

**MTMSD 2022****I International Conference «Modern Trends in Governance and Sustainable Development of Socio-economic Systems: from Regional Development to Global Economic Growth»****RUSSIAN MARKET OF SUSTAINABLE FINANCIAL  
INSTRUMENTS: CURRENT COMPARATIVE ANALYSIS**

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**Abstract**

Indicators of the Russian stock market, representing the state of the sustainable investment market, are the subject of the article. The purpose of the article was to carry out a comparative analysis of the current state of the securities market indicators of companies that most fully disclose information on sustainable development and demonstrate the best dynamics in the field of sustainable development and companies that adhere to traditional financial analysis. For this, indices of stocks and bonds were selected. As a result of the study, a negative trend was revealed for all indicators, except for the bond index of the Growth Sector. The article systematizes the most significant initiatives and projects in the field of sustainable development and green investments: the history of development, reflects the mechanism that ensures the development of the green economy. Based on the set of measures taken in Russia for the development of a green economy, it was concluded that the current values of the indicators of the state of the sector of sustainable development of the Russian stock market cannot be considered as characteristic of it. The role and importance of companies that reduce economic, social and environmental risks in their activities will increase. In post-crisis strategies, the importance of ESG factors will inevitably increase.

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*Keywords:* Analysis, bond index, green investment, sustainable development, stock market, stock index

## 1. Introduction

A wide range of economic, social and environmental problems facing the world community require active participation in their solution by governments, businesses and citizens. One of the acute problems is the need to combine economic growth with ensuring social protection of the population and minimizing the negative impact on the environment. This problem concerns the life of every person living on the planet, and therefore today more and more global companies in the financial and non-financial sectors are implementing the principles of sustainable development in their business models (Maltais & Nykvist, 2020).

Despite the fact that the global issues of environmental protection, reducing the negative impact of widely deployed production processes in all areas of the economy on the environment and humans have been resolved for many years (as shown in Table 1), the range of problems is not narrowing, but, on the contrary, the problems are becoming large-scale. and complex, began to have not only a negative impact on the environment and society, but also, as a result, on economic development in the long term (Anh Tu & Rasoulinezhad, 2020).

**Table 1.** The most significant initiatives and projects in the field of sustainable development and green investments: history of development

The Date	Event	Comment
1972	Preparation of the United Nations Environment Program (UNEP)	Environmental issues are raised at the global level;  Green economy defined
1987	Preparation of the UN report “Our Common Future” (Our Common Future)	A definition of sustainable development is given and a concept for it is formed
1989	International Coalition for Environmentally Responsible Economy – Ceres	Ceres brings together 146 institutional investors;  <i>Objective:</i> To mobilize investors for responsible financing of environmental projects
1991	International Chamber of Commerce Business Charter for Sustainable Development	Development of environmental management principles
1992	Environment and Development	Adoption by developed and EU countries of the United Nations Framework Convention on Climate Change (FCCC), which lays down the transition to the corporate level in achieving sustainable development
1997	Establishment of an independent organization, the Global Reporting Initiative (GRI)	Development of Guidelines for reporting in the field of sustainable development, containing indicators on the social, environmental and economic performance of companies
2006	Creation of the International Association for Responsible Investment (Principles for Responsible Investment, PRI), which includes management companies, investment funds, consultants	Development of the Core Principles for Responsible Finance (ESG)

2008	Preparation of the UN report “Global Green New Deal” (A Global Green New Deal Report)	Public Investment Recommendations
2009	Development by the International Organization GRESB (Global Real Estate Sustainability Benchmark) of a system for assessing sustainable development	Evaluation of projects in the field of energy, social infrastructure in terms of such indicators as the quality of management, information disclosure policy, etc.
2010	Creation of the international non-profit organization Climate Bonds Initiative (CBI)	Conducting analysis and research of the green bond market
2014	Adoption of the UN “Fundamental principles for the development of the world community for the period up to 2030”	Set tasks of a social nature on a global scale
2014	Development of Green Bond Principles Green Bonds Principles - GBP	Principles developed by a consortium of major investment banks
2015	Adoption by 193 countries of the 2030 Agenda for Sustainable Development	17 sustainable development goals are identified, which are comprehensive and relevant to all countries of the world
2015	Paris Agreement (PS) at the 21st Conference of the Parties to the UNFCCC in Paris	The goals, objectives and requirements for the participating countries are defined for the period until the end of the 21st century
2017	Green Finance Development Network of Central Banks and Financial Supervisors (NGFS)	<i>Goal:</i> mobilization of capital into environmentally friendly and low-carbon resources;  Participants - Central banks of the countries of the world and supervisory authorities
2018	International Green Bond Initiative	<i>Purpose :</i> financing infrastructure projects that reduce environmental impact and climate risks through green bonds
2020	Development of infrastructure initiative FAST-Infra	FAST-Infra aims to develop:  sustainable infrastructure labeling systems;  financial mechanisms to attract a private investor to labeled projects

