



Association
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Businesses



MOVING TOWARDS SUSTAINABILITY

AEB's spotlight on the green agenda

**From COP27 to COP28:
major achievements in
global climate policy**

**Current situation in the
renewable energy market
of the European Union**

**Carbon markets and energy
transition instruments: what
business can do with them**

**Green finance market in
Russia: current status
and perspectives**



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Dear readers,

We are pleased to present the first ever AEB publication entirely dedicated to the issues of sustainable development and the green agenda.

It may seem that in the current times of unprecedented challenges and unpredictable circumstances, the topic of sustainability has dropped off the radar of everyone's attention, but this is a misleading perception. The green subject runs through the significant problems of the world today, as it has an impact on the very future of the planet and the well-being of the next generations. It is important not to lose the experience accumulated so far and to continue building it up even in such difficult conditions for all of us.

AEB has repeatedly addressed sustainability-related issues in its previous publications and activities. Since its establishment in 2021, the AEB Green Initiative Steering Committee, under whose auspices this magazine is prepared, has successfully organized or participated in more than three dozen events covering the green agenda in one way or another.

In this publication we have tried to collect the most relevant issues of this truly cross-sectoral topic, which affects the activities of a huge number of industries and requires joint efforts to solve problems.

The first part features an interview with Andrey Sharonov, CEO of the National ESG Alliance. It also provides an overview of global climate policy and the advancement of this agenda in Russia over the past year; trends in the development of the renewable energy market in the European Union; and energy transition instruments emerging in Russia.

The second section contains articles exploring the Russian green finance market; state ESG policies and rating systems; regulations to properly dispose office equipment; and the development of entrepreneurial creative thinking in response to environmental constraints.

The final part of the magazine introduces readers to specific examples of sustainability projects and initiatives implemented by companies from various industries.

We wish to express our heartfelt gratitude to all the authors for the interesting and informative materials submitted for the publication. We hope that the magazine will be useful to a broad audience – not only professionals in the area of sustainable development, but also representatives of the business community who would like to learn more about this topic, as well as all those who are not indifferent.

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Strategic vision: exploring green agenda paradigms

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START

Interview with Andrey Sharonov, CEO of the National ESG Alliance



ANDREY SHARONOV

CEO OF THE NATIONAL ESG ALLIANCE

Andrey Sharonov has been CEO of the National ESG Alliance since 2022.

From 2013 to 2016 he was Rector of the Moscow School of Management Skolkovo, and from 2016 to 2021 – President of the School.

In 2010-2013 he served as Vice Mayor in the Moscow City Government for Economic Policy, Science, Industry, Entrepreneurship, Trade, Competition Policy and Government Procurement.

In 1989-1991 he was a National Deputy of the USSR, and until 1996 headed the Russian Federation Committee on Youth Affairs. From 1996 to 2007 he worked in the Ministry of Economic Development and Trade of Russia as Head of Department, Deputy Minister, State Secretary, 1st Deputy Minister. From 2007 to 2010 he was Head of Investment Banking at Troika Dialog Investment Company.

Andrey is Chairman of the Board of Directors and Independent Director in a number of large companies. He has been awarded the Order of Honor, letters of commendation and honorary diplomas of the President of Russia and the Government of Russia, and is an Honored Economist of Russia.

The mission of the National ESG Alliance is to contribute to the preservation and development of the national ESG agenda in Russia by consolidating the efforts of big business and the state. What does the ESG agenda mean for you personally?

For me, this is a corporate refraction of the sustainable development agenda, a new worldview. It is new, not in the sense that no one has thought about it before, but in the sense that it is grouped in such a way that it includes a large number of completely different topics: ecology, climate, social policy, corporate governance, equal opportunities, anti-corruption policy, and so on. It is in a way a new religion in a secular incarnation.

If we talk about professional immersion in the ESG topic, it implies, to some extent, a greater complicity, empathy and feeling of being part of a global mechanism, as it gives an opportunity to feel the interdependence and fragility of the modern world. This affects the worldview and, as a consequence, behavior and decision-making.

What is the current work of the National ESG Alliance?

We focus on large infrastructure projects, each of which is born in response to business needs and the emerging market conditions.

For example, this year we launched ESG Disclosure, Russia's first digital public service for disclosing and comparing non-financial information of Russian companies. It is important that this is not a rating, but an opportunity for everyone to receive visual data (the service aggregates data from official sources) and compare any companies with each other according to specified parameters. Now

the resource already has over six hundred companies that have voluntarily disclosed their non-financial information.

We are preparing to launch several more large-scale initiatives: Methodology for assessing the contribution of business to the National Goals of the Russian Federation, a unique Interactive Map of Climate Initiatives of Russian business, the Quality of Life Index for small and medium-sized cities in Russia.

We also plan to work on public education, international cooperation, and compensation for the loss of some of the international standards and organizations that have left Russia.

Replacing international (Western) rating agencies that have left the Russian market is one of the most important infrastructural tasks for the Alliance today. It is crucial to create a national infrastructure for a fair assessment of Russian companies' success in terms of implementing ESG principles. Not so long ago the process of developing such a national network of ESG providers has intensified, and the Alliance has played one of the leading roles in this, including due to the fact that we managed to attract the attention of the Bank of Russia to the problem. Initially, the Central Bank was rather cool to the topic, as it considered ESG ratings to be uninformative and not very useful in terms of the main issue for the regulator – assessing the creditworthiness of organizations and the probability of their default. But rather quickly there was an evolution, during which the Bank of Russia saw that these two things are very related to each other.

At the legislative level, Russia has done quite a lot to support ESG. In your opinion, what additional measures should be taken by the government to develop ESG infrastructure?

Yes, in the period from 2019 to 2021, regulations were adopted that generally formulated the national sustainable development agenda and established rules of behavior in ESG spheres.

As for the most demanded measures, we can distinguish between material and non-material incentives. Material incentives mean, for example, subsidizing loans that companies take out for ESG related purposes. Non-material incentives are regulation of access to participation in public procurement. For a number of procurements it is quite possible to limit this access depending on the quality of ESG policies built in companies. This measure will not require budget funds but will allow supporting those companies that have clear results in terms of sustainable development.

Also, as an additional step, the provisioning norms for loans related to ESG projects could be changed. The Bank of Russia could lower them, making them more favorable for lending banks. I see that both the government and the Central Bank are now thinking in this direction, and I hope that decisions will be made very soon.

The last year and a half has been characterized by a significant withdrawal of foreign investors from the Russian market. How is this reflected in the quality of corporate governance?

The international investment community, of which independent (including foreign) directors were also a part, did a lot to raise the quality standards of Russian business in general, including the introduction of ESG standards. The departure of a large number of institutional Western investors, who were and remain the most consistent promoters of ESG standards and requirements, was a serious loss and resulted in the loss of an important incentive for development.

And yet, the recovery process has not only begun, but has also yielded significant results. I am basing this on my own experience of more than twenty years of work on boards of directors and on my participation in various clubs and organizations where the quality of corporate governance is discussed. It can be seen that Russian companies have in principle coped with the shock associated with the departure of independent directors, including foreigners.

The number of independent directors on boards, the frequency of their meetings, and the intensity of working committees' activities have decreased, if at all, only slightly. This is logical: we have lost access

to large Western markets, but we still have domestic investors. We are also looking at markets in the East for investment opportunities.

On the government side, there is now also an understanding of how to properly regulate the corporate governance system. At the beginning of this year, the Bank of Russia recognized the negative consequences of last year's decision to reduce corporate non-financial reporting requirements. The Central Bank wanted to help shield companies from sanctions pressure and protect some sensitive information. But many companies perceived this relaxation as an opportunity not to disclose any information at all. As a result, we see a fundamental violation of any logic of corporate governance: if a company has the status of a public company, then by definition it is obliged to inform investors about the results of its business, the current level of risks and similar things. And to refuse this reporting means to worsen the attitude towards both individual players and the Russian market as a whole. That is why it has now been decided to turn the situation around: whereas previously it was possible to hide any information except for a certain set of data, now it will be allowed to hide certain types of information, while the rest must be public.

In your opinion, what are the main challenges to the implementation of ESG standards?

The main obstacle in this matter remains the difficult economic situation caused by painful changes in the market, which made it difficult for companies to access resources, suppliers, sales markets, organization of logistics and settlements. Many companies have fallen under sanctions and received additional restrictions. The situation is very difficult, and this forces managers to switch to other priorities, putting the topic of sustainable development on the periphery of their interests.

It is important that business and government do not tell each other that it will be more appropriate to return to the ESG agenda at some other time. As experts believe, if companies drop the topic, they will still have to return to it, but the return will cost much more than an attempt to keep this movement going, to keep all the business processes within the company related to maintaining the sustainability agenda.

Another problem is that many companies, especially medium and small ones, do not yet have a sufficient understanding of how to take on this topic. There are

no strategies and no specialists capable of doing it. Even when there are specialists, they are often incorrectly embedded in the company's management system, structurally separated from the main production processes. However, successful implementation of ESG standards can be only when all the company's activities will be subordinated to their requirements, and ESG strategy will become an integral part of all business processes and the business model itself.

This is still lacking, but it is a matter of time. It is also a matter of training personnel, improving the regulatory framework, which is gradually changing towards the actualization of such requirements. In addition, the business culture itself is also changing and is becoming more and more receptive to sustainability issues – in this regard, a special role is played by relations with foreign partners, who are increasingly demanding that Russian suppliers comply with a certain set of rules.

In conclusion, what arguments for following ESG principles would you give for companies that have not yet embarked on this path?

First of all, I would suggest going deeper into this topic. To think about the fact that if one part of the world is committed to doing away with harmful technologies and is itself taking a large number of steps in that direction, then we need to be wary of a big gap where a company that ignores those demands will simply become uninteresting to that part of the world. That's a bad story for such a company.

We also need to think about the quality of life in the city where we live, where our company is located. To think about what happens to our products, what carbon footprint they leave, how much waste they create, and what we do to reduce that footprint or encourage reuse.

In time, the government will force businesses to pay attention to this at the legislative level. If you thought it would be fine, after a while you will find yourself in a situation where you will have to hurry up with investments that others have made earlier, because in this situation you will not be able to work with such a level of emissions and waste.

Last, but by no means least, is the ethical factor: how responsible everyone feels for the quality of the environment in which future generations will have to live. What state will they get our planet in: will it be a dead end or an opportunity for a decent life?

From COP27 to COP28: major achievements in global climate policy



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Ernesto Ferlenghi has more than 25 years of experience in managing and developing international projects in the energy sector.

Over the past five years, Ernesto has been actively engaged in sustainable development issues and promoting the energy transition agenda.

On November 30, 2023, the 28th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) will start in Dubai. The COP has for many years been the main platform for discussing the global challenge of climate change and developing common approaches to address it. The longer this discussion continues, the more urgent and relevant the issues discussed by conference participants become.

This year, in addition to discussing the common goals of achieving carbon neutrality in the world, COP28 participants will try to agree on some tools to meet these objectives. First of all, we are talking about the rules of the fund for particularly vulnerable countries, which will be aimed at compensating for damage caused by climate change (Loss and Damage Fund). The parties agreed on its creation last year at COP27. The harmonization of rules and standards for regulating the international market of carbon units will also be a key issue on the agenda.

It is known that according to the report of the International Carbon Action Partnership (ICAP), the trend of creating and developing new systems of carbon trading in different countries is only increasing. Moreover, it should be noted that trading in carbon units is becoming a more profitable business: the income of countries from this activity in the world last year reached a record USD 63 billion. According to ICAP, globally there are 28 systems of carbon trading, and 20 systems are under development or consideration.

Each year, the role of the world's largest economies in achieving carbon zero becomes more and more evident. Only through joint efforts and a balanced approach will our countries be able to meet this planetary challenge.

Investment in renewable energy

According to a BloombergNEF (BNEF) report, global investment in low-carbon energy development in 2022 totaled USD 1.1 trillion, another record (Figure 1). It is important to note that despite the energy crisis, the world is nevertheless continuing to move towards accelerating and incentivizing the use of clean energy technologies.

At the same time, sectors related to renewable energy, energy storage, electrified transportation, carbon capture and storage, hydrogen and sustainable materials also reached new investment records in 2022.

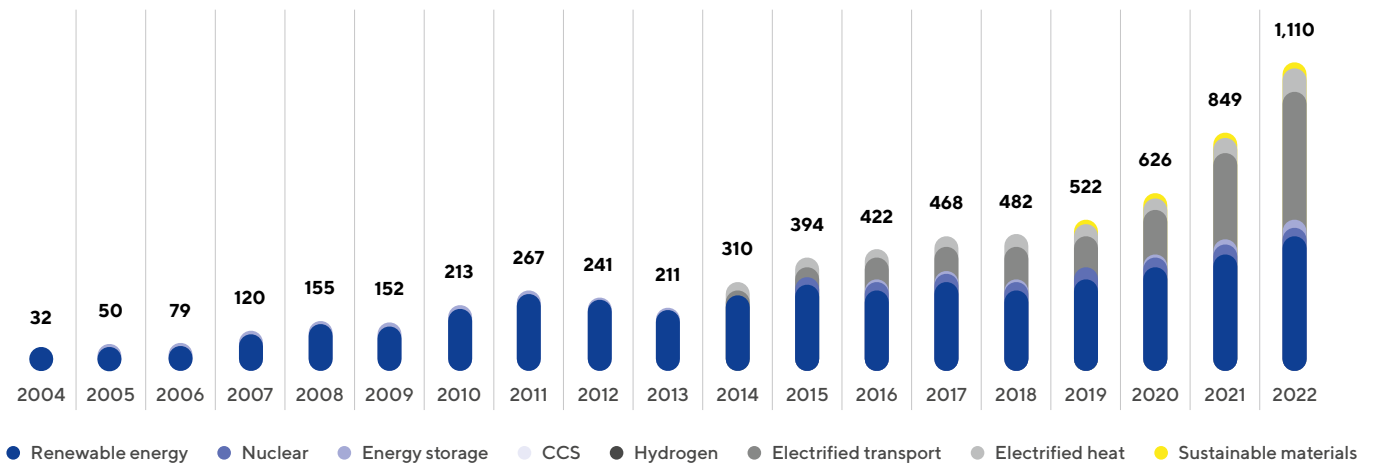
Renewable energy, including wind, solar, biofuels and other forms of energy, remains the largest sector by investment as before, reaching a new record of USD 495 billion last year (up 17% by 2021). However, the electrified transportation sector, including spending on electric vehicles and infrastructure for them, has almost overtaken renewables, with USD 466 billion (+54%) spent in 2022.

