

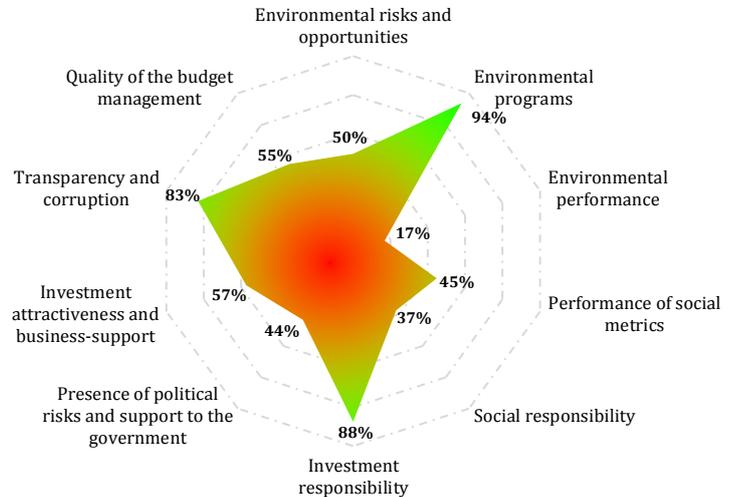
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Risk map



Ratings

Environmental	BB[e]
Social	BB[s]
Governance	BBB[g]
ESG	BB[esg]

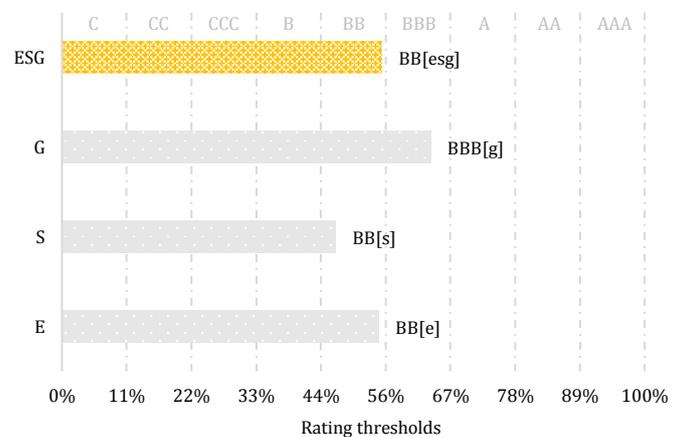
Summary

Rating-Agentur Expert RA GmbH assigned BB[esg] ESG rating to the Chuvash Republic, which means that the management of ESG related risks and opportunities is of sufficient level. The ratings of each section are as follows: BB[e] environmental rating, BB[s] social rating and BBB[g] governance rating. The region has a strong environmental policy which is based on the presence of a comprehensive long-term environmental program as well as the existence of a public body responsible for this policy. At the same time, the environmental risks assessment was restrained by a moderately low level of environmental protection programs financing. The assessment of social risks was positively supported by the presence of different social programs and socially oriented PPP-projects, while poor security metrics have an adverse effect on this section. The assessment of the regional governance was positively supported by sufficient level of transparency, presence of anti-corruption procedures and satisfactory level of the self-declarations disclosure, while moderately low quality of the fiscal budget planning, related to the systematic risks of the Russian budget system in 2016, affected the assessment negatively.

ESG scorecard

Section	Sub-section	Weight	Score
Environment	Environmental risks and opportunities	11,1%	50%
	Environmental programmes	11,1%	94%
	Environmental performance	11,1%	17%
Social	Performance of social metrics	19,0%	45%
	Social responsibility	9,5%	37%
	Investment responsibility	4,8%	88%
Governance	Presence of political risks and support to the government	5,6%	44%
	Investment attractiveness and business-support	5,6%	57%
	Transparency and corruption	11,1%	83%
	Quality of the budget management	11,1%	55%

ESG score and rating per section



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Environment

Sub-factor	Score
Environmental risks	78%
Environmental opportunities	31%
Environmental policy implementation and transparency	94%
Budget expenditure and efficiency	17%

