



Ministry of Finance  
Republic of Latvia



REPUBLIC OF ESTONIA  
MINISTRY OF CLIMATE



EVERSHEDS  
SUTHERLAND

# EU TAXONOMY IMPLEMENTATION AND SUSTAINABLE FINANCE ROADMAP FOR ESTONIA AND LATVIA

14.07.2023



The Project is carried out with funding by the European Union via the Technical Support Instrument (TSI) and in cooperation with the European Commission's Directorate-General for Structural Reform Support (DG REFORM) and implemented by the Ministry of Climate of Estonia and the Ministry of Finance of Latvia, in cooperation with the European Commission's DG REFORM and the EBRD.

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The views expressed herein can in no way be taken to reflect the official opinion of the European Union.



**European Bank**  
for Reconstruction and Development

# Opening of the workshop



**Mr. Édouard Gomet**

*European Commission*

*The Directorate-General for Structural Reform Support  
Policy Officer*



**Mr. Dan Meshulam**

*European Bank for Reconstruction and Development*

*Associate, Capital and Financial Markets Development (CFMD)*



**Ms. Aire Rihe**

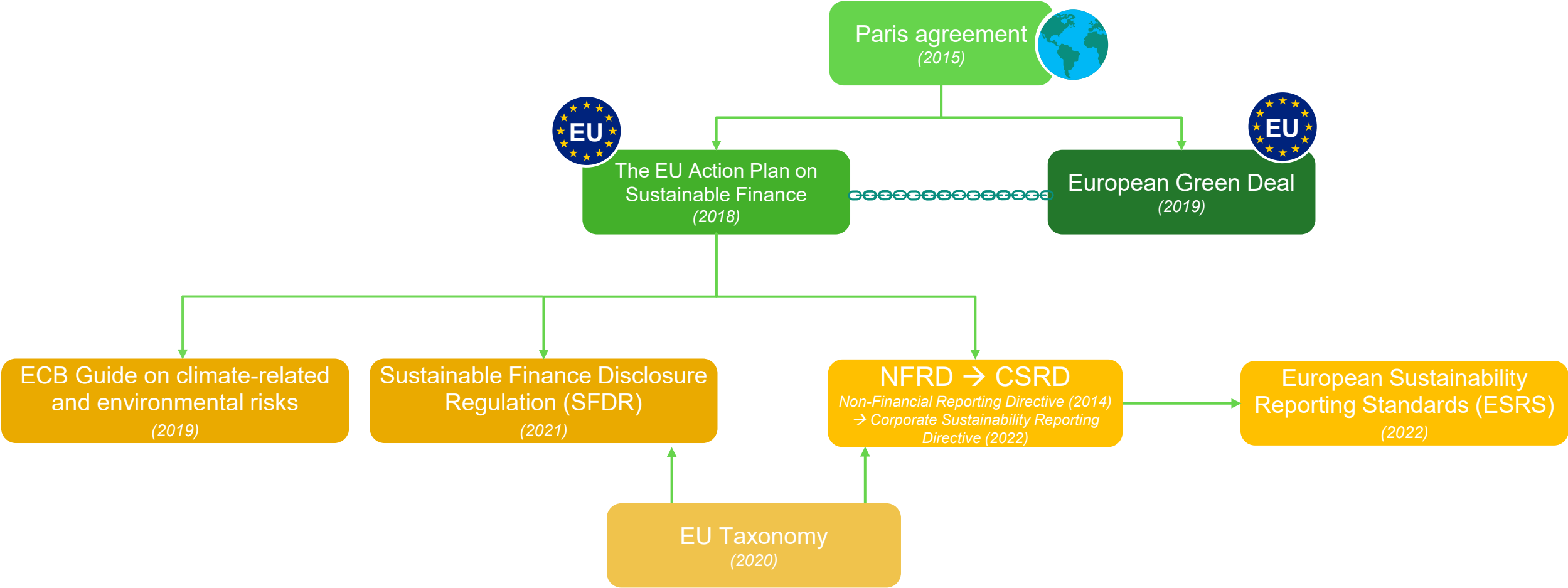
*Ministry of Climate of Estonia*

*Green Reform Advisor*

A close-up photograph of a hand reaching into a field of green wheat stalks. The hand is positioned on the left side of the frame, with fingers slightly spread, touching the wheat. The wheat stalks are vibrant green and have long, thin awns. The background is a soft-focus field of similar wheat, creating a sense of depth. The overall lighting is bright and natural, suggesting a sunny day.