Leveraging green finance

Green bonds are playing an increasingly prominent role each year as part of the development of low-carbon projects and climate technologies. According to Bloomberg data, total issuance of sustainability-related bonds in the first half of 2023 amounted to about USD 570 billion.

In the first half of 2023, green bond sales rose 22.2% to USD 351.9 billion. Significant new issuance in countries such as Germany and France in June 2023 allowed the public sector to take the largest market share of these securities.

Figure 1. Global investment in energy transition by sector, USD billion



Source: BloombergNEF

Key processes of climate agenda development in Russia

From the point of view of promoting the regulatory framework for sustainable development in Russia, an important event was the adoption of the country's Climate Doctrine in September 2023. In this document, Russia reaffirmed its commitment to achieve carbon neutrality, taking into account national interests and priorities of socio-economic development no later than 2060.

Among the practical steps in the implementation of national projects in the sustainable development sector it is necessary to note the launch of the Register of Carbon Units of the Russian Federation in September 2022. This mechanism will stimulate the development of climate projects in the country. Thus, Russia launched a voluntary market of carbon units and, simultaneously with the start of the Sakhalin experiment, a regulated market, that provides for quotas for greenhouse gas emissions and units for the fulfillment of quotas.

In addition, the President of the Russian Federation signed Federal Law No. 489-FZ dated August 4, 2023 "On Amendments to the Federal Law "On Electricity", which laid the foundation for a certification system for low-carbon electricity sources in the country. In addition to the green energy certificate itself – the most important tool to support the development of RES projects, the Federal Law established the status of generation attributes – rights related to the characteristics of the electricity generation process at a qualified generation facility.

In the first quarter of 2024, a national certification system for low-carbon electricity generated from renewable energy sources, hydropower and nuclear power plants is expected to be launched. This



In the Climate Doctrine adopted by Russia in September 2023, the country reaffirmed its commitment to achieve carbon neutrality, taking into account national interests and priorities of socio-economic development no later than 2060.

system will be used to maintain a registry that will include generating facilities that produce more than 200 million MWh annually.

The changes themselves, concerning green certificates and the rules for their circulation, will come into force 180 days after the publication of the Federal Law.

Global climate policy in 2023

Although record levels of greenhouse gas emissions and an increased focus on energy security are expected in 2023, the global trend towards decarbonization will undoubtedly continue. At the same time, some EU countries are accelerating the development of renewable energy sources, and the EU itself has introduced cross-border carbon regulation (test period) as of October 1, 2023.

The global market for carbon units is evolving and many countries are improving their climate legislation. Developing countries that are most vulnerable to climate change will need additional financing.

CIS countries are also focused on sustainable development, including the development of renewable energy. In February 2023, President of Kazakhstan Kassym-Jomart Tokayev signed a decree approving the Strategy for Achieving Carbon Neutrality of the Republic of Kazakhstan until 2060. Kazakhstan has committed to increase the share of solar and wind energy in the country to 46% and 33% respectively by 2060. Uzbekistan also plans to develop renewable energy sources in the country – to reach a level of electricity generation from low-carbon sources of at least 25% by 2030.

Such plans to develop a green economy and introduce further low-carbon regulation in the region create opportunities to attract foreign companies to such projects, including Russian companies. In order to intensify climate dialogue in the countries of the region, the Eurasian Economic Commission is working to synchronize common standards in the field of green finance and climate regulation.

Current situation and obstacles in the renewable energy market of the European Union



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Yuriy Manjilevskiy has managed project development of renewable energy sources for over 10 years, mostly in wind energy projects within German Development Company in Russia and Kazakhstan.

He headed the implementation of the Climate Positive Strategy, including energy efficiency and CO₂ reduction in Russia.

Yuriy currently manages renewable energy development and acquisition of wind and solar projects in European countries.

As the development of new energy capacities accelerates in the European Union (EU), electricity production from renewable energy sources such as wind and solar power is increasing. Simultaneously, the energy crisis put some downwards pressure on power consumption, resulting in decreasing fossil generation. This situation led to variable renewable energy sources overtaking fossil fuels in the second quarter of 2023, becoming the leading source of power production in the European Union (Figure 1).

In 2022, more than 40 GW of new solar capacity were connected to the EU grid, increasing the total installed solar capacity by almost 50%.

Wind capacity additions amounted to 16 GW, having increased by 4% in 2022 compared to 2021. Almost 90% of new installations were onshore wind farms. Despite the challenging economic situation, high inflation of material costs and supply chain difficulties, 2022 was a record year for installations in Europe. However, according to WindEurope these new installations are not enough for the EU to meet its 2030 Climate and Energy targets. WindEurope expects the EU to install 20 GW of capacity a year in the next five years when the annual additions should exceed 30 GW in order to reach the 2030 goals. Permitting bottlenecks are the main constraints to the rapid development of wind energy. An assessment done in 2020 by WindEurope showed that the permitting procedures could take up to

10 years when the construction phase is of about 2 years. In April 2023, 80 GW of projects were awaiting permits across Europe. The European Commission's REPowerEU plan was also designed to lift these barriers and shorten the permitting period.

In spite of these different constraints, solar and wind power production is on track to break historical records in 2023 in the European Union. The outlooks published by SolarPower Europe and WindEurope show that the share of solar and wind energy in total production will continue to increase.

In addition to higher renewable production, power consumption in the EU was lower than average in the first half of 2023. This decrease was mainly caused by emergency measures taken in the context of the energy crisis. In September 2022, EU ministers agreed on a mandatory target to reduce electricity consumption by 5% during peak hours, in an effort to decrease the price volatility. These measures were implemented between December 2022 and the end of March 2023. Soaring power prices were causing a lot of demand destruction across many energy-intensive industries, such as steel and chemicals.

Power consumption was also partially lower due to the warmer than average temperatures caused by global climate change. On the one hand, the winter of 2022/2023 was the second warmest ever recorded in Europe, therefore there was a softer demand for the heat-

ing. As a result, power demand dropped by 9% in the fourth quarter of 2022 and continued to be lower than average in the first half of 2023. In May 2023, total demand plummeted to 247 GW.

This drop in average consumption in combination with an increase in renewable power output has significantly reduced the demand for fossil fuels. Coal power production dropped by 32% and gas production fell by 22% in the first half of 2023 compared to the same period in 2022. In May 2023, the average coal power output fell below 30 GW and was even lower than coal generation during the first lockdown of COVID-19. Gas production was also the lowest ever recorded in May 2023 at 33 GW.

As a result of the impressive drop in fossil power production, the average carbon intensity in the EU also decreased significantly in the first half of 2023 compared to historical averages. In the second quarter of 2023, the average carbon intensity was 244 gCO₂eq/kWh, down by 19% compared to the second quarter of 2022.

The combination of conditions that has enabled the variable renewables to overtake fossil generation for two months is exceptional. Due to climate change, the frequency of extreme weather events will increase in the future and this could be in favor of wind or solar power generation depending on the season. The demand destruction caused by the energy crisis is unexpected and it is not clear if this reduction will sustain in the future.

As with the COVID-19 pandemic, we may observe a rebound effect towards

the end of 2023 as power prices return to lower levels. Total consumption of energy in the EU is likely to increase which will make the demand for fossil fuels peak and generate higher carbon emissions. The IEA pointed out in a commentary that behavioral changes in the residential and services sectors as well as voluntary energy savings induced by government-led public campaigns contributed to the demand decline in 2023. These initiatives are good long-lasting solutions and can enable a further sustainable demand reduction in the future which will drive the fossil-fuel phase out.

As power capacity increases in Europe, renewable power production will continue increasing in the power mix. Renewables will overtake fossil generation on a more consistent basis in periods where weather conditions are favorable along as countries adopt fossil phase-out plans. However, a high renewable penetration remains uncertain and dependent on weather conditions. As seen in the second half of June 2023, the trend switched again as wind speeds in Northern Europe were abnormally low. Temperatures were also on the upper side of normal, increasing the demand for cooling. Lower renewable energy availability meant that fossil fuel generation was necessary to cover the additional demand.

Renewable energy variability can be mitigated by upgrading grid transmission capacities, both regional and international. These strategies need to be supported by efficient policies at European and national levels. On the demand side, a key lever to ensure the du-

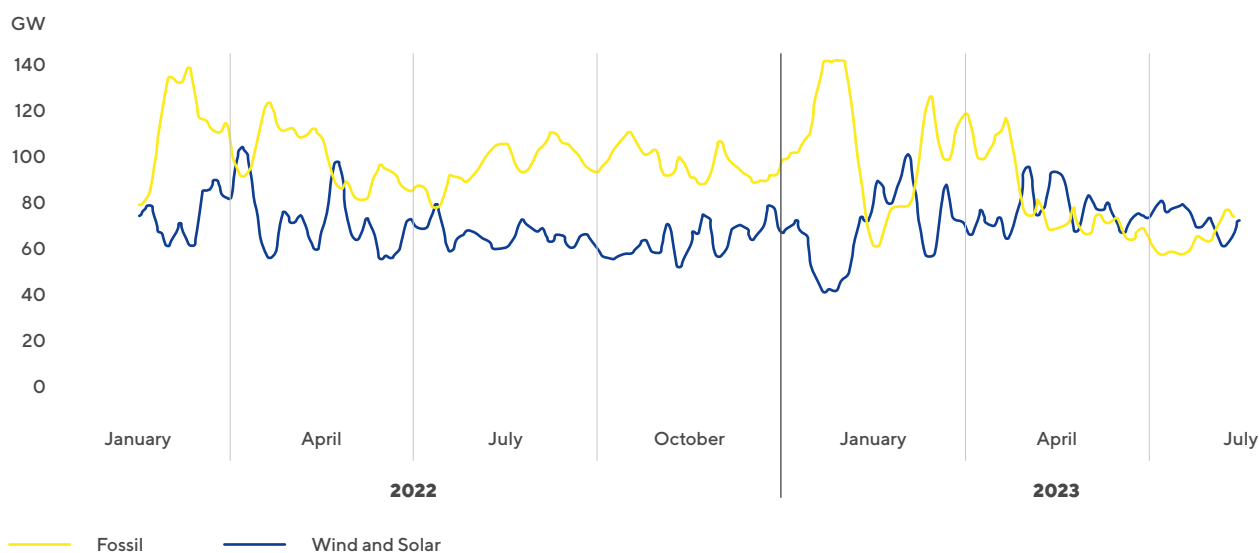
rability of this trend is the sustainable decrease of power consumption. This can be achieved by enabling energy efficiency strategies and load shifting for households and businesses. By empowering the final consumers to adjust their consumption patterns based on renewable penetration, electricity prices and the carbon intensity of the mix, fossil generation sources will be pushed out of the power mix for longer periods of time.

Experience transfer for advanced energy efficiency in Russia

The use of renewable energy has many potential benefits, including a reduction in greenhouse gas emissions, new investments and taxes, the diversification of energy supplies and a reduced dependency on fossil fuel markets (in particular, oil and gas). The growth of renewable energy sources may also stimulate employment in Russia and CIS countries, through the creation of jobs in new 'green' technologies.

Transitioning towards renewable and sustainable energy systems is a complex process that requires thorough planning of policies, legislation, and implementation. A key message is that there is no one-size-fits-all package for sustainable energy transitions, as each country's objectives, capabilities and constraints will shape its policy approach. And currently there are many countries that are undergoing or planning their transitions towards sustainable energy systems through a combination of policy measures, advanced technologies and changes in consumer behavior.

Figure 1. Dynamics of variable renewable energy and fossil fuel production in the EU



Carbon markets and energy transition instruments: what they are and what business can do with them



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Roman is a driving force of Melling, Voitishkin & Partners' ESG practice. He advises major multinational and Russian companies on climate and environmental laws, regulatory and transactional matters of renewables and certificates of origin of energy, hydrogen, waste, CCS/CCU and electric vehicles.

Abstract:

The article aims to navigate businesses operating in Russia through a variety of decarbonization instruments established in global markets and now rapidly emerging in Russia. Properly selected instruments may help companies to achieve their ESG targets and in some cases comply with mandatory regulatory requirements. Use of these instruments may also be central to ensure bankability of investment projects with ESG flavor.

Basic concepts

Allowances and attributes

The pursuit of regulatory and voluntary corporate climate initiatives over the last several decades has created a monetary value of:

- » **Emission allowances** – administrative permits to emit certain amount of greenhouse gases (GHG) measured in carbon dioxide equivalent (CO₂e). Companies purchase and retire the allowances to comply with their statutory obligations under regulated emissions trading system (ETS).
- » **Voluntary carbon credits and clean power attributes** – intangible attributes of clean power pro-

jects and projects that directly or indirectly result in GHG reduction, prevention or sequestration that can be sold as contractual items. In most cases companies purchase the credits and attributes to comply with their voluntary carbon management and renewable energy programs.¹

Carbon credits, energy certificates and PPAs

Climate projects and carbon credits. The attributes of GHG reduction, avoidance or sequestration projects (climate projects) are formalized as carbon credits also known as carbon offsets, emission reduction units or emission removal units.

¹ Carbon credits and power attributes belong to different markets: carbon markets per se (credits) and power markets (EACs). However, they both effectively represent the same – the right to report that the company has contributed to global energy transition and climate objectives by purchasing and retiring the carbon credits or energy attributes certificates (EACs). To that extent, carbon credits (attributes of climate projects) have more similarity with EACs (attributes of power projects) than allowances.



Properly selected instruments may help companies to achieve their ESG targets and in some cases comply with mandatory regulatory requirements. Use of these instruments may also be central to ensure bankability of investment projects with ESG flavor.

Power attributes, certificates and PPAs. The attributes of a megawatt hour (MWh) of low-carbon power are certified by energy attribute certificates (EACs). Various EAC tracking systems have different titles for EACs, such as renewable energy certificates (RECs), guarantees of origin (GOs) or green certificates.

EACs can be sold under a corporate power purchase agreement (bundled EACs) or separately from the corporate power purchase agreement (PPA) (unbundled EACs). Sometimes, the green attributes are transferred directly under a specific clause in the PPA – absent of EACs. The PPAs can take two core forms:

- » **Physical PPA** – whereby the corporate offtaker commits to purchase power as such from the generator at the freely negotiated price comfortable to both parties. The power due to its physical nature would still be transmitted via public electric grid where it will be mixed with power generated by other sources.
- » **Virtual or synthetic (VPPA)** – whereby the parties commit to hedge the price for power. Put simply, under the VPPA the power generator and corporate offtaker agree on certain strike price. That price differs from the actual market price at which generator sells and offtaker buys the power. If the strike price exceeds market price in a given period (disadvantageous for generator) – the offtaker compensates the difference to the generator. And vice versa, if the market price exceeds the strike price (disadvantageous for offtaker) – the generator pays the excess to the offtaker.

