

Перспективы развития ответственного финансирования и их связь с корпоративным успехом

Захаренкова Ольга Дмитриевна, студентка 3-ого курса РЭУ им. Г.В. Плеханова,
г. Москва, Российская Федерация

E-mail: ole4ka.zaharenkova@gmail.com

Козлова Софья Михайловна, студентка 3-ого курса РЭУ им. Г.В. Плеханова,
г. Москва, Российская Федерация

E-mail: kozlova.sonya@yandex.ru

Савина Юлия Олеговна, студентка 3-ого курса РЭУ им. Г.В. Плеханова, г. Москва,
Российская Федерация

E-mail: juliasavina2000@yandex.ru

Чумбарева Анна Васильевна, студентка 3-ого курса РЭУ им. Г.В. Плеханова,
г. Москва, Российская Федерация

E-mail: anna.chumbareva@yandex.ru

Аннотация

Ответственное финансирование набирает большую популярность в экономической среде. Многие компании осознают важность социально ответственного инвестирования. Характер применения принципов ответственных финансов в западных странах и в России существенно отличается, причины чего рассмотрены в статье. Также, приведены примеры успешного внедрения ответственного финансирования в деятельность компании и рассмотрена статистика роста социально-ответственного инвестирования и его роль в развитии международных организаций.

Ключевые слова: ответственные финансы, инвестирование, корпоративная социальная ответственность, ESG факторы.

Prospects of development of responsible finance and its connection with corporate success

Zaharenkova Olga Dmitrievna, student, Plekhanov Russian University of Economics,
Moscow, Russian Federation

E-mail: ole4ka.zaharenkova@gmail.com

Kozlova Sofya Mikhailovna, student, Plekhanov Russian University of Economics, Moscow, Russian Federation

E-mail: kozlova.sonya@yandex.ru

Savina Julia Olegovna, student, Plekhanov Russian University of Economics, Moscow, Russian Federation

E-mail: juliasavina2000@yandex.ru

Chumbareva Anna Vasilievna, student, Plekhanov Russian University of Economics, Moscow, Russian Federation

E-mail: anna.chumbareva@yandex.ru

Abstract

Responsible finance is gaining popularity in the economic environment. Many companies are aware of the importance of socially responsible investment. The nature of the application of responsible finance principles in Western countries and Russia differ significantly, the reasons for which are discussed in this article. Also, examples of successful implementation of responsible finance in the company's activities are given and statistics on the growth of socially responsible investment and its role in the development of international organizations are considered.

Keywords: responsible finance, investing, corporate social responsibility, ESG factors.

Who says that a strong environmental, social, and governance (ESG) proposition cannot create value for companies and their shareholders? Not Milton Friedman. “It may well be in the long-run interest of a corporation,” the economist wrote a half-century ago, “to devote resources to providing amenities to [its] community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill ... or have other worthwhile effects” [1, p. 7].

Nowadays the topic of responsible finance is quite popular in the business environment. Modern companies every day try to work in favor of responsible finance simultaneously with the development of the concept in business and society. The term responsible finance means the implementation of certain principles of transparent and ethical provision of financial services in order to fit the sustainable development. One of the main aspects of responsible finance during making important decisions is so-called responsible investing. The essence of responsible investing is to integrate three main concerns - environmental, social and governance (ESG factors) when companies make lending and investment decisions. Environmental criteria consider how a company performs as a steward of nature and include a company's energy use, waste, pollution, natural resource conservation and treatment of animals. Social criteria examine how it manages relationships with

employees, suppliers, customers and the communities. Governance criteria deal with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

Many organizations start to show the interest not only to the profit but also to the creation of sustainable development systems, innovations, solutions which can be useful for the society. So, there is an increasing tendency of implementation of responsible finance principles. They appear in disclosure of the information in accordance with the international standards not only in accounting, but also in a comprehensive assessment of investment risks, taking into account the social and environmental consequences of financial and investment decisions. They also appear in the provision of goods of the highest quality possible, the establishment of reasonable prices, the reliable attitude to clients in order to satisfy them and the social and environmental behavior of responsible companies. The last means that real companies are ready to invest significant intellectual and material resources in projects which meet global sustainable development goals but, of course, investing them wisely in those projects that will bring returns in the form of profit. That is why the following question arises: how important is it to develop the ideas of responsible finance and is there a future for them?

