intensity," a measure of emissions relative to output that climate activists have said does not go far enough.

Material is taken from the Reuters.com

ESG News

MIKHAILOV & PARTNERS
COMMUNICATIONS ADVISORS

2022 forecast: Sustainable bond issuance rate accelerates

In 2021, sustainability (green, social, sustainable development and ESG) bond issuance proved to be above expectations, reaching €780 billion as of mid-November (excluding US municipalities and US mortgages). This is almost 90% more than last year. Crédit Agricole CIB experts expect further growth of 50% in 2022 to reach 1.2 trillion euros.

Technology sector instability threatens ESG funds growth

Sustainability funds boomed in 2021 and their global assets doubled up to $3.9 billion. Many ESG funds are investing in technology giants that have flourished during the pandemic. However, it is difficult to predict how these companies will evolve after the pandemic. However, ESG fund managers argue that sustainability is already so firmly ingrained in investment strategies across sectors that a turnaround is unlikely. "We have climate projects in every sector of the market," says Simon Webber, manager of the Schroders fund. In his opinion, companies such as Kingfisher (development), Munich Re (insurance) and BMW (automotive) will benefit a lot from the climate transition.

China's Central Bank to issue loans to banks funding emission cuts

The first batch ($13.4 billion) of low-cost loans has been issued under the Carbon Emissions Reduction Facility (CERF) to promote green projects and efforts to reduce carbon emissions. Funds are provided by banks in the amount of 60% of the principal amount of the loan at an annual lending rate of 1.75%. However, banks are required to confirm that loans have been issued to companies that can help the economy switch to cleaner energy or enhance energy efficiency.

Largest banks team up to manage climate change risks

The world's largest banks, including Bank of America Corp., Wells Fargo & Co. and Royal Bank of Canada have teamed up to manage the climate change risks. The activities of the established consortium, consisting of 19 banks and the Risk Management Association (RMA), will be aimed at developing standards for measuring and managing climate risks.

Banks make more money on green funding than fossil fuel financing

The new research by Bloomberg New Energy Finance (BNEF) suggest that selling green bonds and loans has become the key fee source for global banks for the first time in six years. Overall, banks' fees in green-labeled debt deals were about $3.4 billion, compared with $3.3 billion from deals with oil, gas and coal companies. BNP Paribas was the largest recipient of green finance deals, receiving $159.6 million in 2021, ahead of JPMorgan which earned $159.2 million.

McKinsey estimates global net-zero transition at $275 trillion

The McKinsey Global Institute has described a hypothetical model of the large-scale economic and social changes that will occur if the world achieves carbon neutrality by 2050. The cost of the transition is estimated at $275 trillion, or 7.5% of global GDP. For Russia, the price of the process will be even higher and will amount to 21% of GDP.
The green transition will have a strong impact on the world's economy, up to changing eating habits. The labor market will also undergo dramatic changes: some 185 million fossil-fuel jobs will disappear, and at the same time about 200 million new green economy job will appear.

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