Both physical and virtual PPAs achieve the same goal. They enable the generator to recoup the investments into the power station and to repay the bank loans and other finance borrowed for the project. The offtaker benefits from predictable power costs for power and its green attributes.

Additionality

Carbon credits. Not every climate-related activity represents the climate project eligible to generate carbon credits. The climate projects must comply with a number of requirements such as additionality. In brief, the additionality test implies that a given company would not have implemented the climate project, should it be unable to benefit from the revenue stream from selling the carbon credits.

EACs and PPAs. The additionality test does not explicitly apply to EACs. In practice, unbundled EACs are sometimes criticized for having little additionality due to their relatively low cost and inability to incentivize new power projects. To the contrary, PPAs are viewed as having greater additionality – as they often help power producers to secure financing for a new (additional) greenfield power project that the power generator would have built absent of the PPA – either physical or virtual.

Compliance and voluntary markets

Carbon markets. The compliance carbon systems taken broadly include state-regulated ETSs and carbon tax systems – both of which establish a ‘price on carbon’. Voluntary markets are normally administered by independent private institutions – such as Verra, Gold Standard or Global Carbon Standard. In some cases, voluntary markets can be state-administered.

The ETS-regulated entities purchase emission allowances or emission performance credits to comply with their statutory obligations. Voluntary carbon credits are purchased primarily to comply with voluntary GHG targets, and less often to fulfil a certain percentage of their obligations under the ETS (California, China) or carbon tax (South Africa).

EACs. In compliance markets, utilities or other regulated entities may purchase and redeem EACs to fulfill their

statutory obligations – such as utility companies in several US states under the regulation called Renewable Portfolio Standard (RPS). As another example, some Chinese companies must purchase certain amount of renewable-based power or EACs that underpin such power.

In voluntary markets EACs are commonly used by non-regulated companies to fulfil their voluntary renewable energy goals and/or reduce Scope 2 emissions.

The Paris Agreement

1.5°C and NDCs. The Paris Agreement sets a framework objective to keep the increase in global average temperature to well below 2°C above pre-industrial levels and to work to limit the temperature rise to 1.5°C. Countries that joined the Agreement submit their action plans to contribute to that objective by reducing their GHG emissions. These plans are known as Nationally Determined Contributions (NDCs). Countries must update their NDCs every five years.

Carbon market. Article 6 of the Paris Agreement aims to incentivize countries to adopt more ambitious NDCs by allowing the countries themselves and businesses thereof to trade:

- » *ITMO.* Article 6.2 enables the states to trade in internationally transferred mitigation outcomes (ITMOs) through bilateral or multi-lateral arrangements. Private entities may also play a role in the ITMO mechanism by generating the underlying GHG reductions or removals.
- » *A6.4ERs.* Article 6.4 establishes the Sustainable Development Mechanism (SDM) to create a universal carbon market for public and private entities. Over time, voluntary projects may seek to transition into the SDM, should comparable methodologies be available. Possibly, the SDM units will become recognized in international and domestic schemes.



Parties to the Paris Agreement are working to develop the rulebook for ITMOs and A6.4ERs trade. Whilst such multilateral rulebook is pending, some countries entered into bilateral agreements to cooperate in their NDCs achievements – arguably opening opportunities for their private sectors.

Russian carbon and green attributes markets

Carbon market

Federal carbon market. In 2021, Russia adopted the Federal Law on Limiting GHG Emissions. The law sets out the basic principles of Russia’s nationwide climate projects and carbon credits trading. Several Russian companies have already registered their climate projects in the national carbon registry. Some of them have already sold their carbon credits generated by such projects.

Other companies have issued and sold carbon credits in other carbon registries operated by independent private institutions.

Regional compliance market – Sakhalin ETS. In March 2022, Russia passed a federal law on the trial of regional cap-and-trade systems. The Sakhalin Oblast would be the pioneer region to set up such a system. Recently, the authorities have approved caps for local regulated companies. Companies that overperform their caps may sell the emission performance credits to underperforming companies. Compliance with caps can also be achieved by purchasing voluntary credits registered in the federal carbon registry regardless of region where the underlying climate project was implemented.

Kaliningrad Oblast, Irkutsk Oblast, Khabarovsk Krai, Khanty-Mansi Auto-

nomous Okrug, Altay Krai, Bashkiriya and some other regions may follow-up once the Sakhalin ETS gets well-tested.

International cooperation and the Paris Agreement

Russia’s current NDC entails reduction of GHG emissions by 2030 to 70% relative to the 1990 level – which equals a 30% emission reduction target. The target is subject to the maximum possible absorptive capacity of forests and other ecosystems and is subject to the sustainable and balanced social economic development of the Russian Federation.

Some argue that Russia may easily overperform its NDC target. This opens the possibility for Russia to be the “donor” in terms of helping other countries to achieve their NDCs, if Russia enters into bilateral interstate agreements with relevant countries or if multilateral rules under Article 6 are developed. That may potentially enable companies operating in Russia to either:

- » access the funding for climate related activities within Russia from those countries or businesses thereof by engaging into Article 6 or other mechanisms (project developer perspective); or
- » implement climate projects outside of Russia to offset their Russian or global GHG emissions (offsetting company perspective).

Similar opportunities may also derive from Russia’s efforts to a single carbon market with EAEU and BRICS+ countries.

Power attributes, EACs and PPAs

Attributes and EACs

I-RECs. In 2020-2022 Russian renewable (including large hydro) generators have been able to issue and sell international renewable energy certificates (I-REC). I-REC platform has been administered by I-REC Services B.V., a Dutch private company. The non-profit association Goal Number Seven Association has been acting as the local issuer of I-RECs. In the two years of its operation, the I-REC registry has registered 86 Russian power plants and 3.5 million certificates. In March 2022 I-REC suspended its Russian operations.

Carbon Zero. In 2022 a new private actor – Carbon Zero – launched its registry and standard in replacement of I-RECs. Most of Russian clean power

generators have registered with Carbon Zero. There have already been several landmark transactions with Carbon Zero certificates.

Sber. In September 2023 Sber kicked-off its own power certification system.

National EACs. In August 2023 Russia passed amendments to power law that introduced a concept of power attributes which may be sold (i) attached to power via a PPA or (ii) separately from power – being certified by EACs. Apart from renewables, nuclear power plants will also be eligible to generate the attributes.

EAEU EACs. Russia and other Eurasian Economic Union countries are working to enable cross-border transfer of EACs as part of broader efforts to create a single power market.

PPAs

Russian law allows power generators and consumers to enter into PPAs on wholesale and retail markets, as well as to structure multi-tier contractual arrangements involving utility companies. These instruments require further perfection, in particular with a view to promote the PPAs as instruments to incentivize investments into new (additional) power projects in line with the global PPAs practice.

What may business consider doing with these tools?

- » Testing various contractual models with EACs and carbon credits – such as single time purchase, recurring purchase, call option and others.
- » Making revenue streams out of selling EACs and carbon credits part of investment projects business models to improve their bankability.
- » Testing corporate PPA outside of Russia.
- » Adapting global corporate PPA models to the Russian landscape.
- » Acquiring a foreign corporate PPA generator in a jurisdiction with the established PPA practice.
- » Participating in clean power or climate projects as an equity investor – including in partnership with other businesses with ESG targets.
- » Developing new climate projects methodologies – including in new areas such as hydrogen or CCS/CCU.
- » Exploring existing and proposing new regulatory and tax incentives for projects with the ESG dimension.





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Green framework: providing advice for companies



Green finance market in Russia: current status and perspectives



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Anna Otkina's professional interests mainly focus on transport infrastructure, aviation and shipping. Anna has over 20 years of experience advising leading international and Russian banks, leasing companies, airlines, helicopter and shipping companies on operating aircraft in Russia and worldwide.

Anna was among the first legal practitioners who assisted Russian banks in setting up their leasing operations, and continues to be a driving force behind key market developments.

Anna also advises on corporate, commercial and regulatory matters for clients in the transport infrastructure, aviation, shipping and other sectors.

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**ILYANA
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Ilyana Scherbakova, having almost 10 years of experience, focuses on local and international asset finance, project finance, pre-export finance and acquisition finance transactions involving major Russian and multinational companies, financial institutions and export credit agencies.

Ilyana also advises clients on purchase, construction, delivery, and leasing of high-value assets, including commercial aircraft and private jets, vessels and ships.

She was closely involved in the work of the Russian Aviation Working Group working on the implementation of the Cape Town Convention in Russia. She also worked on several pro bono and research projects, ranging from financial inclusion and human rights to green financing and sustainability.



**VLADIMIR
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Vladimir Mymrin advises on aviation and shipping finance transactions, commercial and corporate law general matters, and issues related to the application of EU, UK and US sanctions.

Vladimir has experience in assisting clients with the preparation of financial documents (loan agreements and related securities) and legal opinions on Russian and foreign law matters, mainly in the transport and energy sectors.

Abstract:

The article explores the current status of the green finance market in Russia. The main focus is on the instruments used for raising finance for ESG projects (loans and bonds as key instruments, insurance and crowdfunding as developing instruments) and ancillary regulations aimed at making green finance more accessible and popular (green taxonomy and other regulations, prospective carbon units' market). Special reference is made to state support (subsidies of green projects).



Green finance market in Russia today

The role of environmental, social, and governance (“ESG”) and green finance has been rapidly increasing around the world for the last decade. Investors kept supporting green projects even during the global economic recession of the past two years. This is equally relevant for the Russian green finance market, which is expected to continue developing despite the current trends in the global economic situation.

By the beginning of 2023, Russian companies have issued green bonds in the aggregate amount of almost RUB 395 billion. Based on figures for 2022, Russian financial market participants also issued ESG loans in the amount of RUB 1.85 trillion. Major financial institutions, such as Sberbank, Gazprombank and DOM.RF have been implementing comprehensive long-term strategies for green loans and bonds. Recently Sberbank went significantly beyond its earlier plans and increased its sustainable financing portfolio up to RUB 1.3 trillion, while Gazprombank provided financing to the landmark renewable energy project of Kuzminskaya WPP and participated in organizing the first placement of green bonds of the Government of Moscow. DOM.RF, the largest state bank in the housing finance sector in the country, actively promotes green finance in the real estate infrastructure sector (including through the mechanism of providing loans for purchasing apartments in energy-efficient houses with low interest rates for the borrowers (also known as a “green” mortgage)).

Major investors in the Russian market continue to express an interest in ESG and see a significant potential for financing green projects, including in the transport sector such as the construction of LNG-powered marine vessels and the development of electric and hydrogen-powered engines.

Therefore, the green finance agenda in the Russian economy remains relevant, which is also evidenced by the development of public and private financing and support instruments as indicated below.

Sources and support of green finance

There are two key sources of finance and support for green projects in Russia: private and public.

The first includes investment in and support of green projects by private

companies and individuals, which can be presented in the form of green loans, green bonds, environmental liability insurance and even crowdfunding.

The second — public support and financing — plays a driving role in the development of the sector. It includes the financing of green projects directly by the federal and regional governments and state support for the private sector (subsidies to promote the “best available technologies” in the industry sector and regulating the green bonds and carbon unit markets).

Instruments of private green finance

Sustainable loans and green bonds are the key instruments in the market for financing ESG, climate or environmental projects (“ESG projects”).

Green loans are usually provided by financial institutions for financing green projects. The borrowers under such loans are required to use all (or at least part) of its proceeds to fund relevant projects making a substantial contribution to an environmental objective. A typical green loan includes a list of covenants obliging the borrower and/or other obligors to, for instance: (i) comply with various environmental indicators, (ii) implement new technologies and an ESG policy, and (iii) perform other actions that decrease environmental damage.

Issuance of fixed-income debt financial instruments (i.e. green bonds) is another way for raising finance for ESG projects. Usually, green bonds are circulated in the public market, which makes them attractive for promoting green projects in the community.

Green loans and bonds are the most widely used mechanisms of green finance in Russia. Examples of projects in the country implemented with their use include the construction of renewable energy facilities in various regions, the construction of eco-technoparks for waste recycling and utilization by Rosatom and the development of electric transportation, including the purchase of electric buses by the Moscow government and the purchase of electric trains by Russian Railways.

Environmental insurance and crowdfunding are relatively new and developing instruments for supporting and financing ESG projects and not so widespread as green bonds and loans.

Environmental insurance covers various insurance instruments linked, one

way or another, to ESG projects and their financing by other instruments. For example, Russian energy sector companies producing and transporting oil, gas and other natural resources use voluntary and obligatory liability insurance (depending on the types of insured activities) to cover the risk of accidents resulting in environmental pollution. In addition, insurance companies provide credit risk insurance in relation to green loans. Another instrument is index-based (parametric) insurance which provides that the insurer pays insurance compensation when parameters of the risk event (e.g. the level of water in case of a flood, wind speed in case of a hurricane, the magnitude of an earthquake, etc.) reach the limits defined in the insurance agreement.

Crowdfunding is another way of financing ESG projects allowing the fundraisers to obtain funds from the general public (individuals and companies) who are passionate about the ESG agenda. It can be effected either in the form of charitable donations (on a non-refundable and interest-free basis) or as a commercial activity (debt, equity-based or royalty-based financing).

The core Russian financial institutions and commercial companies are actively involved in promoting green finance through various legislative initiatives and by developing their own policies. They work in close collaboration with federal and regional authorities.

The most notable collaboration project is the green taxonomy developed by the State Development Corporation VEB.RF together with the Government of Russia in 2020-2021 defining the list of ESG projects which may attract low-cost financing. In spring 2023 it was amended to include, inter alia, projects implementing energy-efficient housing and hydrogen transport infrastructure and to introduce standards for regular ESG reporting.

Another result of such collaboration is the development of the standard (“GOST”) for energy efficient construction projects by DOM.RF.

State support

The Russian Government plays a leading role in developing and promoting ESG initiatives and provides the following key instruments of support and regulation in the ESG sector:

- » **Subsidies.** The Russian Government allows the grant of subsidies to companies issuing green bonds

and/or attracting green loans from Russian banks with a purpose of implementing “best available technologies” (the criteria of which are determined by the Government in the corresponding resolution) at facilities that have a significant negative environmental impact. The subsidies are aimed at the partial reimbursement of such companies against coupon payments/interest payments.