- Presence of a detailed and comprehensive long-term environmental policy program and a public body responsible for the policy**
 Chuvash government has a well-defined environmental policy program, called “Development of the natural resources potential and environmental safety for 2014-2020” that covers all key environmental risks of the region: environmental safety; protection and reproduction of objects of fauna; development of water management complex; forestry and handling of waste. This program includes detailed measures, efficiency metrics, responsible bodies and sources of financing. In addition, the regional government has a body responsible for the environmental policy – the Ministry of Natural Resources and Ecology of the Chuvash Republic, which can be considered as a very transparent structure.
- Exposure to several natural and human related ecological risks, which are partly mitigated by the authorities’ actions**
 The Chuvash Republic is exposed to various natural ecological risks (soil degradation, fires and floods) as well as risks originated from human activity (deforestation, pesticides and fertilizers pollution, vehicular air pollution and others). However, most of these risks are partially mitigated by different actions implemented by the regional authorities, such as strengthening the control and building of new facilities (flooding protection constructions, new national parks and wastewater treatment facilities).
- Moderate level of involvement in environmental opportunities**
 The region uses a limited number of environmental opportunities, such as hydroelectricity, energy efficient street lighting and more ecological fuel for public transport, while other environmental opportunities such as wind power or biofuels are also available.
- Moderately low level of environmental protection programs financing**
 According to the 2016 results, only 0,11% of the total consolidated budget expenditures were attributed to the “Environmental protection” section, as compared to 0,22% on average for all Russian regions. Moreover, the risks of insufficient financing were recognized as key risks for the successful implementation of the environmental policy program, while only 15% of the program costs were planned to be financed by the Republican budget. In addition, the region has limited involvement in internationally recognized ecological programs.

List of major controversies

Controversy	Type of factor
No controversies were found	Environmental

Source: RAEX (Europe) calculations based on data from the government of the Chuvash Republic, Ministry of finance of the Russian Federation, Ministry of Natural Resources and Environment of the Russian Federation, public sources of information.

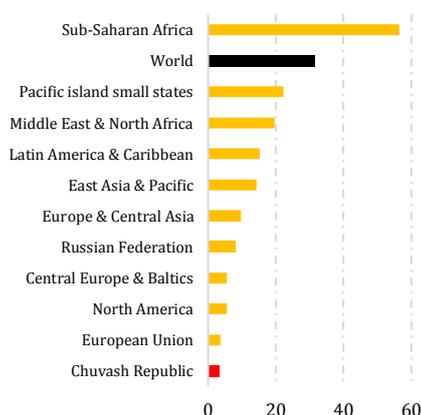
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Social

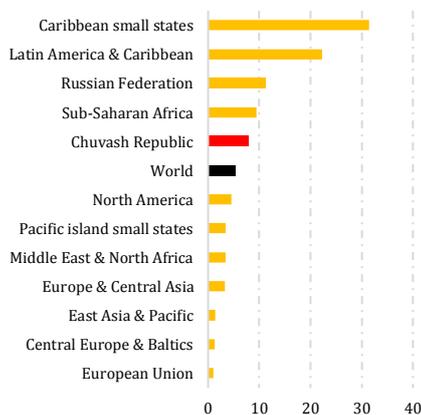
Sub-factor	Score
Social benefits and social security functions	75%
Education	40%
Health care system	63%
Security	0%
Socially responsible industry	23%
Socially responsible programmes	58%
PPP Investment	88%

Graph 1: Infant mortality rate



Source: RAEX (Europe) calculations based on data from the World Bank and Rosstat

Graph 2: No. of murders per 100 th people



Source: RAEX (Europe) calculations based on data from the World Bank and Rosstat

Very low level of infant mortality rate

Chuvash Republic has a very low level of infant mortality rate as compared to national and international levels: 3,2 pro mille in the Republic in 2015 as compared to 6 pro mille on average in Russia and 31,7 pro mille in the World (see graph 1).

Variety of social programs and social oriented PPP-projects

The majority of the government-financed programs are socially oriented. In addition, the government is involved in several PPP-projects in the area of local utilities, such as water and heating supply facilities.