## 2. Problem Statement

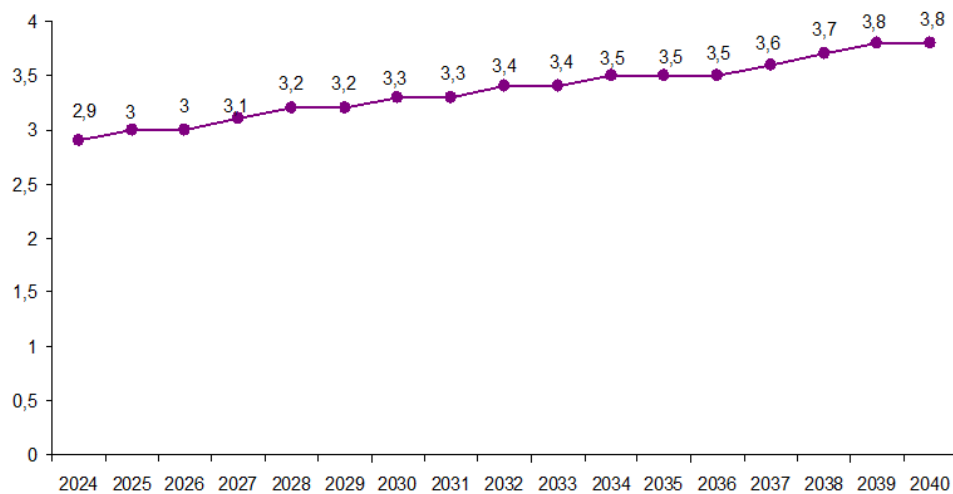
One of the national development goals of the Russian Federation for the period up to 2030 is to provide a “safe environment for life” (Wang et al., 2020), which, first of all, means environmental safety, which is characterized, today, by the increased need for infrastructure investments not only on the scale of our country, but also at the global level (Figure 1) (Macaskill & Roca, 2021).

## 3. Research Questions

Russia occupies one of the leading places in terms of infrastructure investment deficit (\$727 billion), along with the US and China. According to the Global Infrastructure Hub, by 2030 the country needs to raise over \$1 trillion to meet the growing need for infrastructure and achieve the UN SDGs, and by 2040. - \$1.8 trillion. (Macaskill & Roca, 2021). One of the measures to solve this problem are the

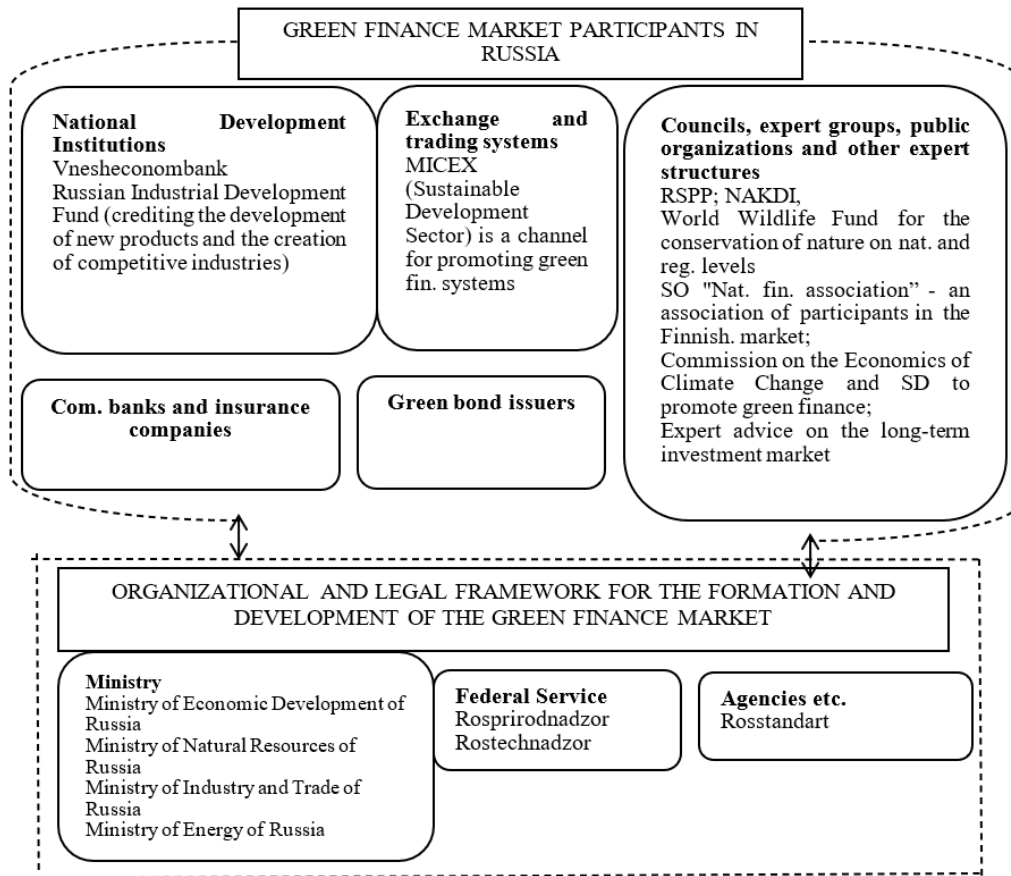
steps taken in 2019-2020. in order to ensure conditions for attracting financial resources to infrastructure projects:

1. Creation of the Sustainability Sector on the Moscow Exchange, consisting of four segments: the “green” bonds segment, the “social” bonds segment, the “sustainable development” bonds segment and the “national and adaptation projects” segment;
2. Endowment of VEB. RF functions as a methodological center for financial instruments of sustainable development (Tolliver et al., 2020).
3. Creation of an interdepartmental working group (IWG) on the development of investment activities and attraction of extrabudgetary funds in sustainable (including green) development projects. The IWG should ensure effective interaction between federal executive authorities, the Bank of Russia, development institutions, business and the professional community on the development of investment activities and the attraction of extrabudgetary funds for development projects (Anh Tu & Rasoulinezhad, 2020).



**Figure 1.** Needs for infrastructure investments in the world, trln.

In Russia, there is a system of authorities based on the developed organizational and legal principles for the formation and development of the green finance market and ensuring the activities of participants in the green finance market within the framework of Russian legislative acts (Figure 2) (Sustainable Bonds Insight, 2020).



**Figure 2.** The mechanism that ensures the development of the green economy in Russia

#### 4. Purpose of the Study

For the implementation of the goals outlined in the Decree of the President of the Russian Federation “On the national goals of the Russian Federation for the period up to 2030” (Sugaipova & Gapurov, 2018), it is planned to allocate budgetary allocations, which should be provided for when forming the federal budget of the country. But the range of economic, social and environmental problems is so wide that their solution is impossible without the combined efforts of governments, businesses and citizens, without their joint participation in the financial support of processes related to the implementation of the principles of sustainable development (Reboredo, 2018; Yamahaki & Felsberg, 2020).

As a result of the measures taken, at the end of 2021, 23 issues of green bonds by 13 issuers were placed, the total volume of which is about 330 billion rubles (Elbuzdukaeva et al., 2019), six issuers carried out nine issues of social bonds, the total volume of which is about 83 billion rubles. Funds were raised by placing bonds on the Moscow and Irish stock exchanges and over the counter. At the same time, the total volume of issues on green, social and sustainable bonds amounted to over \$320 billion (Shakhgiraev, 2021). At the same time, green bonds remain the most attractive sustainable financial instruments - 78% (Yingwei & Ji, 2022).

The main characteristics of issues of green/social bonds and bonds issued as part of the implementation of the tasks of national projects are shown in Table 2 (Shakhgiraev, 2019).