- » **Green bonds regulation.** The Central Bank of Russia, exercising its financial regulatory role included in its regulation on the issuance of securities a legal framework for green bonds, setting out the requirements for issuing green bonds in the public market. For instance, such regulations take into account international ESG efforts and provide that the decision to issue bonds may include information on the intended purpose of the issuer’s activities related to the achievement of ESG goals set out by the United Nations and the Paris Agreement.
- » **Carbon Unit Market.** The Russian Government actively develops the carbon unit market by adopting relevant legislation, including the legislative experiment in the Far East. As part of this initiative, the carbon unit register and the register of CO2 emissions started functioning in the second half of 2022 and the second half of 2023, respectively. Carbon units are released to the market by companies implementing “climate projects” that reduce CO2 emissions, e.g. planting and restoring forests, sustainable agriculture. The idea of this initiative is to encourage companies to implement green technologies to receive additional income from the sale of carbon units to those entities that need to use them to reduce their carbon footprint. Carbon units have significant potential in ESG projects – they can serve as an indicator and proof of the ESG-nature of a project and they may potentially (if the relevant legislation is implemented or clarifications are given) be used in transactions (e.g. be pledged in favour of financing banks).

There are other state support initiatives for green projects under discussion in Russia, including tax incentives and benefits (e.g. zero tax rates on green bonds) and subsidies for interest rates of green loans not necessarily related to implementing the “best available technologies”. Some experts also suggest implementing punitive incentives such as increased loan interest rates and taxes for polluting companies.

Case-study: green loan in the Russian market

In conclusion, based on the current practice in the Russian market and the available and potential (prospective or actually being developed) finance and support instruments described above, a basic structure of a potential financing transaction in respect of an ESG project may look in the near future as follows:

- » A Russian company (e.g. from the transport, natural resources or energy sector) introduces a comprehensive ESG strategy which includes a business plan to implement the “best available technology” reducing CO2 emissions in its daily operations complying with green and ESG standards set by financial institutions – potential lenders (in-

cluding, possibly, the green taxonomy mentioned above). The company provides multiple major Russian banks with a draft proposal for a green loan accompanied by the results of the independent appraisal of the company’s ESG activities.

- » The bank provides to the company a green loan which contains a specific purpose for use of funds and a set of green covenants similar to the one described above. The company commits, *inter alia*, to publish annual ESG reports and to prepare a set of reporting indicators to describe the environmental benefits as a result of the ESG project’s implementation.
- » The company obtains a subsidy from the Russian Government for partial compensation of the interest payable under the green loan in favour of the bank.
- » The company implements and operates the “best available technology” in its daily activities which may be considered a “climate project” for the purposes of carbon units regulation. Consequently, the company may obtain carbon units and use them for the sake of the respective ESG project (sells them to other market participants to generate an additional source of income or, potentially, pledge them in favour of the financing bank).



The core Russian financial institutions and commercial companies are actively involved in promoting green finance through various legislative initiatives and by developing their own policies.

Status and potential of ESG laws and ESG rating systems in Russia



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The trend of ESG awareness, which originated in United Nations reports in the early 2000s, has not slowed down despite COVID-19 and the unstable political situation, but has rather accelerated globally. Environmental, social and governance issues of entrepreneurial activities and, as a result, importance of making business not only profitable but also responsible and sustainable in the long run became more apparent than ever. In the last decade the Russian business and legal community has followed in the footsteps of the global community and started to implement best practices, adapting them to the local environment.

Based on financial and marketing data, it is possible to see that the trend is not only represented in articles and company presentations, but also has a very visible impact on investments and cash flows. Both Russian and international analytics note that socially responsible investments are becoming an important instrument of the global financial market. For example, according to Bloomberg, the size of assets managed under ESG-themed portfolios reached approximately USD 40 trillion by 2021 and is expected to reach USD 53 trillion by 2025¹. The Russian market has traveled the same path: in 2021, the Moscow Exchange for the first time published “Guidelines for Issuers: How to Meet Best Sustainability Practices”² and proclaimed its goal to promote the implementation of sustainability principles by Russian companies, improve the quality of disclosed sustainability information and create conditions for responsible investment.

If we look at how states and companies put into practice what they publicly preach, it is possible to divide ESG practices into obedient compliance with pre-existing requirements and requests and actions that go beyond what is strictly required under local law. In 2020, the President of Russia signed the Decree “On National Development Goals of the Russian Federation for the period until 2030”, which defines 5 goals and 24 target indicators. The respective goals and targets demonstrate Russia’s commitment to global sustainable development challenges and ESG practices.

Starting with the environmental part of this acronym, we can say that Russia is slowly but steadily moving towards stricter regulation of activities that have an impact on ecology, nature, and the environment, which is not easy given that a significant part of Russia’s GDP is provided by extractive industries. Under Russian law, any activity that may have a negative impact on the environment is subject to the issuance of a special permit or license, the establishment of limits on the amount of such impact or pollution, the payment of compensation for negative impact, and prosecution in the event of a violation. The Russian Federation ratified the Paris Agreement on December 12, 2015. The Agreement includes commitments to reduce emissions and for countries to work together to adapt to the impacts of climate change, and encourages countries to strengthen their commitments over time. There is a more recent development in this regard – the creation of carbon market regulation. The Russian authorities have formulated a regulatory

¹ <https://www.bloomberg.com/professional/blog/esg-assets-may-hit-53-trillion-by-2025-a-third-of-global-aum/>

² <https://www.moex.com/n54097>

framework, a mandatory trading system, and facilitated the development of a voluntary market for carbon units. So far, this is only a framework, but it provides a good basis for further scaling and launching new climate-friendly projects.

With regard to social issues, there is a solid legal framework: the Russian Labour Code and supporting regulations establish the employer's obligation to ensure equal treatment of employees regardless of sex, age, race, color, nationality and other factors, and regulate in detail occupational health and safety conditions, as well as provisions on fair compensation. It is important to assess the fulfillment of these requirements, as well as any further steps taken by the employer (e.g. to address gender imbalances or to provide additional education, medical care or any other form of social support).

In the area of governance, the Bank of Russia has been working to promote good corporate governance, starting with the Corporate Governance Code adopted in 2014 and following with additional recommendations in form of information letters (e.g. on disclosure of information on the remuneration of board members and senior management, on self-assessment of board performance in PJSCs, on implementation of responsible investment principles, on disclosure of non-financial information), which contribute to the creation of a more developed and sustainable corporate management in the Russian companies, especially public ones.

State ESG policies should create an incentive for companies to develop and disclose measures to ensure their financial, environmental sustainability, and social responsibility. If a company complies with the legal requirements and has taken some additional ESG measures, it can use this for marketing purposes or to attract additional investment. For these purposes, the Moscow Exchange points out that qualitative characteristics of ESG data are important, as they facilitate decision-making by management, investors and other stakeholders. It indicated that market and banking industry research shows that companies that have identified their material issues and focused their disclosure efforts on them perform better financially than companies that focus on all ESG factors at once or prioritize non-material ones. But what should companies measure and report, and how should their actions be evaluated? That is where ESG ratings come in.

ESG ratings are an emerging market – since 2014, the Russian Union of Industrialists and Entrepreneurs (RSPP) has launched sustainability ratings, and from 2019, together with the Moscow Exchange, launched Russia's first ESG ETF based on the calculated Sustainable Development Index. In 2018 it was joined by RAEX-Europe, which released the first ESG rating based on 8 indicators for 30 companies. This was followed by many ESG ratings, which are usually offered by established rating agencies such as National Rating Agency, Expert RA, National Credit Ratings and ACRA.

However, the positive impact of ESG ratings and their potential application are limited by some inherent problems, namely:

- » differences in approaches and interpretation of information by rating companies (according to PWC research, rating agencies can assign completely different ratings to the same company³);
- » conflicts of interest need to be monitored and prevented;
- » the reliability of information used for rating purposes may be questionable;
- » ESG practices vary significantly depending on the size and industry of the company.

In this regard, the Bank of Russia has steadfastly been a voice and supporter of the ESG agenda. In its recommendations on disclosure of non-financial information, it suggests that companies should be guided by five basic principles when disclosing non-financial information: (1) objective, balanced and understandable presentation of information; (2) necessary and sufficient amount of disclosed information; (3) forward-looking and strategic orienta-

tion of non-financial information disclosure; (4) stakeholder orientation; (5) consistency and comparability of disclosed information.

Once a company has disclosed reliable and consistent information, it can be reviewed and compared by rating agencies. On June 30, 2023, the Bank of Russia published recommendations on the development of methodology and the assignment of ESG ratings. These recommendations apply to non-credit ratings and other public assessments of sustainable development and provide comprehensive guidance on rating activities, including overview of best practices, organizational issues, and possible criteria for each component (corporate governance, environmental and social responsibility). Hopefully, they will be used by the market as a guide to action and increase transparency in this area, making ESG ratings a more useful and understandable tool for market participants.

Based on ESG assessments conducted by Analytical Credit Rating Agency and National Rating Agency, Russia has recorded a 35% growth in the ESG products market against the backdrop of geopolitical transformations of 2022-2023⁴. This is quite an unexpected development as sometimes ESG is still seen as an additional function rather than an integral part of day-to-day business. Uncertain and economically unstable times may test the ESG agenda of the day, allowing companies to see for themselves if following ESG objectives and implementing necessary measures will create an additional value for them, their employees, and customers in the short and long term. In turn, ESG ratings of such companies, based on complete and reliable data and properly analyzed, will serve as important benchmarks for investors, stakeholders, and consumers.



State ESG policies should create an incentive for companies to develop and disclose measures to ensure their financial, environmental sustainability, and social responsibility.

³ <https://www.pwc.com/kz/ru/esg-rating.html>

⁴ <https://economics.hse.ru/ecjourn/news/827644897.html>

Current regulation of office equipment disposal



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His recent work also focuses on environmental law issues, such as waste management, greenhouse gas emissions, carbon management, hydrogen projects, etc.

Best Lawyers 2022, Pravo-300 2023 and Kommersant 2023 list him among the best experts in the environmental law issues in Russia.

Abstract:

Many companies eventually encounter the challenge of disposing of their outdated or broken office equipment, including servers, computers, laptops, monitors, and accessories. However, only a few are aware of the regulations that apply to this process. These regulations encompass various tax and accounting rules, as well as legal requirements for waste treatment and the circulation of precious metals. Failure to comply with these regulations can result in administrative liability. In this article, we will explore this topic and provide practical, step-by-step guidance on how to properly document the disposal procedure to ensure that office equipment is disposed of correctly.

Many companies eventually encounter the challenge of disposing of their outdated or broken office equipment, including servers, computers, laptops, monitors, and accessories.

Due to a direct legal prohibition, this equipment cannot be simply discarded into a trash container, as its components may have a detrimental impact on the environment. Furthermore, these components often contain precious metals, the circulation of which is subject to specific regulations.

All of the above explains why the rules governing the disposal of computer equipment are so stringent. Unfortunately, companies tend to remember these rules only when they face disposal issues.

That being said, failure to comply with the established requirements can result, for companies, in administrative liability in the form of a fine of up to RUB 250,000 or administrative suspension of business for up to 90 days, in accordance with Article 8.2(1) of the

Russian Code of Administrative Offences.

For certain violations (such as the absence of mandatory documents or non-compliance with requirements for accounting and storage of precious metals), a company may incur administrative liability under other articles of the Russian Code of Administrative Offences, as elaborated below.

The disposal procedure can be conditionally divided into three stages: the company's actions to write off office equipment, entering into an agreement with the disposal company, and subsequent documenting of the fact of disposal.

Actions to write off office equipment

In order to transfer outdated or broken office equipment for disposal, a company must first classify such equipment as waste by removing it from the company's balance sheet.

The following are the main steps to achieve this:

- » **Formation of a commission for writing off:** The company's CEO should issue an order to form a commission responsible for the write-off process. This order should specify the equipment being written off, as well as the commission members, who are usually selected from the company's employees.
- » **Inventory and internal certificate:** The commission should conduct an inventory of the equipment and issue an internal certificate on writing off the equipment and its subsequent disposal. The certificate should include details about the equipment, its remaining value, and the reason for its write-off. This could be due to malfunctions and unsuitability for further use (in such cases, it's recommended to specify the defects leading to the malfunction and attach a technical examination report). Alternatively, it could be due to equipment obsolescence after reaching its service life. The certificate should clearly state that the written-off equipment is being transferred to a disposal company.
- » **CEO's order for write-off:** Following the above certificate of the commission, the CEO should issue an order to write off the equipment and transfer it for disposal.

According to the Federal Classificatory Catalogue of Wastes (FCCW), waste computer equipment typically falls under hazard class IV. For this type of waste, a company is required to create a specific document known as a waste passport.

The procedure for issuing waste passports was established by Order of the Ministry of Natural Resources of Russia No. 1026 dated 8 December 2020. These waste passports should outline the chemical and/or component composition of the relevant waste and how it is determined.

In practice, the development of waste passports is usually entrusted to a chosen disposal company.

Failure to obtain waste passports can result in an administrative fine of up to RUB 350,000, in accordance with Art. 8.2(9) of the Russian Code of Administrative Offences.

As mentioned above, the disposal of office equipment is also complex because its components, such as boards and microchips, often contain precious metals.

Rules for accounting and storage of precious metals, precious stones, and products made from them (as approved by Decree of the Government of Russia No. 731 dated 28 September 2000) require precise tracking of any operations with precious metals at all stages, from equipment acquisition to write-off and disposal. The internal certificate on writing off the equipment must specify the precious metals contained in the equipment and their weight. Such information can be obtained from available technical documentation or examination results.

Violations of these rules can result in an administrative fine of up to RUB 80,000, in accordance with Art. 15.47(1) of the Russian Code of Administrative Offences.

Additionally, when writing off equipment, a company (either independently or by engaging an entity licensed for affinage) must remove parts containing precious metals and prepare a separate report. If the company handles this operation independently, it must also account for the scrapped precious metals.

In practice, many companies do not adhere to these requirements diligently, often mentioning in their certificates that the quantity of precious metals in the equipment transferred for disposal (and in the accompanying technical documentation) is not determined. Since, for most companies disposing of office equipment, precious metal turn-

over is not a primary business activity, the risk of administrative liability in such cases is relatively low.