Recap of the project

# Context for sustainable finance in the EU



Source: KPMG



# Key questions for implementation

1. What is the starting point for implementation of sustainable business principles in Estonia?
2. What is the market readiness for implementation of the ESG regulatory framework?
3. What are the drawbacks and missing links?
4. How the market can be supported to better meet the regulatory requirements and successfully transition to more sustainable business models?
5. How to facilitate efficient use of financial and capital market instruments for that purpose?

# Project focus

**Analysis of existing ESG readiness of the market participants across diverse sectors**

*ESG reporting practices, interviews, analysis of publicly available information and statistics*

**Analysis of the regulatory environment and potential barriers that might hinder implementation of the ESG regulatory framework and use of sustainable finance**

*Legal analysis, investor surveys, review of practices outside Baltics*

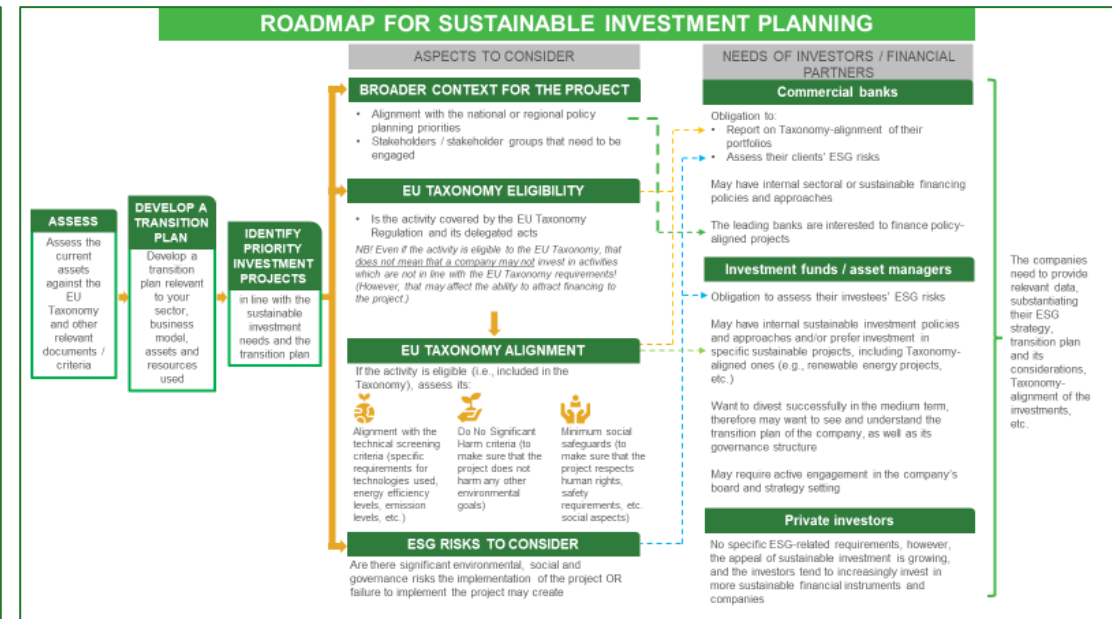
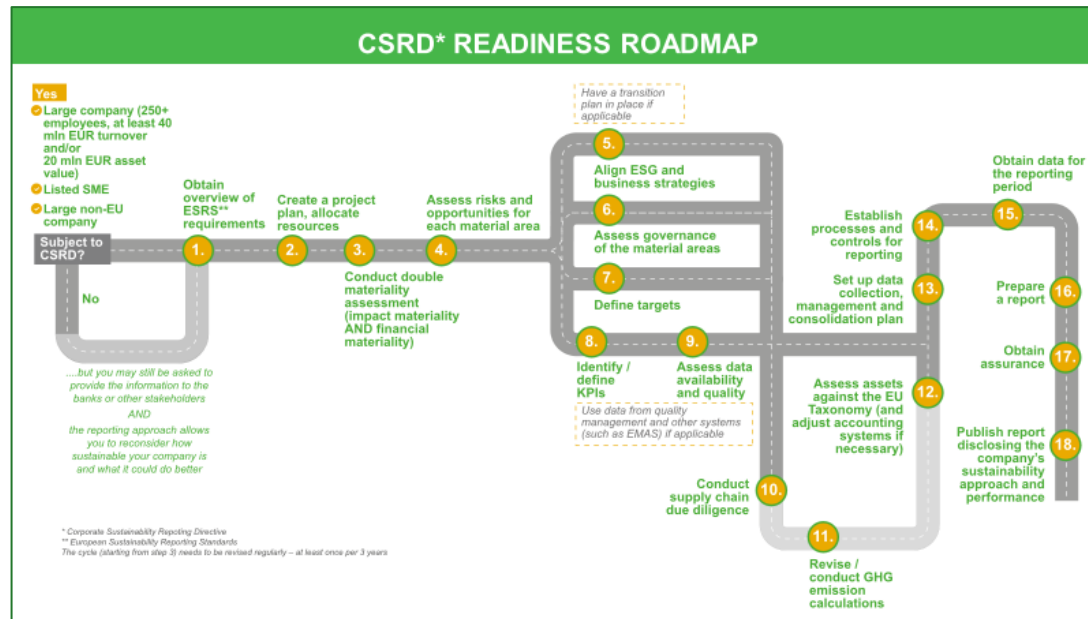
**Development of practical CSRD and Taxonomy-readiness roadmaps for companies**