Today some voluntary initiatives exist, that are the most common international standards and practices in the area of sustainable development and of responsible finance, that are implemented by most companies and banks in economically developed countries. Firstly, it is really important to remember the United Nations Global Compact - the largest international initiative in the field of sustainable development, aimed at implementing 10 universal principles of social and environmental responsibility in the activities of organizations around the world. By joining the United Nations Global Compact, the organization is committed to protect human rights, labor relations, protect the environment and fight corruption. Treaty participants submit annual progress reports to the United Nations (Global Reporting Initiative standards). The United Nations Global Reporting Initiative network includes more than 8000 companies in 130 countries around the world. Among them there are such foreign financial institutions as Sumitomo Mitsui Financial Group, Generali Group, HSBC, China Development Bank, Arab-African International Bank, as well as more than 50 Russian organizations, including UC RUSAL, LUKOIL, AFK Sistema, Rosneft, Russian Railways, URALSIB Financial Corporation, the Russian Union of Industrialists and Entrepreneurs [10, p. 8]. Secondly, we ought to consider standards of activity of the International Finance Corporation (they are not adopted by any Russian organization). At third point, we should take into account recommendations on general approaches to the environment and officially supported export lending of Organization for Economic Co-operation and Development and, also, similar guidelines of regional development banks.

Issue of «Responsible finance» is essential for society worldwide. Responsible Finance Forum (RFF) has become an annual meeting that brings together private sector, governments, practitioners, policymakers and consumers to share emerging practices, solutions and initiatives to scale up financial inclusion around the world. Forum Partners are leveraging private sector innovators and investors to address evolving risks and opportunities in digital financial services. The investor community represents \$180 billion in assets under management, and are investing over \$3.2 billion in responsible digital inclusion and fintech across 55 countries. Responsible finance is a cornerstone of the World Bank Group's Universal Financial Access Goals, contributes to the United Nations 2030 Sustainable Development Goals, and is a priority of the Group of 20 (G20) Presidencies and the Global Partnership for Financial Inclusion (GPFI) [8, p. 8].

As social and environmental responsibility of business becomes an important issue, the character of investing is changing. More and more companies realize investment decisions using the approach linked with ESG factors for the better management of risks, sustainable and long-term return on investment. The main benefit for a company is a stakeholder satisfaction which is expressed in the reliable attitude of employees, customers, suppliers, partners, investors and community to a company which leads to the decrease of reputational risks and the growth of attractiveness of the company to different stakeholders. The companies which stick to ESG principles and make a contribution to ESG issues, how it shows the world practice, are rather safe. Such companies work for the benefit of stakeholders and annually publish information on the results of its contribution to the society and the environment that arises the awareness among stakeholders.

Moreover, the overwhelming weight of accumulated research finds that companies that pay attention to environmental, social, and governance concerns do not experience a drag on value creation—in fact, quite the opposite. A strong ESG proposition correlates with higher equity returns. Better performance in ESG also corresponds with a reduction in downside risk, as evidenced, among other ways, by lower loan and credit default swap spreads and higher credit ratings. Thus, more and more investors around the world are beginning to pay attention not only to dividends and profits, but also to the social and environmental responsibility of business in order to evaluate the prospects of the company in the long-run. According to the Global Sustainable Investment Review and PricewaterhouseCoopers report, the volume of «responsible investment» increased from \$23 trillion in 2016 to \$31 trillion in 2018 [2, p. 7]. In Europe, more than half of assets are managed by investors who pay attention to non-financial factors [5, p. 7]. According to Ernst and Young, 97% of institutional investors evaluate a company for its responsibility to society [7, p. 8]. Furthermore, according to PricewaterhouseCoopers, the main benefits also include lower risks and better long-term

social and financial performance; decreased reputational risks and extremely important for Russian companies - contribution to international ESG issues and communities [2, p. 7].

Recently the theme of «Responsible finance» has become so important for companies, especially, for conglomerates, that they implemented policies connected with Responsible Finance. One of the examples is corporate and investment bank Crédit Agricole - French financial conglomerate, together with BNP Paribas, Société Générale and Groupe BPCE, is the «big four» of the country's banking market. Due to policy of this bank «Responsible finance» is about applying corporate social responsibility policies in the most sensitive sectors – business sectors the most affected by environmental and social issues, such as energy, transport, agriculture, construction and forestry [4, p. 7]. These policies set criteria to be taken into account when analyzing transactions and the principles applied to exclude projects and transactions the Bank does not wish to be involved in. Bank helps its clients incorporate social and environmental considerations into their decisions, bank teams are developing sustainable financing solutions, such as green & social bonds, green & social loans, ESG-indexed loans, sustainability-linked bonds, green private placements, green securitization.

For corporate and investment bank Crédit Agricole «Responsible finance», also, means finding sustainable and innovative financing solutions. This is about such themes as renewable energy, smart cities, transport, sustainable real estate, controlling energy use. The Bank first committed to this sector in 1997 when it financed its first wind farms, then in 2008 when it financed a solar power project in Spain. To date, the bank financed over 24,000 MW in wind power and 9,000 MW in solar power. In 2018, Crédit Agricole structured the first 100% green medium-term negotiable debt program for Societe du Grand Paris to finance Europe's biggest urban infrastructure project – the Grand Paris Express, the city's new automatic metro network. In the real estate sector, the role of banks is to structure and place green bonds to finance energy-efficient buildings or passive solar buildings. With three flagship deals completed since 2015, Crédit Agricole CIB is playing a leading role in helping its clients finance smart gas and electricity meters [4, p. 7].