**Table 2.** Main characteristics of green/social bond issues and bonds issued as part of the implementation of national project objectives

<b>MICEX Sustainable Development Sector</b>	<b>Issuance or issuer policy requirements</b>	<b>Number of releases</b>	<b>Number of securities, pcs.</b>	<b>Denomination, rub.</b>
Green bonds segment Segment of “social” bonds Sustainability bond segment	Compliance of the issue, IP or issuer’s policy on raising funds with Russian principles and standards, as well as (ICMA, CBI), etc.	Compliance of the issue, IP or policy of the issuer with the principles of international organizations ICMA, CBI	19	271 226166 1000
	-	GBP Green Bond Principles		
Segment “national and adaptation projects”	Compliance of the issue, issuer or IP with the tasks of the NP: “Ecology”, “Housing and the urban environment”, “Demography”, “Health”, “Education”, “Labor productivity and employment support”, “Culture”, etc.	3	25000000	

*Note: Based on the official website of the Moscow Exchange [Electronic resource]. URL: <https://www.moex.com> IP - investment project; NP - national project; ICMA - International Capital Market Association*

Among the Russian issuers attracting investment in infrastructure are (Shakhgiraev, 2021):

1. FPK Garant-Invest, PJSC Sberbank of Russia, OOO SFO RuSol 1, the Government of Moscow, etc. - issuing green bonds;
2. SovCom Capital, MTS PJSC, Siberian Federal District of Social Development, etc. - issue of social bonds;
3. SOPF “Infrastructure bonds”, JSC “INK-Capital” - issue of bonds in order to implement the tasks of national and adaptation projects “Housing and Urban Environment” and “Ecology” (Podkolzina et al., 2021a).

The main areas for investing funds raised through the issuance of green bonds are (Agarkova et al., 2016): engineering, energy, real estate, waste management, and the transport sector. Green bond issuers include both federal and regional companies (Murtazova, 2021). Issuers of social bonds have attracted financing for the implementation of projects in the field of education, culture, healthcare, projects for the construction (reconstruction) of engineering, social and road infrastructure facilities for housing construction and the development of urban infrastructure, etc. both throughout the Russian Federation and in territories of individual subjects of the Federation.

Recent studies show and prove that:

- 1) “green” bonds are an instrument that will finance investments in climate and sustainable development in the future (Yamahaki & Felsberg, 2020);
- 2) “green” bonds bring higher returns (Fedorov, 2013);

- 3) the highest premium is observed for corporate “green” bonds of the new issue (Yingwei & Ji, 2022), (Shakhgiraev, 2019);
- 4) to strengthen the green bond market, as well as for other market sectors, a legal framework is needed, an effective monetary policy of the central bank (Reboredo, 2018);
- 5) the green bond market is associated with the corporate and treasury bond markets and weakly coincides with the stock markets (Murtazova, 2021);
- 6) unstable macroeconomic environment and insufficient legal protection of investors have a significant negative impact on the green bond market (Vorontsova et al., 2019);
- 7) bonds issued for infrastructure projects provide for an assessment of the financial performance of the issuer, in this they do not *differ from other financial instruments, therefore, the investor should not be exposed to financial risk* (Fedorov, 2013).

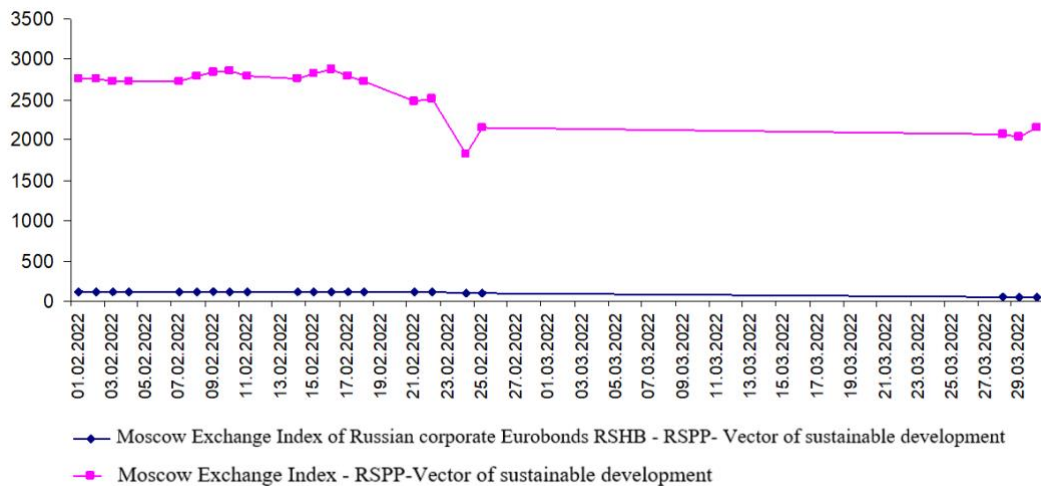
## 5. Research Methods

The study was based on generally accepted approaches in science: systemic, dialectical, philosophical and cultural, structural and functional.