*Case studies, schematic roadmaps, discussion in stakeholder workshops (February 2023)*

**Development of Sustainable Finance Roadmap with policy recommendations for the policy making authorities**

*To be discussed today*

# Practical roadmaps for companies



# Today's focus – policy recommendations

## 1 Awareness and education

Development and operations of a Knowledge Hub

Increasing market competencies

## 2 Empowering market participants

Incorporation of sustainability objectives into the corporate governance structure of enterprises

Stewardship initiative

Empowerment of financial sector and capital markets

## 3 Ensuring accountability

Green labelling

Control environment

## 4 Public sector as a role model

Alignment with public policy planning and implementation

Sustainable state and municipal investments

Regional cooperation and alignment

Sustainable finance and sustainable economic development in Estonia



# Panel discussions

1. Practical implementation of the EU regulations – the role of the knowledge hub and awareness raising
2. Market readiness – stewardship of the financial sector and ability of the non-financial sector to embrace the opportunities of sustainable finance and sustainable investment
3. Public sector as a role model in implementation of sustainability principles



# Panel discussion 1

**Practical implementation of the EU regulations –the role of the knowledge hub and awareness raising**

# Sustainable Finance Roadmap

## 1 Awareness and education

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# Main challenges

- 1 Lack of information and understanding **which ESG regulations apply to a specific company, what is the timeline and the interrelation** among diverse regulations
- 2 Insufficient **knowledge and practical skills in applying and implementing the regulatory requirements** at the specific company
- 3 Lack of **supporting information and data, including comparative sector-level data** (especially important for the financial sector and investors)

# Consider development and operation of a Knowledge Hub

**Approach**

- Source of information for various types of stakeholders
- Provision of support and guidance (ESG Support Platform)
- Facilitation of promotion and awareness
- Mapping and ensuring data availability
- Regular information on sustainable finance
- Cluster-based structure

**Expected results:**

- Create a platform for setting sustainable finance landscape in Estonia
- Provide guidance to financial and non-financial sector stakeholders
- Bridge the gap