Once office equipment is written off as waste, the company has 11 months to transfer it to a disposal company. Storing waste beyond this period is considered warehousing of waste, which requires licensing under the Federal Law on Industrial and Consumer Wastes.

Failure to obtain the necessary license can result in administrative liability in the form of a warning, administrative fine of up to RUB 250,000 or administrative suspension of business for up to 90 days, in accordance with Art. 19.20(1) of the Russian Code of Administrative Offences.

From a practical perspective, it is advisable to write off equipment from the balance sheet and transfer it to a disposal company on the same date, without including waste in the balance sheet. Therefore, selecting a disposal company and negotiating the terms and conditions of the respective agreement should be done in advance.

Entering into an agreement with the disposal company

When selecting a disposal company, attention should be given not only to its valid waste management license but also to specific details within that license:

- » **Types of activities:** The license should include activities such as collection, transportation, and disposal. If, for example, only processing (without disposal) is mentioned, it may imply that the company acts only as an agent.
- » **Types of waste:** The license should specify that the company may dispose waste computer equipment (FCCW code 48100000000 and its subcodes).
- » **Address of operations:** The address for carrying out activities



From a practical perspective, it is advisable to write off equipment from the balance sheet and transfer it to a disposal company on the same date, without including waste in the balance sheet. Therefore, selecting a disposal company and negotiating the terms and conditions of the respective agreement should be done in advance.



mentioned in the license should match the actual location of the disposal company's facilities.

In addition, in light of recent changes in the regulations governing the management of waste computer equipment (as detailed in Order of the Ministry of Natural Resources of Russia No. 173 dated 4 April 2023), when concluding an agreement with a disposal company, it is advisable to verify whether the company has the necessary capacity (equipment) to execute the disposal process as stipulated by the aforementioned regulations. Additionally, it is prudent to ensure that the disposal methods employed by the company align with the prescribed process.

Otherwise, disputes could potentially arise with the tax authorities over the rationale behind attributing the cost of disposal company's services to expenses (for corporate income tax purposes). Claims from the environmental authorities are also possible, if it is discovered that waste has been transferred to an improper disposal company.

If separate records of precious metals are maintained (as mentioned above), the disposal company must hold a specific license for the disposal of scrapped precious metals and be registered with the Assay Office.

When concluding an agreement with the chosen disposal company (contractor), it is recommended to include the following provisions:

- » procedure for waste office equipment transfer;
- » documents (certificates) for confirmation of disposal;
- » disposal methods used by the contractor;
- » recording of the disposal process (photo and video documentation);
- » responsibility for preparing waste passports (if assigned to the contractor); and
- » timeframes for disposal completion and providing disposal certificates (preferably within one month after waste transfer to the contractor).

The transfer of waste office equipment to the disposal company should be confirmed by a relevant certificate.

Documenting of the fact of disposal

Following the disposal of waste office equipment, the contractor must provide the customer with a disposal certificate and a work completion certificate.

The disposal certificate should detail the disposed office equipment, the operations performed by the contractor, and the results of the disposal process.

If separate records of precious metals are maintained, the disposal certificate should also include information about the precious metals obtained during disposal and their subsequent sale to the disposal company, as per the agreement between the parties.

A well-executed disposal certificate is the primary document confirming compliance with the applicable requirements for waste office equipment disposal.

Additionally, it forms the basis for accounting the cost of disposal company services for corporate income tax purposes.

Conclusion

Compliance with the disposal rules outlined in this article requires considerable organizational effort and preparation of documents that are not typical for many companies.

Consequently, some companies opt for a less complicated and more familiar approach, selling used equipment under a standard sale and purchase agreement. In such cases, all issues related to the subsequent disposal of the sold equipment become the responsibility of the new owner.

At the same time, it is worth mentioning that, in light of the recently introduced EU sanctions that have restricted the sale of computer equipment to Russia (and within Russia), the procedure for disposing of waste office equipment described above may now represent one of the few available solutions for the Russian subsidiaries of EU companies when they need to dispose of equipment they can no longer use or sell.



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**EKATERINA
LITAU**

**FOUNDER AND CEO,
BLCONS GROUP**

Ekaterina Litau is an entrepreneur, founder and CEO of BLCONS GROUP, a consulting firm specializing in audit, tax, and law.

She is a researcher, professor of economics, public speaker, expert in the field of Theory of Entrepreneurship, Financial Management, and Management of Developing Projects.

PhD in Economics and Management, M.S. in Finance and Economics, Juris Doctor (J.D.).

The significance of “ecological” value is rapidly increasing, as demonstrated by both general informational background and bold statements of business leaders. Natural and ecological issues are ubiquitous, however, entrepreneurial actions can address them, provided we abide by existing socio-economic and cultural norms, while also creating innovative products.

For instance, excessive greenhouse gas emissions led to the creation of the Kyoto Protocol, subsequently prompting the development and commercialization of electric vehicles. The aggravation of plastic pollution issues spurred the growth of environmentally friendly packaging materials. Overfishing and further catch limitations, implemented later, fostered investment in sustainable fisheries.

Constraints in response to human-induced activities should be seen as a source of new entrepreneurial opportunities. Such an approach lets us consider them as an integral positive element of modern economics.

Historical data indicate that when it comes to the environment, people can act as both destroyers and constructors in response to emerging opportunities. Interestingly, these opposing trends are interrelated; the widespread anticipation of an environmental catastrophe keeps entrepreneurs on their toes regarding potential opportunities of growth.

In ecological economics, environmental legislation should be considered as a stimulus for development of technological innovation and entrepreneurship. Entrepreneurs have numerous opportunities to address current challenges related to environmental degradation. Regulatory adaptation often occurs slowly, so different strategies aimed at solving environmental issues can play a critically important role.

In essence, there is nothing too complicated in implementing the idea of environmental conservation. Green aesthetics are reaching deeper into everyday life, turning our homes into oases of natural forms. The trend for “bio” has extended to all aspects of our life, including interpersonal relationships. Some of them can now be referred to as toxic, metaphorically emphasizing their harmful influence on our personality. It follows that the universal human consciousness in general is ready to perceive “e-ideas”: ecology, ethics, aesthetics in the context of economic development. This indicates maturity of economic entities.

The progress of entrepreneurship theory is seen not in the separation of refined economic motives from the spiritual aspect of humanity but, on the contrary, in the return of Homo economics to Homo sapiens on a modern humanistic basis. Nowadays, a person’s modernity is primarily defined by the level of responsibility they take and carry for the outcomes of their actions. It is essential to emphasize that “green responsibility” has long transcended the boundaries of ecological issues, having deeper, moral foundations.

The human potential to change the world is limitless and, consequently, potentially inexhaustible yet ambiguous. The problem is in the fact that not all expressed creations in the biosphere are equally beneficial.

This is why in the past century, John Ruskin tried to introduce a distinction between wealth and illth. This differentiation was not widely accepted and did not enter the language because people were not ready for it at that time.

Wealth, according to Ruskin, consists of all those artifacts (concretized ideas) that improve human life or life in general. Disaster consists of those artifacts that destroy, worsen or degrade life. A factory that pollutes air or water is a di-



Restrictions in response to anthropogenic human activity should be considered as a source of new entrepreneurial opportunities. This approach allows us to consider them an integral positive element of the modern economy. In this context, restrictions provide freedom for new innovative actions that will maintain the environment, while eliminating ecological threats.

saster in this sense, as much as a bomb, sword, gun, tank or nerve gas.

As can be seen from the example above, environmental restrictions have a fine line with ethical ones. The idea of a nation's wealth is directly related to good moral principles; evil is destructive and immoral. Therefore, a rich nation is a moral nation. A moral nation in economics is represented by good entrepreneurs who change the world for the better. Thus, adherence to values becomes a vital element of a successful business idea. In the current paradigm, this is seen as a mandatory competitive advantage.

It is hard to remember the times when being kind was a compulsory condition for success in business. Natural and environmental problems are ubiquitous, but entrepreneurial actions can solve them provided socioeconomic and cultural rules are followed.

Restrictions in response to anthropogenic human activity should be considered as a source of new entrepreneurial opportunities. This approach allows us to consider them an integral positive

element of the modern economy. And in this context, restrictions provide freedom for new innovative actions that will maintain the environment, while eliminating ecological threats. Nevertheless, all this is impossible to be implemented without relevant information flows, appropriate regulatory framework and viable market institutions. Due to the fact that the contemporary world can be described as a world of increasing uncertainties, there is constant change from one environmental crisis to another. Each current environmental crisis is an unintended consequence of previous economic innovations and, in turn, can be resolved with new economic innovations. Thus, while J. Gaudi, J. van den Bergh, G. Bunstorf, etc. correctly explain advantages of integrating evolutionary and ecological economics, they underestimate self-organizing feed-back between consequences of entrepreneurial activity.

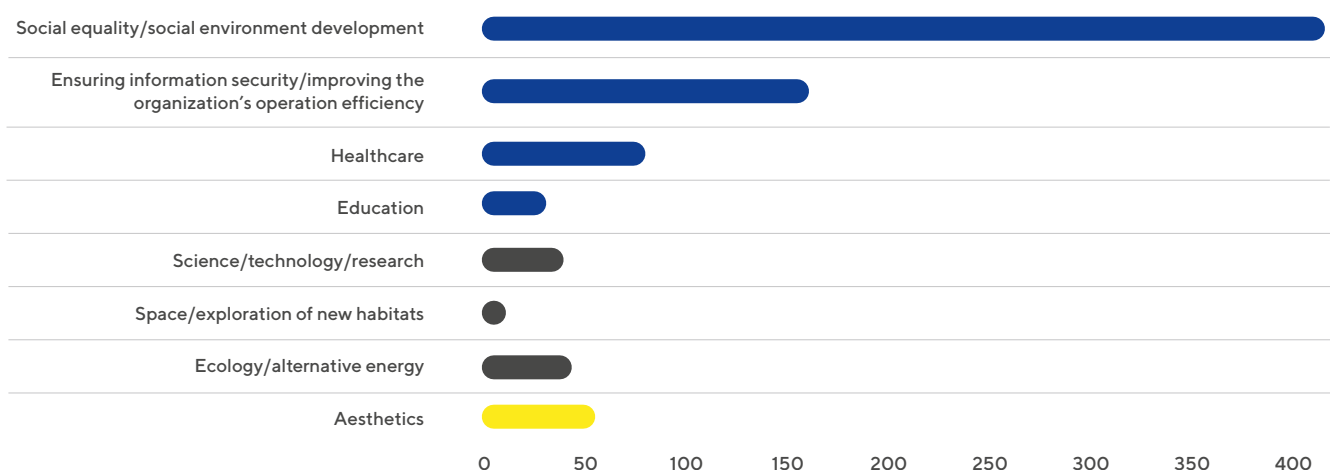
Governments have been developing the regulatory framework for stimulating the process of environmental protection and its regeneration, but they cannot act as quickly as entrepreneurs

who introduce necessary innovations and stimulate necessary creative destruction. Governments' capacities are limited, and the speed of their response is slowed down by the need to meet different groups' interests.

In 2021, the value systems of unicorn companies were analyzed. According to the research, there is a rapid increase in the number of companies whose values go beyond this basic level and whose activities are focused on finding environmental and aesthetic solutions.

These findings are confirmed by studies of the value systems of unicorn companies. The data presented below demonstrate that out of 638 unicorn companies, about 98.5% state realization of the public good in one form or another as the goal of their activities, and only 1.5% of companies do not manifest additional values, remaining within the framework of traditional value maximization of income. The thorough analysis of unicorn companies' missions and goals made it possible to identify main groups of values presented in Figure 1.

Figure 1. Number of unicorn companies focusing on value attitudes (in groups) (suggested by the author)





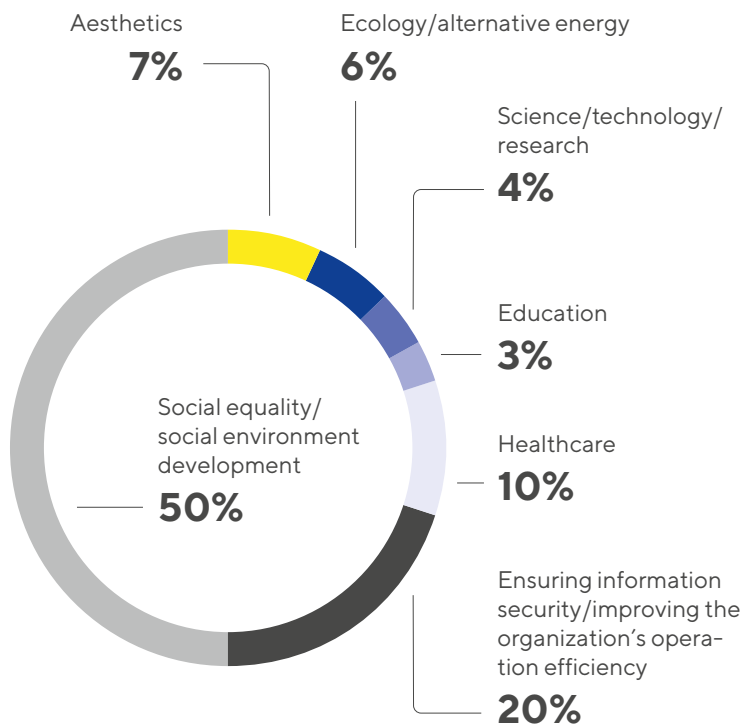
According to Figure 2, value attitudes of 50% of unicorns contribute to establishing and developing social environment and social equality. It is worth noting that in modern business terminology, the new concept “inclusiveness” has come into use. It means the principle of organizing the social structure in a way that each individual can be involved in various aspects of society (culture, education, business, etc.), regardless of his/her gender features, nationality, profession, and so on. Almost half of unicorns indicate that their products contribute to developing an inclusive economy.

From the data presented, it follows that leading companies regard projects aimed at establishing social partnership and equality as the main area of developing socially useful activities. Another area is ensuring information security and improving the organization’s operation efficiency. Ecology, along with science and aesthetics, occupies a prominent place in the hierarchy of values. It is obvious that the significance of “ecological” value is rapidly increasing, which is confirmed by general information background and vivid statements of business community leaders such as B. Gates, E. Musk, M. Benioff, R. Branson, etc.

Correlation of the companies depends on the year of their recognition as unicorns, and the number of values they manifest (single-value and multi-value), and is of particular interest (Figure 3).