## 6. Findings

Comparative analysis of the state of the securities market of Russian issuers that most fully disclose information on sustainable development issues and demonstrate the best dynamics in the field of sustainable development, the results of which are shown in fig. 3 and in tables 3 and 4 shows (Klishina et al., 2017):

1. indices of companies in the sustainable development sector have been falling since the beginning of 2022, a negative trend is observed in all indices, but their decline lags behind the rate of decline in shares of Russian companies (Podkolzina et al., 2021b): the Moscow Exchange 10 index and the blue chip index (Shmatko et al., 2016);
2. positive dynamics is observed in the bond index of the Growth Sector (+2.46%). Issuers of bonds included in the base for calculating this index are small and medium-sized businesses that issue bonds in order to attract investment (Podkolzina et al., 2021c). Similar dynamics can be seen in the High Yield Bond Index, which may include bonds from the High Investment Risk Sector;
3. the rate of decline of the index of Russian corporate Eurobonds RSHB - RSPP - Vector of sustainable development outpaces the rate of decline of indices for corporate and liquid Eurobonds and amounts to 64.04% (Podkolzina et al., 2021a).



**Figure 3.** Dynamics of Moscow Exchange indices: Russian Corporate Eurobond Index RSHB - RSPP - Vector of sustainable development and RSPP Index Vector of sustainable development

**Table 3.** Thematic and bond indices of the Moscow Exchange

Indices	Calculation base / number of companies	Asset category
RSPP Index Responsibility and openness, MRRT	24 companies, including: oil and gas companies - 50.9%; metals and mining - 24.1%; fin. sector - 15%; telecommunications - 4.1%	Shares of issuers that fully disclose information on sustainable development issues
RSPP index Vector of sustainable development, MRSV in rubles	21 companies, including: metal and mining industries - 35.8%, oil and gas sector - 23.4%; power industry - 19%; telecommunications - 9.3%; fin. sector - 4%.	Shares of issuers that showed the best dynamics of indicators in the field of sustainable development
Index of Russian corporate Eurobonds RSHB - RSPP - Vector of sustainable development, RUEUESG in dollars	17 companies such as: Lukoil Securities BV; Polyus Finance LLC; Gaz Finance Plc; Evraz LLC; VTB Capital SA MMC Finance DAC Novatek Finance DAC and others _	Russian Eurobonds whose issuers fully disclose information on sustainable development and corporate social responsibility

Note: Based on the official website of the Moscow Exchange [ Electronic resource]. URL: <https://www.moex.com>

**Table 4.** Comparative dynamics of the main indices of the Moscow Exchange since the beginning of 2022

	Change from the beginning of the month, %	Change since the beginning of the year, %
<i>Indices of shares of Russian companies</i>		
Moscow Exchange Index 10	-3.19	-38.35
Blue Chip Index	-0.99	-38.66
<i>Sustained Growth Stock Indices</i>		
RSPP Index Responsibility and openness	-0.9	-34.23



RSPP index Vector of sustainable development	-2.7%	-32.79
<i>Indices of bonds of Russian issuers</i>		
Index of Corporate Eurobonds RUCED, USD	-2.58	-63.9
Index of Russian Liquid Eurobonds	-2.32	-60.53
Growth Sector Bond Index	6.29	2.46
Enhanced Yield Index	7.13	-3.98
<i>Bond Indices of Russian Companies of Sustainable Growth</i>		
Index of Russian Corporate Eurobonds RSHB – RSPP – Vector of sustainable development	0.12	-64.04

## 7. Conclusion

Thus, in recent years, Russia has taken important and effective steps towards sustainable development, not only of an organizational nature, but also steps aimed at developing market mechanisms for financing projects affecting sectors of the economy, ecology and infrastructure. National development institutions, stock exchanges, large financial and credit institutions, ministries and departments are involved in the process of creating conditions for sustainable and socially responsible investment (Taranova et al., 2021).

The state of the securities market of Russian issuers, which most fully disclose information on sustainable development issues and demonstrate the best dynamics in the field of sustainable development, is characterized by the fact that stock indices show a high rate of decline, but, nevertheless, the rate of their decline lags behind the rate of decline of indices shares of Russian companies that adhere to traditional financial analysis (Podkolzina et al., 2021b). But the current values of indicators of the state of the sector of sustainable development of the Russian stock market cannot be considered as characteristic of it. The role and importance of companies that reduce economic, social and environmental risks in their activities will increase. In post-crisis strategies, the importance of ESG factors will inevitably increase.

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