**Proposed implementation steps:**

- 01** Establishment of the expert cluster and planning of its operations
- 02** Development of version 1.0 of the hub (ESG Support Platform)
- 03** Launch of the ESG Support Platform
- 04** Identification of data needs, existing data sources and respective data holders, as well as relevant data that is currently unavailable and will need to be gathered separately
- 05** Ensuring access to data, potentially in Open Data Portal

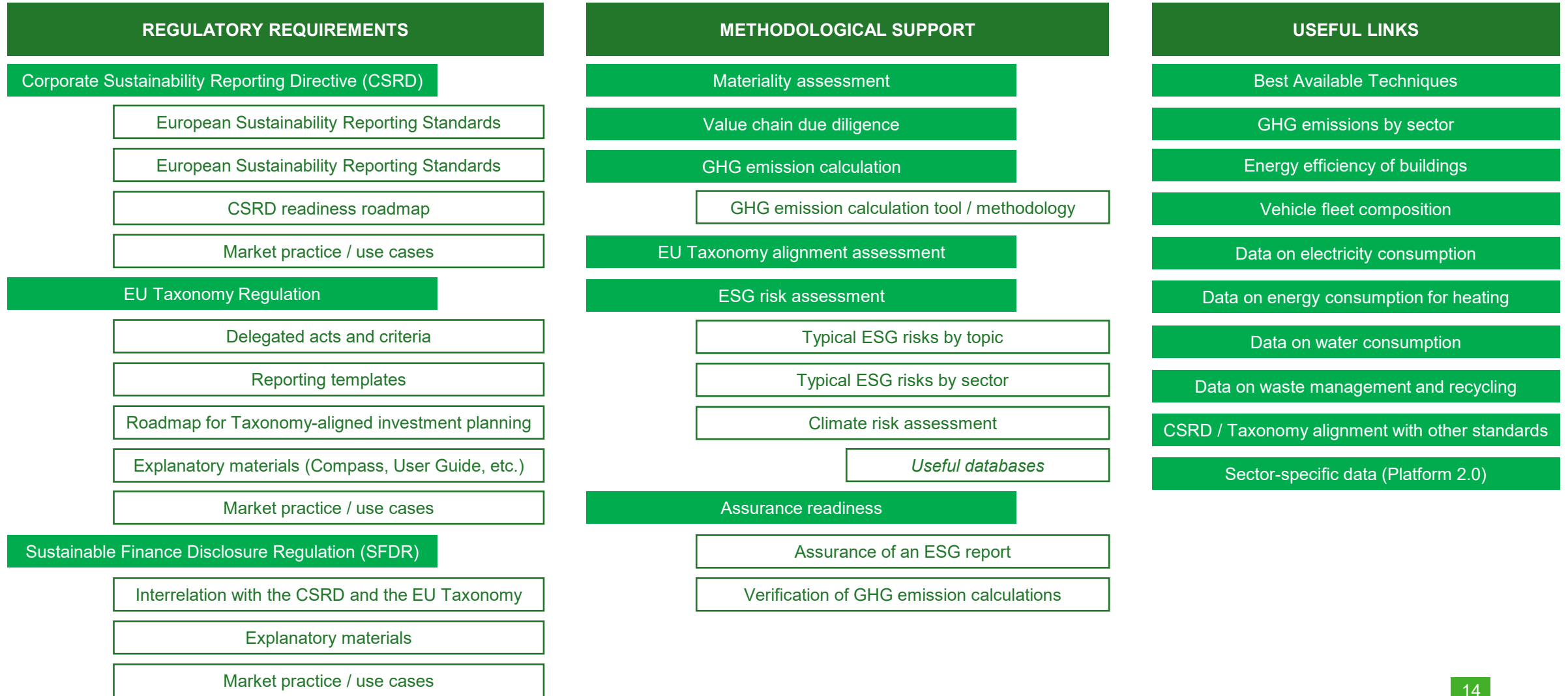
Short-term (1-12 months)