Elevated levels of public spending on social support per capita and poverty levels in national terms

The share of population with a net personal income below the national minimum in the Chuvash Republic was above 18% as of the end 2016, as compared to 14% country average. At the same time, the level of spending on social policy was equal to RUB 11,2 th in 2016 (adjusted for the cost of life), which is slightly above the median level for Russian regions.

Moderate level of education metrics

The region is characterized by a moderate share of employed people with higher education as compared to the national peers (29,3% against 33,5% for country average), as well as an acceptable amount of spending on education per capita (RUB 14,1 th as compared to RUB 17,6 th country average).

Significant room for improvement of investment policy in terms of attracting social responsible industries

Despite the fact that significant part of investment projects in the region are socially oriented, and the major part of measures from investment strategy of the region are also socially related, the region has a significant room for improvement of investment policy positioning in order to attract internationally recognized socially responsible industries. In particular, the industry priorities of the investment strategy can be supplemented by more social responsible industries, as well as tax reliefs for the social responsible investors can be highlighted as key investment advantages of the region.

Poor security metrics

The Chuvash Republic has an elevated number of murders per 100 th people, which stood at 7,9 in 2015 as compared to a 5,3 World average (see graph 2). In addition, the region occupied only the 69th place by total amount of spending on national security per capita in 2016: RUB 0,3 th as compared to a RUB 0,8 th average for all Russian regions.

Moderately low level of spending on health care system

The region occupied the 79th place by total amount of spending on the health care system per capita in 2016: RUB 2,7 th as compared to a RUB 8,9 th average for all Russian regions.

List of major controversies

Controversy	Type of factor
No controversies were found	Social

Source: RAEX (Europe) calculations based on data from the government of the Chuvash Republic, Ministry of finance of the Russian Federation, World Bank, public sources of information.

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Governance

Sub-factor	Score
Stability of the government	50%
Support to the government	38%
Investment attractiveness / business-climate	50%
Industrial parks and free economic zones	67%
Transparency of the regional government in the Internet	73%
Regulatory Impact Assessment (RIA) practices OR Similar practices	96%
Anti-corruption commission / department in the regional administration	71%
Characteristics of self-declarations of the employees of administration bodies	87%
Quality of the fiscal budget planning	29%
Quality of the fiscal budget execution	50%
Quality of the debt management	72%
Tax deductions and credits	100%

Sufficient level of regional government transparency and well developed regulatory impact assessment procedures

The regional government discloses the key information about the government decisions, meetings and vacancies on time on its websites. However, the region has a significant room for improvement in terms of structure of its websites (currently the structure is decentralized), language options (currently only Russian and Chuvash) as well as deepness of information disclosure. In addition, the region has acting system of regulatory impact assessment (RIA) with the special web-site including function of comments and official public body responsible for this process. However, the procedure can be improved which is evidenced by the 24th position in the 2016 rating of RIA development in Russian regions, prepared by the Ministry of economic development of the Russian Federation.

Presence of anti-corruption procedures and satisfactory level of the self-declarations disclosure

Commission for the coordination of anti-corruption activities in the Chuvash Republic has been in place since 2015, conducting meetings at least every quarter and disclosing the minutes in the internet. Also, all public bodies of the government have up to date self-declarations disclosed online and containing the actual information about the income and property of employees and their families. However, the efficiency of the anti-corruption policy can be improved due to the presence of corruption scandals in the region (mostly on the local level).

Various tax reliefs for investors complemented by the assessment of their efficiency

The Chuvash government provides reliefs for corporate tax (reduced tax rate), property tax (reduction of the amount of tax payables and reduced tax rate), transport tax and the special taxes for individual entrepreneurs. In addition, the government has yearly publically available report on efficiency on provided tax reliefs in the region.

Moderate level of political stability and political support

The current governor of the region was appointed in June 2010, and then elected with more than 65% of votes at the election in September 2015. At the same time, this factor was affected by the moderate position of the head of the region in the independent political science ranking.