Of course, being responsible causes some additional costs for the company in a short-term. It can be all kinds of costs – direct financial expenses on some charity projects; reduced interest yield due to «fair» credit policy; even time spent on ethical management training and rearrangements of staff policy. That is the main reason why companies hesitate to start implementing responsible finance principles. Indeed, we can see that most companies that are famous for their CSR, are big corporations with great amounts of revenue and market capitalization – they can really afford being responsible and benefit from that.

Despite the general growing trend to follow the principles of responsible finance, it is not so popular in developing countries, for example, in Russia. Here we see, first of all, the lack of necessary information about responsible finance: whether some companies stick to it, whether they have any experience of responsible investing and any knowledge where to invest, how much they invest. Now, responsible finance in Russia is at the initial stage of formation. Moreover, at the present time we do not have reliable statistics about responsible finance in Russia because a very small number of companies inform us about the results of responsible finance in their reports. This problem may be not very visible in the West, but is highly urgent in Russia. According to statistics, most Russian companies that publish non-financial reports are huge companies from oil, energy and metallurgic industries [3, p. 7]. These companies are also leaders in Sustainable Development Index (Alrosa, Lukoil, Novatek, Gazprom, Rosneft, Severstal etc.) [9, p. 8]. It should be noted, that these corporations have a large share of state-owned capital, so their socially responsible activities are carried out not only because of large resources, but also because of government requests and directives. For example, NLMK company is an international steel company located in Lipetsk, the Russian Federation. NLMK effectively deals with environmental, social and governance issues. It ensures the safest production, tries to reduce the air and water emissions in production, minimizes the use of water and generation of waste. Social factors are represented in that the company employs thousands of people every year and conducts regular staff satisfaction surveys. The NLMK governance structure is aligned with Russia's Corporate governance code. Moreover, the company focuses on superior shareholder returns, that is dividend policy that provides visibility and predictability. The activity of committees covers every ESG aspect: assessment of sustainability risks and performance of respective investment programs, monitoring and reporting on the sustainability performance [6, p. 7]. As we see, Russian companies start to catch up with companies from developed countries in responsible investing. It means the ideas of responsible finance will have a future continuation and development.

Unfortunately, small and medium businesses in Russia do not yet have sufficient resources to fully comply with the principles of responsible finance. This may also be due to insufficient public demand for corporate social responsibility - investors consider the social impact only of large companies that can harm the environment (oil and gas corporations), so for them responsible finance is more of a way to compensate for the damage caused to the environment and vulnerable groups. It is known that the specific nature of business organization in Russia requires a more centralized approach to the task of growing popularity of responsible finance. Not only is there a need for government regulation in this area (publication of codes of conduct, creation of various associations, control measures), but there is also a need for some incentives to follow the corporate social

responsibility principles for small and medium businesses - the provision of benefits, subsidies, favorable conditions.

Now the increased importance of responsible finance prompts the question: is there a future for the concept of responsible finance? The growing tendency of involvement of different companies all over the world shows that this approach will be with us for a long time. If we are talking about ESG criteria, especially ecological factors, nowadays reality pushes institutional investors to care about newly appeared diseases, climate change, resource depletion and to invest money in the Earth's safety. Social factors also make investors to put their money in order to prevent any kind of discrimination, slavery and child labor, protect people's labour and their health. These problems have become global issues which companies, society and governments all over the world need to resolve. Thus, social, ethical and environmental responsible behavior have acquired economic character and, conversely, economic behavior of companies to earn profits has been added by the appearance of care about the environment and society which is beneficial for stakeholders and profitable for companies themselves [11, p. 8].

In conclusion, being thoughtful and transparent about responsible finance risk enhances long-term value — even if doing so can feel uncomfortable and engender some short-term pain. The main advantage of responsible finance seems to be its positive long-term effect on both social development and the success of companies themselves. Achieving good financial results is, undoubtedly, the primary goal of business. That is why the activity of companies in the field of responsible finance is assessed by many as potentially useless and demonstrative. However, now more and more entrepreneurs come to the understanding that the key to achieving general well-being is combining core activities and interests with socially important activities. The integration of responsible finance into business activities should be carried out in such a way as to go in line with the main goals of the company. That task is related, in particular, to adjusting corporate governance practices to corporate social responsibility standards, considering shareholders' financial interest at the same time. Hopefully, this approach will contribute to the development of all spheres of society - both now and in the future.

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