Medium-term (13-24 months)

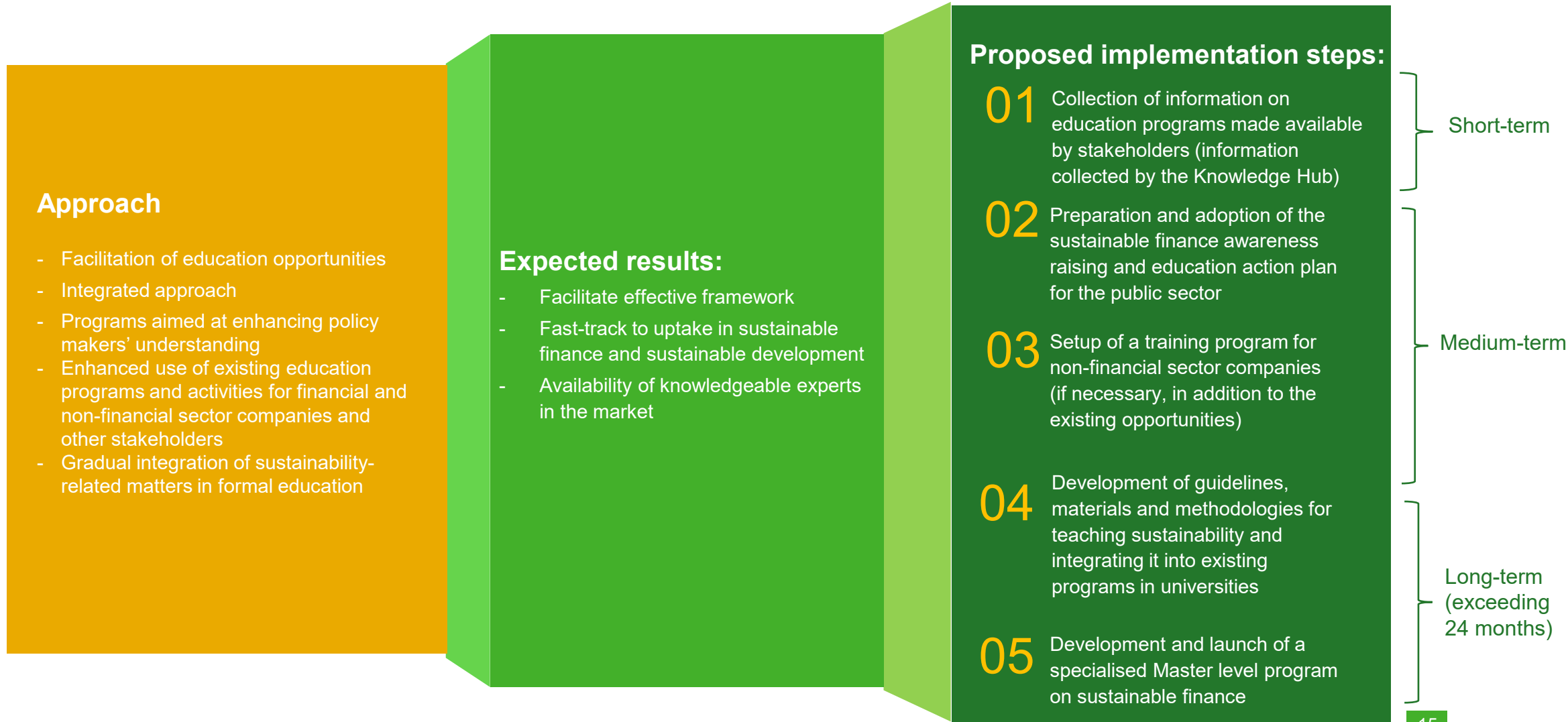
Short-term

Medium-term

# Initial structure of the ESG Support Platform



# Increasing market competencies



# Control environment

## Approach

- Review of sustainability-related information and further use of data
- Use of the European Single Access Point as a one-stop-shop directory
- Integration of sustainability-related data into the section on annual reports in the Electronic Declaration System (EDS)
- Integration with other ESG data reporting needs
- Educating the market on best practices of reporting
- Monitoring of reporting development