The chart shows that in earlier years, cases of multi-values were rather rare compared to single-value ones (approximately in the ratio of 1/4). Later, this ratio approaches 1/3, and in 2020, it

Figure 2. Unicorn companies’ value attitudes (in relative terms) (suggested by the author)



almost levels. The comparison outcomes are statistically reliable (n=501; Chi-squared=25.16; p<0.001). If global sustainability is maintained, the trend towards further growth in the number of multi-value companies would be quite likely. These data clearly demonstrate the business community’s awareness of the need for creating and promoting socially significant outcomes of its activities, and insufficiency to be just

commercially successful in the modern economy. On the contrary, for commercial success, it is necessary to maintain the balance of public interests.

Unicorn companies’ awareness of the significance of socially useful outcomes of their activities occurs gradually, while the range of value attitudes extends from year to year. In 2011–2013, only rare unicorns stated that the benefits they

Figure 3. Correlation in the number of single-value and multi-value companies (suggested by the author)

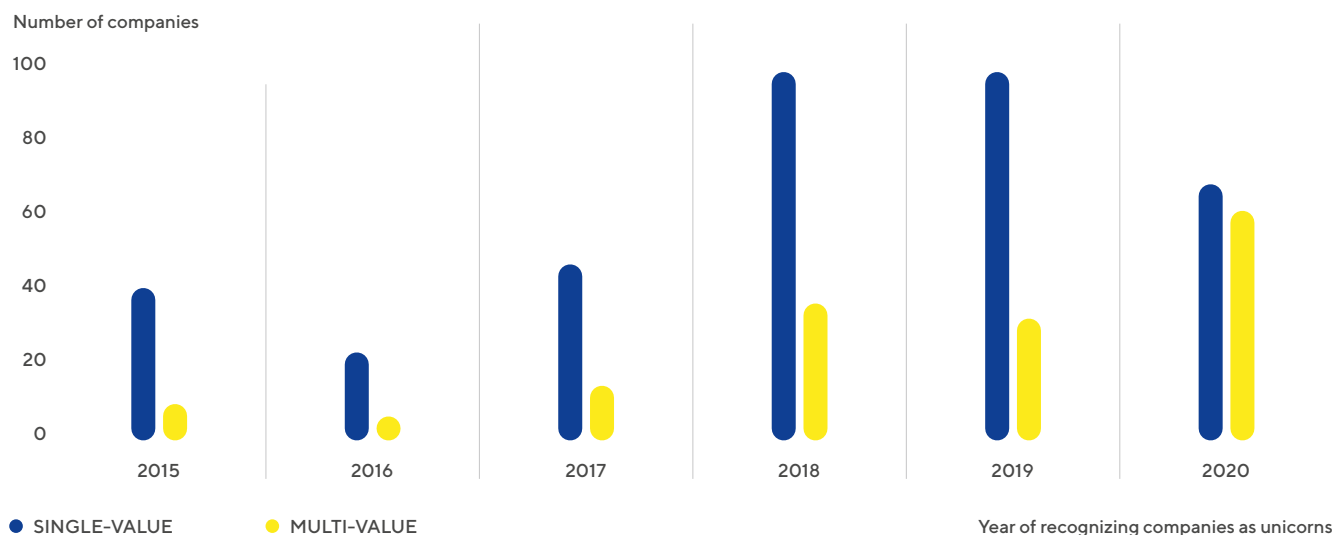


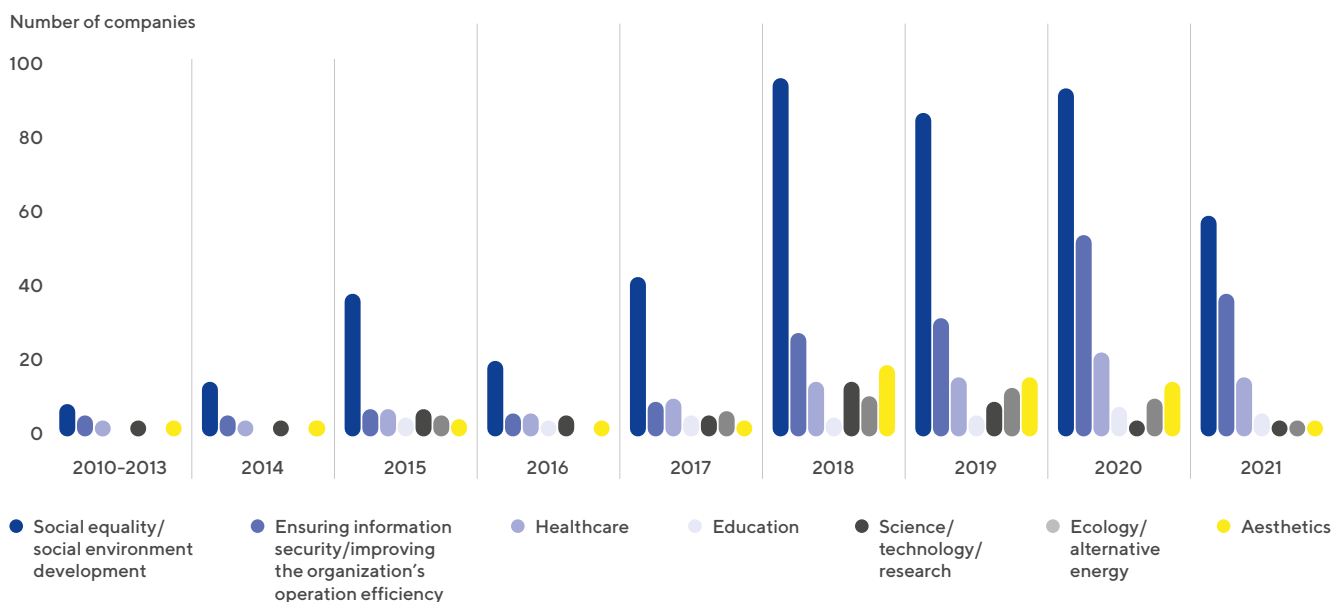
Table 1. Unicorn companies' value attitudes (dynamics by year) (suggested by the author)

Unicorn companies' value attitudes	2010-2013	2014	2015	2016	2017	2018	2019	2020	2021
Aesthetics	1	2	2	1	1	17	15	13	2
Ecology/alternative energy	0	0	4	0	6	10	12	9	2
Space/exploration of new habitats	1	0	1	0	1	0	0	2	2
Science/technology/research	1	2	6	3	4	13	8	1	4
Education	0	0	2	1	4	3	4	5	3
Healthcare	1	1	6	4	9	13	14	20	15
Ensuring information security/improving the organization's operation efficiency	3	2	6	4	7	26	29	48	36
Social equality/social environment development	6	13	34	17	39	86	78	84	53

produce are focused on creating a more equitable social environment, as well as ensuring safety and operation efficiency of work processes. However, since 2014, there has been multiple growth in the number of companies that openly declare their values, affecting not only issues of social equality, safety and productivity, but also environmental, scientific, educational and aesthetic aspects of life (Table 1).

Growth and distribution of unicorn companies' value attitudes for the period of 2010-2021 are more demonstrably presented in Figure 4.

The outcomes obtained in course of the study indicate that most unicorn companies are aware of their responsibility at the basic socioeconomic level. However, every year we see growth in

**Figure 4. Unicorn companies' value attitudes (dynamics by year) (suggested by the author)**

the number of companies, value focuses of which go beyond this basic level, with their activities concentrated on seeking environmental and aesthetic solutions.

The distribution of value attitudes among unicorn companies when overlaid onto the author's entrepreneurial vitality model (presented in Figure 5) is as follows:

- » More than 2/3 (namely 69%) of value attitudes come from the ethical aspect. This group includes such value systems as social equality

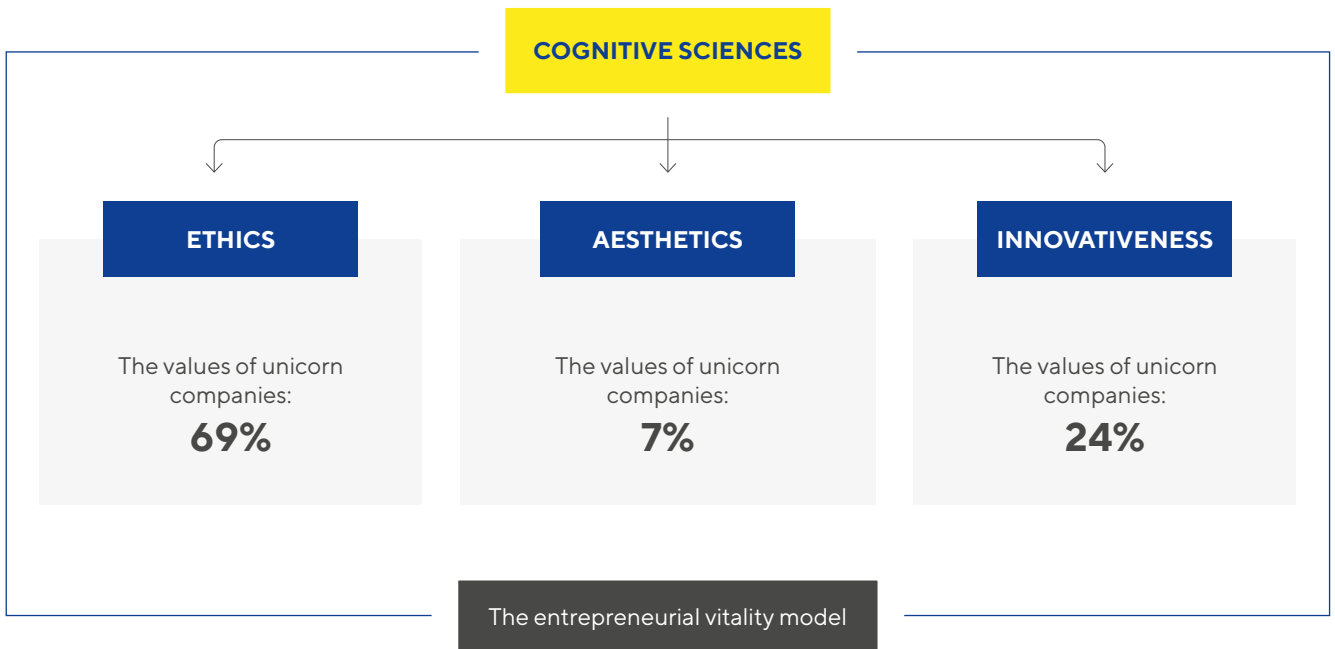
and social development; health; education; ecology and alternative energy.

- » The second largest group (24%) included the following values: science, technology, research; information security and improvement of work efficiency.
- » Aesthetics accounts for 7% of the total value orientations of the unicorn companies.

The concept of "green restrictions" as a way to develop entrepreneurial thinking represents one of the most promising directions in solving environmental

problems through the development of the ethical foundations of entrepreneurship. The need to popularize the idea of a good creative entrepreneur seeking to transform their personal commercial interests into public good is an important and interesting task of all public institutions.

Figure 5. The entrepreneurial model aligned with the unicorn companies data (suggested by the author)





Industry specific experience: sharing green practices

Environmental trends and changes in product packaging



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Irina Antyushina has been with Unilever since April 2012 and is currently responsible for the wide spectrum of communications and corporate affairs areas within the company, as well as for communication around Unilever's sustainable business strategy "Compass" and its overall execution.

She was ranked 2nd in the industrial nomination "Corporate Social Responsibility Director" (2021) and 1st in "Corporate Affairs Director" (2023) by Top 1000 Russian Managers Rating and has been acting as a regular jury member of the E+ Awards (Impact Category) since 2021.



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Anastasia Novak is responsible for the development and management of projects in the fields of ecology, social or corporate commitments at Unilever in Russia and Belarus.

She assists in complex cross-functional projects related to reducing the company's carbon footprint, engaging employees and stakeholders in ESG initiatives, and promoting purpose-driven brands.

Anastasia is a regular jury member of the E+ Awards (Impact Category).

Abstract:

Contrary to expectations in the face of global political and economic changes, environmental concerns continue to engage society, governments, and businesses. According to surveys¹ conducted among residents of different countries, 83% of respondents believe that if we do not change our habits, the world will face an environmental catastrophe, and 68% expect decisive actions in this direction from governments and brands. Let's take a closer look at the environmental trends in Unilever's business and what consumers expect from product manufacturers.

Society's demand for eco-friendliness

Environmental activists are the most active advocates for promoting environmental initiatives. This category of consumers drives demand for more sustainable practices, eco-friendly products and services, and, of course, they are the most supportive of brand efforts in the field of sustainable development. Approximately one in five people on the planet today considers themselves eco-activists, and according to Kantar experts, this number could grow to 38% within the next five years,

further confirming that the demand for environmental changes is not going away².

There is a common misconception that there are fewer conscious consumers in Russia than in the European countries and the USA. However, current data on GfK Green Gauge segmentation shows that the distribution of environmental behavior in Russia and the USA is roughly the same. Moreover, more than half of Russians (63%) claim³ that they experience consequences of environmental pollution. And every other person is willing to change their habits for the sake of the environment.⁴ Consumers are most willing to separate waste (54%), reduce the use of disposable items in their day-to-day life (41%), save water (36%) and electricity (30%), separately process organic waste (25%), and buy fewer new items (19%).⁵

Undoubtedly, the economic instability of recent years has affected consumer priorities. About every other person notes that it has become more challenging to care for the environment recently due to social or financial difficulties.⁶ Product price remains a more important factor in the purchase decision for 74% of respondents. Nevertheless, a brand's stance on social issues and sustainability influences 47% of consumers.⁷

Today, the environmental agenda in the public space often becomes an important component of brand and consumer communication. It is no longer enough to talk only about the product advantages – consumers are more willing to choose products made with care for nature, animals, and people. Marketers are convinced of this – 94% of such professionals among the participants in the E+ Awards believe that consumers are willing to “vote with their wallets” for companies that pursue sustainability strategies.⁸

Components of eco-friendliness

The concept of an eco-friendly product is not as straightforward as it may initially seem. A product cannot be considered in isolation; it is necessary to examine the entire value chain. In a circular economy, the focus is on the

complete product life cycle, from its development to the recycling of packaging after consumer use. Sustainable manufacturers today seek to source energy from renewable sources, conserve non-renewable resources, enhance energy efficiency, reduce waste generation, “green” their supply chains, transition to packaging made from recycled materials, and support environmental initiatives aimed at consumers. All these steps and initiatives are integrated into their sustainable development strategies.

In the spring of 2021, Unilever introduced a global strategy in Russia called the “Compass”, which aims to change the approach to conducting business in three main directions: improving the health of the planet, improving human health and well-being, and contributing to the fight for justice and the formation of a more inclusive and diverse society.