Medium level of investment attractiveness

According to the Rating of investment attractiveness from RAEX-Analytics for 2016, the Chuvash Republic was attributed to the group 3B1 (reduced potential - moderate risk), same as most of Russian regions. In addition, investment attractiveness of the region is limited by the presence of only one acting industrial park and absence of acting special federal economic zones. However, in the short-run the assessment can be positively affected by the building of new industrial parks (currently in the capital of the region there are two industrial parks under construction), as well as creation the new "territory of advanced social and economic development" in one of the towns of the region.

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- Satisfactory quality of fiscal budget execution and debt management**
 The quality of fiscal budget execution and debt management in the Chuvash Republic was supported by the absence of overdue accounts payable and debt over the last years, low share of short-term debt and presence of internal audit for the budget executors. However, the assessment was restrained by the moderately high deviation of the amount of budget spending in the 4Q 2016 from the average amount during 1-3Q of the year, as well as lack of experience in bond issuance during the last 3 years (the latest issuance of bonds was performed in 2013).
- Moderately low quality of fiscal budget planning, related to the systematic risks of the federal government's policy in 2016**
 The quality of the fiscal budget planning in the region was limited by the systematic risks of the Russian budget policy in 2016, expressed in the poor planning by the federal government in regard of distribution of transfers to the regions within the year. This was reflected for the Chuvash Republic in the moderately high difference between planned and executed fiscal budget metrics in 2016: the total amount of revenues and expenditures exceeded the initially planned figures by 28,8% and 15,5% respectively. In addition, the fiscal budget plan was revised four times during the last year. Both factors were consequences of the poorly planned schedule of federal transfers' distribution in 2016. At the same time, the region had on-time approved fiscal plan for 2016 and no liquidity gaps during the year, which gave some support to the end-assessment of this factor.

List of major controversies

Controversy	Type of factor
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Source: RAEX (Europe) calculations based on data from the government of the Chuvash Republic, Ministry of finance of the Russian Federation, Ministry of economic development of the Russian Federation, public sources of information.

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Minute's summary:

The rating committee for ESG rating of the Chuvash Republic was held on 28 September 2017. The quorum for the rating committee was present. After the responsible expert presented the factors, which influenced the rating assessment, the members of the committee expressed their opinions and suggestions within the framework of the ESG methodology for regions. The chairman of the rating committee ensured that every member of the committee expressed his/her opinion before proceeding to the voting.

The following methodology was used for the rating assessment: Methodology for Assigning ESG Ratings to regions – Short Public Version (from September 2017) can be found under the following link: https://raexpert.eu/files/methodology/Methodology_ESG_Region.pdf. Descriptions and definitions of all rating categories can be found under the following link: https://raexpert.eu/esg_regions/ under the "Rating scale" section. The user of the rating shall read the methodology in order to have a full understanding of the rating procedure.

These rating is solicited. The rated entity participated in the rating process.

Main sources of information: The Government of the Chuvash Republic, Ministry of finance of the Russian Federation, Ministry of economic development of the Russian Federation, Ministry of Natural Resources and Environment of the Russian Federation, public sources of information.

Limits of the Rating

During the rating assignment process, Rating-Agentur Expert RA GmbH (the Agency) used publicly available information that was considered to be reliable, complete and non-biased. The responsible expert performed the rating assessment of the region with information considered as the most reliable and up to date in accordance to the overall position of the region and the Agency's internal criteria for selecting data providers. The information and data used for this specific assessment can be considered as of sufficient quality.

Regulatory use

ESG ratings are not considered as credit ratings within the framework of Regulation (EC) No 1060/2009.

Conflict of interest

The responsible expert was neither influenced nor biased by third parties during the rating assessment. All employees involved in the rating assessment and revision of the rated entity have reported absence of conflicts of interests before initiation of the rating process.

Rating-Agentur Expert RA GmbH is completely independent from the activities of other agencies of the RAEX group.

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Office responsible for preparing the rating

The office responsible for the preparation and issuance of this rating is the office of Rating-Agentur Expert RA GmbH in Frankfurt am Main, Germany.

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