In the section of the strategy dedicated to a world without waste, the company commits to addressing plastic-related issues and overall packaging changes in all the countries where it operates by 2025. The company plans to reduce the volume of primary plastic used by 50% and decrease the volume of plastic packaging used by over 100,000 tons. Additionally, it aims to make all packaging recyclable, reusable, and compostable, with at least 25% recycled plastic content in its packaging. Unilever also pledges to collect and recycle more plastic packaging than it releases onto the market and maintain its “zero waste to landfill” status. This comprehensive approach to packaging encourages the search for sustainable alternatives and stimulates the development of a circular economy in the country.

Major companies working towards environmental goals actively collaborate with suppliers to promote the ESG agenda in Russia and to make their entire supply chain “green”. Several departments within these companies, including research and development, procurement, marketing, sales, corporate relations, and sustainability, contribute to the packaging-related goals, allowing for a multi-faceted approach to challenges and strategies.

A second life for plastic in Russia

For packaging professionals, it is evident that the most eco-friendly packaging is the one that does not exist. However, in the context of long-distance transportation, storage, and product use, packaging is often necessary. Plastic remains one of the most popular materials for product packaging. It is convenient, safe to use, lightweight, and easy to transport, making it suitable for recycling (when the right type is chosen). In line with the principles of a circular economy, this would be a sustainable model for producing goods without depleting new resources and reducing the carbon footprint. However, currently, the volume of plastic recycling is insufficient. In Russia, only about 10-12% of used plastic is recycled, whereas, in the European Union, according to Eurostat data, approximately 48% is recycled on average. For FMCG manufacturers, it is challenging to trace the fate of their packaging after consumer use. What they can do is make the packaging as easy as possible to sort and recycle and create demand for packaging made from recycled materials.

To initiate a recycling cycle for waste, it's essential to start with something simple. At our company, back in 2010, it became evident that creating a closed-loop system for plastic packaging is a sustainable model for producing goods. In this model, new resources aren't consumed, and the carbon footprint steadily decreases. Furthermore, it makes it easier for consumers to develop the habit of recycling raw materials. By choosing sustainable products with recyclable packaging (made from recycled materials), consumers can quickly establish the right eco-friendly habits, and recyclers can obtain the necessary raw materials for re-production.

Today, companies aim to expand their product lines with packaging made from rPET (recycled plastic) and other types of recyclable and already recycled polymers. By 2022, Unilever in Russia increased the number of cosmetic products in its portfolio with packaging made from recycled plastic by almost 70%, now offering 180 such products. Moreover, the company has

¹ Ipsos. Environmental Sustainability: Who Cares? A Segmented Landscape of Engagement, Challenges and Opportunities, November 2022

² Worldpanel Division, Kantar & GfK, 2022

³ Study “To Be Precise”. Air, Water, Soil, and Waste: the Main Environmental Problems Affecting the Lives and Health of Russians, October 2022

⁴ Ipsos. Trend Vision 2022. Where to Next?

⁵ ROMIR. Consumer Adaptation in a Turbulent World. Steps Toward Awareness. Analytics of Change, June 2022

⁶ Kantar. Who Cares? Who Does? 2022

⁷ GWI Zeitgeist, February 2023

⁸ Kept x E+. Business Sustainable Transformation Barometer 2022



increased its consumption of recycled plastic in product packaging to 2,300 tons and launched hair care products in bottles with up to 100% white rPET content. This type of material is highly valued by recyclers and is more commonly collected for reuse. Our company plans to continue increasing the number of products with packaging made from recyclable plastic.

In addition to making packaging more environmentally friendly, some companies also reduce the use of excessive consumables (the so-called “overpackaging” with multiple layers of paper, boxes, and bags). In 2022, this approach was applied to the Rexona Clinical product line, which eliminated cardboard packaging. Despite adding a premium touch, this change will save approximately 300 trees per year.

Considerable attention is given to innovations in packaging. For example, cosmetics brand “Chistaya Linia” (Pure Line) has released cream containers in refillable packaging with replaceable blocks to reduce plastic usage. In the professional sector, products are increasingly available in large packaging and concentrated forms to reduce the amount of packaging material.

Another focus area in working with consumers and creating sustainable packaging is through purpose-driven brand campaigns. “Chistaya Linia” is at the forefront of promoting plastic recycling through its communications. Through campaigns and in-store projects and by transitioning to secondary plastic packaging (last year, the brand managed to reduce primary plastic consumption by 1,200 tons, with over half of plastic packaging being made from recycled materials, at least 98%), the brand aims to educate its consumers about waste types and how to prepare them for disposal. Packaging is

often used for communicating waste sorting as well; for instance, over half of the brand’s products have a QR code that, when scanned, directs consumers to a landing page describing the recycling process, various types of packaging, and how to prepare them for disposal.

In addition to public activities, we understand that consumers better absorb new information when they realize their readiness to learn something new. This is why the brand actively engages in educational channels. For instance, it has recently launched a short course on conscious consumption of goods. The brand has been supporting this agenda for several years, and in the past two years, we’ve seen increased brand strength and sales, confirming Unilever’s hypothesis that brands with a socially significant mission grow 69% faster than those without such positioning.

Sustainable packaging: areas of responsibility

The third method through which businesses can make a difference is by creating additional infrastructure for waste collection. We observe that consumers are increasingly interested in waste sorting. They call our hotline, offer ideas, and ask questions about products and packaging. In the West, high activity has been noted for several years regarding refill stations for reusable packaging, but in Russia, such stations haven’t gained comparable popularity, mainly due to their high technology and cost. Therefore, FMCG companies are actively developing waste collection centers, conducting joint initiatives through associations, and expanding their networks of proprietary collection machines for various types of packaging.

For instance, in 2022, our company, along with five other responsible manufacturers, participated in implementing the first stage of the project with the RusPRO association. Consumers in pilot regions were offered a four-stream waste disposal system: yellow, blue, black, and a bin for mixed municipal solid waste. These bins collected seven types of packaging: polymer, metal, aluminum, cardboard (including tetrapacks), paper, and glass. Over the past year, 612 tons of waste were collected, with 93% being recycled, and bin misuse (i.e. improper disposal) accounted for only 7% (compared to over 50% with a two-stream system). The project demonstrated that a four-stream system can provide excellent raw material quality without significant sorting costs.

Additionally, for the fourth consecutive year, our company, in collaboration with the Ecotechnologies group of companies, has been maintaining a network of 15 “fandomats” in Perekrestok supermarkets, where people can recycle used plastic packaging. In the past year, more than 630 kg of plastic was collected, and from 2019 to 2022, nearly 3,500 kg. All the collected plastic was sent for recycling. Unilever and the Perekrestok supermarket chain also launched a joint project in February 2022 for collecting and recycling aluminum cylinders. In a year, over 800 kg of aluminum were collected, with half of it already recycled. Some of the material was used to make eight bicycle racks placed near supermarkets in St. Petersburg.

The world is changing rapidly, with shifting priorities, but the environmental agenda remains among the most pressing for individuals, businesses, and governments. We are particularly interested in the rise of the new generation of consumers and are already familiar with their eco-habits. According to the Ipsos Trend Vision 2022 study, over half of Russian zoomers are willing to change their habits for the sake of the environment. They are accustomed to products in recyclable packaging, boycott real fur and leather, use reusable bags, recycle clothing, and drive electric vehicles. Six out of ten consumers have a better attitude towards brands focused on ecology, and every other person enjoys buying products from socially responsible companies. Efforts by companies to protect nature improve the perception of young consumers. These figures demonstrate that the efforts made by companies in creating eco-friendly products and supporting modern recycling infrastructure are sustainable both from a business model and product realization perspective, catering to both current and the growing generation of buyers.



Business commitment to sustainability: Ambition Zero Carbon initiative



IRINA EFANOVA

HEAD OF EXTERNAL COMMUNICATIONS, ASTRAZENECA RUSSIA & EURASIA

Irina Efanova is a communications professional with 16+ years of corporate communications experience.

Her track record includes roles with increasing responsibility primarily in the international pharmaceutical business.

Irina truly believes that a strong tailored-designed communications strategy can help driving results for the organization.

Economic activities that may affect air or water quality, energy use or climate change, waste generation, land use, or the company's consumption of natural resources should be organized to reduce adverse impacts to the extent practicable. Employees and line managers, including those involved in procuring products and services for the company, should ensure the following:

- » reduce the amount of energy resources and raw materials used in the business activity and the amount of waste generated by the activity;
- » organize the control of harmful emissions or waste to eliminate or minimize the risk of adverse effects on human health or the environment;
- » identify and pursue opportunities to improve environmental performance, enhance the company's reputation and otherwise add business value.

According to the United Nations, lagging behind to achieve the UN Sustainable Development Goals to the 2030 deadline calls on the global community "to redouble our efforts to eliminate poverty and hunger, advance gender equality and overcome the triple planetary crisis of climate change, nature and biodiversity loss and pollution."

Global leading companies across the world actively integrate sustainability goals into their strategies. In this article we would like to share our current best practices based on an ambitious, science-based decarbonization strategy accelerating our progress towards net zero. Such an approach helps us prove our company's commitment to sustainability and making the world a better, healthier place.



Economic activities that may affect air or water quality, energy use or climate change, waste generation, land use, or the company's consumption of natural resources should be organized to reduce adverse impacts to the extent practicable.

Ambition Zero Carbon project

AstraZeneca is a global, science-led biopharmaceutical company. As a global business, we are playing our part in tackling the biggest challenges of our time, from climate change to access to healthcare and disease prevention.

At the World Economic Forum in Davos in January 2020, AstraZeneca presented its ambitious programme for achieving 'zero carbon' emissions from its global operations by 2025. Additionally, the company is committed to making its entire value chain carbon negative by 2030, effectively advancing its decarbonization plans by over a decade.

In alignment with the company's global ambitions, AstraZeneca Russia is implementing its Ambition Zero Carbon sustainability programme consisting of four main projects: minimizing CO₂ emissions from the ICE fleet, managing emissions from business travel, implementing paper-free processes and AZ Forest initiative.

Minimizing CO₂ emissions from the ICE fleet

AstraZeneca Russia initiated a shift toward electric vehicles fleet in 2021. Currently the company has more than 65 electro cars and has set a goal to equip 50% of the employees with electro vehicles by 2025. This transition is estimated to contribute to a remarkable 40% reduction in annual CO₂ emissions from the fleet.

To realize this ambition and implement electric cars in daily practice the company is striving to influence the development of electro vehicles charging infrastructure in major cities of its operations across the country. Furthermore, employees participate in regular trainings on safe and eco-friendly driving practices.

Managing emissions from business travel

Recognizing the environmental impact of air travel, the company is taking consecutive steps to reduce it. Recommendations have been developed for employees and departments to choose more ecological means of transport and/or to transfer some meetings to a digital format. By 2030 AstraZeneca Russia aims to reduce CO₂ emission due to air travel by 50% compared to 2019 levels.

Paper-free processes

Educating employees on the climate agenda is becoming increasingly vital as their awareness and actions can have a significant impact on the organization's environmental footprint. The paper-free project involves digitizing and automating various aspects of business operations. As of now the company managed to transfer more than 80% of document flow with third parties into an online format. This allowed to increase operational efficiency, speed up administrative processes and reduce costs for courier services. AstraZeneca Russia is also gradually transitioning document flow with employees into a digital format, fostering a culture of sustainability.

AZ Forest initiative

Alongside its work to eliminate carbon emissions from its own operations, AstraZeneca also recognizes the direct link between reforestation and the impact it can have on both the climate and human health. Trees naturally remove CO₂ and are essential to mitigate the effects of climate change. The company is partnering with recognized reforestation organizations and governments in a number of countries to plant 50 million trees by 2025. In Rus-

sia we have been running the AZ Forest initiative since 2021. Up to now, we have managed to plant more than 29,000 trees in various regions of the country.

Conclusion

The company follows a hierarchy to achieve its ambitions and by 2026 we will have eliminated, reduced or substituted greenhouse gas emissions, delivering a 98% absolute reduction from the 2015 base year. In this regard, we will eliminate emissions sources from the design of new assets; reduce total energy consumption by 10% and double energy productivity; reduce and capture F-gas emissions at our sites; use 100% renewable energy for electricity and heat; maximize our transition to an electric vehicle fleet. By 2030, we aim to halve our entire value chain footprint and become carbon negative for all residual emissions. To do this we have committed that: 95% of our suppliers by spend covering purchased goods and services and capital goods, and 50% of our suppliers by spend covering upstream transportation and distribution and business travel, will have science-based targets; we will transition to next-generation respiratory products with near-zero climate impact propellants; we will 'design in' sustainability across product lifecycles and embed net zero into cost of goods.

Sustainability at AstraZeneca means harnessing the power of science and innovation and our global reach to build a healthy future for people, society, and the planet. Biopharmaceuticals driven by innovation and technology is the ideal gateway to a sustainable future. Science brings so many opportunities to boost the innovative partnership called to speed up the sustainable transformation globally.

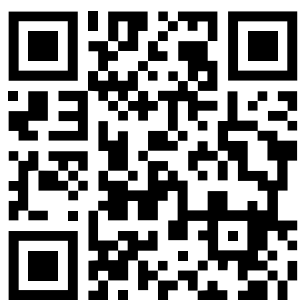


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Forging a sustainable future for hospitality



**ALEXIS
DELAROFF**

**CHIEF OPERATING OFFICER,
ACCOR NEW EAST EUROPE**

Alexis Delaroff began his professional career in one of the largest privately owned hotels in Paris, before joining Queens Moat Houses where he held several General Manager's positions in France and Europe, managing hotels under various international brands.

Alexis opened the first Holiday Inn in Moscow in 1998 before moving to Accor in 2002 as Opening General Manager of the Novotel Moscow Centre hotel.

In 2006 he was appointed as Director of Operations of Accor's office in Russia & CIS and became its COO in 2009. Under his leadership, Accor in the region grew from 3 operating hotels in 2006 to 83 hotels by November 2023, placing the company in a leading position among international hotel management companies in the region.

Acceleration of sustainability in the hospitality industry

The ESG challenges are now at the top of the agenda for companies worldwide, even more since the beginning of the health crisis. To adapt accordingly, hospitality is accelerating its transition to sustainable growth and affirming its environmental values. Such as the commitment to deliver an ever-more sustainable hospitality model, making positive impacts, both locally and globally. The key role of hospitality is to shape the future of travel and make it more sustainable by integrating Environmental, Social and Governance criteria as fundamental to their strategy. Our industry is at the forefront of global challenges, as climate change, health threats and biodiversity decline truly interfere with the business. There is a growing understanding that by focusing on sustainable development, tourism could become the locomotive of the new global mindset.

Sustainable business model

Hospitality is at the crossroads of many activities, making it an important vector for change. Climate change, biodiversity loss and social challenges are shaping our ecosystem and increasingly have an impact on business and growth. The travel and tourism industry represents 9 to 12% of the world's greenhouse gas emissions. Moreover, travel and tourism is one of the world's fastest growing sectors. According to the latest UNWTO/ITF research, unless we accelerate decarbonization, sector CO₂ emissions could rise 25% or more by 2030, compared to 2016¹. One of today's challenges is to shape a more sustainable future of travel by building a model where we contribute more than we

take and collaborating closely with hotel owners and teams to embed sustainability across all activities.

There is no doubt that the hospitality of tomorrow rests on the sustainable business model we build today. It implies a close cooperation with hotel owners, partners and all stakeholders, and aims to lead change across the hospitality industry to make a positive impact on People and Nature, which are two fundamentals at the core of our sector and activity.

People are at the heart of hospitality. Travel and tourism represent up to 10% of worldwide employment, we therefore have a key role to play as a responsible employer and industry leader to ensure and reinforce positive values within our sector. It is essential to support the respect and well-being of people, as well as foster diversity, social inclusion and mobility while creating opportunities for people to thrive.

Tourism is also deeply intertwined with Nature, building on natural resources and with its appeal rooted in the natural environment of each destination. Preserving nature and its resources in order to contribute to a "Nature Positive" world means resolute commitments and action through a science-based approach that builds on the recommendations of global organizations and experts, acting to preserve and use natural resources more responsibly. It is important to implement a truly global approach, like the One Planet Sustainable Tourism Programme and the Glasgow Declaration. The Glasgow Declaration was officially launched at COP26 UN Climate Change Conference. It proposes a coordinated plan for tourism to support the global commitment to halve emissions by 2030 and achieve net zero by

¹ UNWTO report: Transport-related CO₂ emissions from the tourism sector
<https://www.unwto.org/sustainable-development/tourism-emissions-climate-change>

2050 and requests signatories to make tangible commitments around planning, measuring and reporting².

Three pillars of sustainable hospitality

The change is possible through a comprehensive approach founded on three operational pillars that address the whole hotel journey, from conception and design to operations and guest experience. The first is reinforcing sustainable hotel operations: from construction to daily activities, it is essential to respect the natural limits of our planet and reduce greenhouse gas emissions. For hotels, it means sustainability in mind from the outset, optimization of all operations – waste management, energy and water consumption, eliminating single-use plastics, promoting a circular economy through to integrating properties within their ecosystems.

Sustainability certification granted by independent labeling systems as Green Key and Green Globe is the testimony to such commitment. The criteria of such systems are recognized by the Global Sustainable Tourism Council (GSTC). By encouraging sustainable certification of hotels, we help guests and partners travel more sustainably by providing reliable information on sustainable options. Independent certification is a must-have for all hotels as it helps them to provide proof of our sustainability commitments, meet the growing expectations of our guests, and contribute to scientific objectives. It shows a strong external recognition of sustainability practices by all stakeholders in the industry. Moreover, if a hotel takes steps to promote sustainable development, guests are more likely to accept higher rates than they are to accept reduced comfort or a less convenient location.

Another key pillar of sustainable development lies in optimizing the management of resources and improving the food cycle “from farm to fork” by transforming supply chains, sourcing food more responsibly to preserve biodiversity and reduce environmental impact, as well as promote fair practices for local producers and farmers and respectful conditions for animals. It is important to reinforce actions in order to reduce food waste in our kitchens and to provide guests with an increasingly organic, local and seasonal offering, and overall raise guest awareness. Improving customer awareness of the need to combat food waste is also an essential

daily task for hotel teams: interacting, raising awareness and embarking on our journey to encourage them to adopt more responsible habits like sorting waste, limiting food waste, reducing energy consumption by turning off electric appliances, favouring local products, eliminate single-use items and many more.

At last, the third pillar of sustainability is promoting the local ecosystem and new ways of traveling. Hotels are deeply rooted in local ecosystems, communities and economies. One of the foundations of the hotel business is to preserve each destination’s natural ecosystem and local culture for communities, visitors and future generations. It means protecting the local environment and cultural heritage of the destinations around hotels, as well as creating opportunities and meaningful connections with the local communities. Uniting forces to design a more sustainable way of traveling, encourage green mobility, and inspire a more conscious exploration and greater awareness for guests in how they too can contribute positively to the destination, its natural environment and local communities.

AI-powered ESG

Artificial intelligence has the potential to revolutionize the way we approach and address global challenges. AI is already having a massive impact on society and every industry, including hospitality and ESG. Hotel industry professionals need to understand the latest trends in artificial intelligence because it can significantly affect the way we operate and provide service to guests.

For example, to accurately quantify food waste and comply with shared standards, each property can measure its waste. In average, almost 20 tons of food waste is generated per hotel each year, accounting for around 43% of a

hotel’s total waste. While 45% of food waste in hotels comes from processing and excess preparation, 34% is due to food left on plates. The remaining 20% is the result of poor inventory management. Needless to say, reduction can only be achieved through precise measurement.

Technology-based AI solutions make it easier for hotels to measure and monitor their energy, water, waste, carbon footprint, performance and leftover food, helping to adjust menus and thus reduce waste, as well as to track the impact of their sustainability initiatives. This information can be used to improve ESG performance and build trust with stakeholders. In turn, this enables investors to make more informed investment decisions on companies that are truly ESG compliant. A recent study by PwC³ estimated that AI could add USD 15.7 trillion to the global economy by 2030. As AI technology continues to develop, we can expect to see even more innovative ways to use AI to make the hospitality industry more sustainable.

Conclusion

To take another step forwards sustainable hospitality we need to be proactive and contributive by placing sustainable development (People and Nature) at the heart of our business model. Positive Hospitality is all about working with our teams, involving our clients, innovating with our partners, and involving local communities. From hotel development, design and construction to daily operations, we are driving forward our sustainability journey. It is evident that we as an industry should act fast to truly change the mindset towards sustainable practices, and thus we are encouraging all stakeholders, including our peers, to join forces in this great challenge. We need to favor collaboration over competition to be able to achieve the global goals of sustainable tourism.



Hospitality as an industry should act fast to change the mindset towards sustainable practices and encourage all stakeholders to join forces.

² UNWTO: Transforming Tourism for Climate Action <https://www.unwto.org/sustainable-development/climate-action>

³ PwC’s Global Artificial Intelligence Study <https://www.pwc.com/gx/en/issues/data-and-analytics/publications/artificial-intelligence-study.html>

Transforming the approach to employee well-being



TATIANA GUSEVA

COMMUNICATIONS AND SV&S MANAGER, CHIESI PHARMACEUTICALS

Tatiana Guseva manages the local sustainability strategy. She is responsible for developing support for the B Corp certification process, enhances employee ESG knowledge, and conducts volunteer and CSR activities.

Tatiana is also a member of the global D&I committee and a local D&I champion, promoting a culture of inclusion and being responsible for creating and maintaining a work environment that respects and values the diversity of employees in the organization.

She supports the well-being agenda and relaunched an internal well-being program for the local team in 2022.

A B Corp certified company¹ is committed to not only creating value for stakeholders and businesses, but also to making a positive impact on society and the environment – making the world a better place with products designed and manufactured in a sustainable manner.

According to the B Corp certification methodology, sustainability can be determined by measuring and evaluating five key parameters:

- » management;
- » employees;
- » customers;
- » environment;
- » society.

Employees and promotion of their financial, physical, professional and social well-being should always be a significant focus of the company.

So, in 2022, our company released the Global Guidelines for Achieving the Well-being of Employees. Quote from the document: “The purpose of the Well-being Guidelines is to provide a positive and healthy workplace based on work-life harmony. Where all employees feel comfortable to express themselves, their talents and give their best. In the Company, we strive for a common and harmonic culture on health, positivity and care for people: with these guidelines, we aim to create a reference model of such a way of working, which also aims to improve the quality of human life.”

According to external research by Aon and Ipsos², 82% of companies consider well-being a mandatory part of the business. Employee well-being is no

longer just a trend, but a very important part of a company’s corporate culture that makes employees feel better, maintain balance and positively influence work processes.

The implementation of global well-being recommendations underpins B-Corp’s activities to review the local employee program and approaches to communicating a culture of well-being.

In particular, one of the latest welfare programs, introduced in August 2022, sees the main value in the availability of all elements on a single resource, the corporate intranet. A special section has been created on the intranet that brings together all information about the program and its 5 areas of focus:

- » healthcare;
- » work-life balance;
- » training to improve well-being;
- » quality of life;
- » volunteering.

It is worth noting the elements of well-being that have been added to the program.

In 2022, Days of Caring – time to spend on caring for yourself or your family – became available to all employees. An employee can take a “Day of Caring” 3 times a year.

The company’s corporate well-being platform became available for employees as well. During the tender for the psychological service, a comprehensive solution consisting of various types of support (psychological, legal, financial, coaching, fitness, mindful-

¹ Read more: <https://www.bcorporation.net/>

² <https://www.kommersant.ru/doc/5582447>

ness) was selected. The platform helped to identify the main trends in the team, which is most relevant for employees. From September 2022 to March 2023, employees used more than 340 consultations (2.5 consultations per 1 employee) – referral to the service proved to be in high demand, especially in the first months of use.

According to the results of Q1 2023, 27 employees applied for consultations. The largest number of employees who applied (36%) used the consultations of psychologists, and the largest number of consultations were conducted by fitness trainers (86 consultations).

Thanks to the turnover statistics that the platform provides on a quarterly basis, the HR manager can identify the main trends in the personal issues and concerns of our employees and adjust the action plan for well-being in the company.

As information support for all employees, the project “Be healthy with MEDSI” was launched – monthly webinars from leading MEDSI specialists. As of April 2023, 7 webinars were held on a variety of topics: Secrets of Mastery: How to Become More Effective in Work and Life; Digital Detox: Freeing Your Head from Overload; Cozy Home; Proper Nutrition; Women’s

Health. The average attendance of employees is 30–35 people per 1 lecture.

Much attention was paid to communications during the launch of the well-being program – monthly company digests were announced and mailings about new options within the well-being program were issued. A series of “Essentials of Psychological First Aid” workshops were held for all managers with employees under their command. It is assumed that such webinars to support managers will be held periodically.

As part of the employee well-being program, the “Galateo Style Meeting” program was announced in March 2023, which significantly improves the quality and productivity of work meetings. “Galateo” is a famous book about polite behavior, written during the Renaissance. Based on this ancient work, the practical guide “Meeting Galateo” was created for organizing and conducting work meetings. It contains useful tips and suggestions that can be applied before, during and after the meeting to make the most effective use of our main resource – the time of our employees.

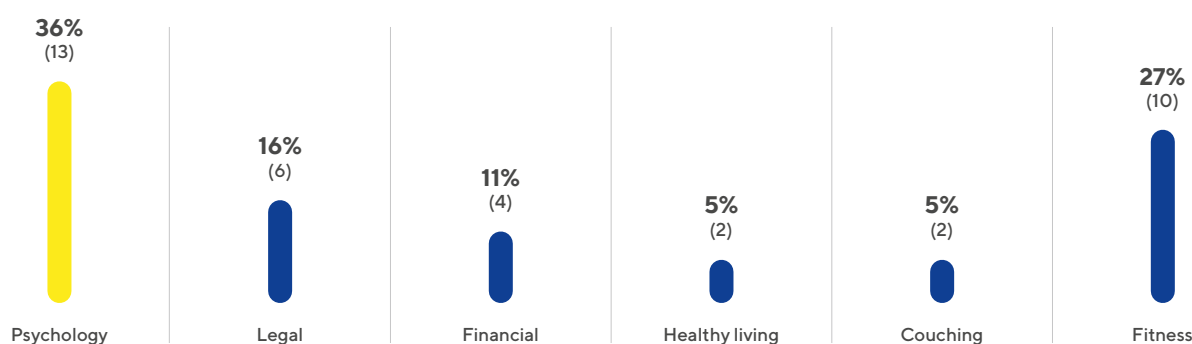
Moreover, employee well-being is directly related to the success of the business as a whole. This summer, the “Voice of Employees” survey was conducted, which

showed that 96% of employees state they believe in the company’s values, and 90% of employees noted that their work schedules are flexible enough to accommodate both personal and work needs. About 86% of respondents said that everyone can fulfill their potential at the company.

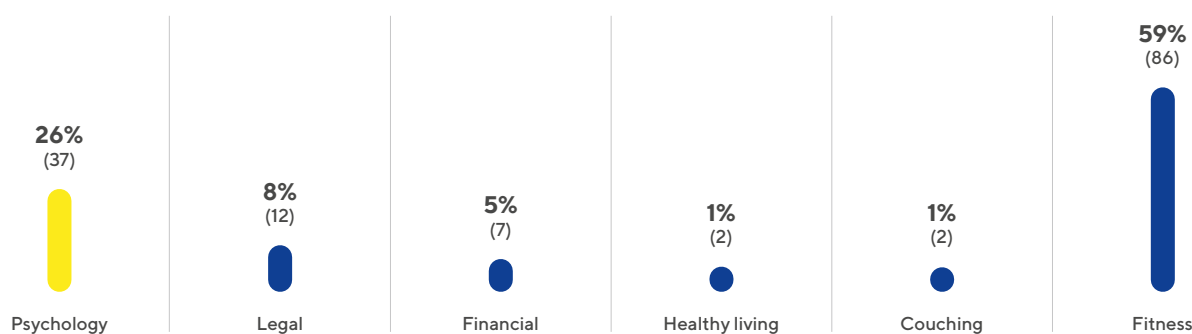
The company’s values confirm the aspiration to create an atmosphere of mutual respect in the working environment, where everyone feels comfortable and can realize their abilities and talents. Such results indicate the number of employees with a positive attitude to work, high level of energy and enthusiasm, which certainly has a positive impact on the level of motivation and improvement of business processes.

The revision of the approach to employee well-being in 2022 promotes positive values towards people, society and their sustainable development in everyday work. This helps the company to create a reference model of work style in which the quality of human life plays a central role.

Number and share of employees who applied for consultations (by areas of support)



Number and share of consultations (by areas of support)





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