## Expected results:

- Access to data
- Multiple uses of reported data
- Streamlined reporting practices

## Proposed implementation steps:

- 01** Implement duties of Member States according to the European Single Access Point Regulation
- 02** Map the currently diverse reporting requirements of different state institutions with the CSRD topics
- 03** Define mandatory CSRD reporting topics for specific sectors, if applicable
- 04** Develop EDS add-ons for sustainability-related data
- 05** Collect and provide best practices for reporting on the ESG Support Platform – complementing them with expert comments
- 06** Review of reporting quality and additional market education on most specific mistakes and drawbacks, if necessary

Medium- to long-term

Short-term

Medium-term

A regular activity once a year



Panel discussion No. 1

# Practical implementation of the EU regulations –the possible role of the Knowledge Hub and awareness raising

## Moderator



**IEVA KUSTOVA**

ESG &  
Sustainability  
expert



**RAGNE MAASEL**

Group Head of  
ESG at LHV



**KATI ROSTFELDT**

Innovation Advisor  
& Sustainability  
Expert at the  
Estonian  
Employer's  
Confederation



**KAIA-KRISTIINA  
KIRIKAL**

Corporate  
Sustainability and  
Quality Manager at  
AS Harju Elekter  
Group



**TÕNU TUPPITS**

Sustainability  
Development  
Expert at Estonian  
Business and  
Innovation Agency

Coffee break  
10 minutes



## Panel discussion 2

**Market readiness -**  
stewardship of the financial  
sector and ability of the non -  
financial sector to embrace  
the opportunities of  
sustainable finance and  
sustainable investment



# Sustainable Finance Roadmap

## 1 Awareness and education

Consider development and operations of a Knowledge Hub

Increasing market competencies

## 2 Empowering market participants

Incorporation of sustainability objectives into the corporate governance structure of enterprises

Stewardship initiative

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Regional cooperation and alignment

Sustainable finance and sustainable economic development in Estonia

# Main challenges

- 1 Acting in the best interests of a beneficiary – **how to balance profit with long-term sustainability goals** and **limit** management **liability** for higher risks?
- 2 For financial sector – **how to mitigate potential conflict** between pursuing sustainability and maintaining financial stability? **How to harmonize understanding and expectations** with other market participants?
- 3 Undeveloped capital markets – how to facilitate that private and public companies **use capital markets for financing needs**, also for sustainability projects?
- 4 Growing demand for sustainable investments – how to encourage development of green bonds and other **EU Taxonomy aligned financial products**?
- 5 Accountability for sustainability-related information – **how to create a common approach** for labelling financial products and services aligned with EU Taxonomy? **How to promote transparency** and **inform investors** about sustainable options?

# Incorporation of sustainability objectives into the corporate governance structure of enterprises

## Approach:

### Privately and state / municipal owned enterprises:

- Adoption of sustainability strategy
- Consider green issuances from SOEs
- Sustainability committees
- Stakeholder engagement

### State and municipal owned enterprises:

- Letter of expectations
- Sustainability objectives as an integral part of company's operations
- Fulfilment of sustainability objectives

## Expected results:

- Sustainability objectives in governance and decision-making process
- Privately owned enterprises follow the example made

## Proposed implementation steps:

**01** Consider updating of Estonian Corporate Governance Code (also in line with the expected updates in the OECD guidelines)

Short-term  
(1-12  
months)

**02** Require state-owned enterprises to incorporate sustainability objectives into letter of expectations and strategy

Medium-term  
(13-24  
months)

# Stewardship initiatives

## Approach

- Common understanding of ESG objectives by the financial sector and its clients

## Harmonization of understanding and expectations:

- Unified approach for clients
- Expectations from regulatory authorities are aligned

## Contents and objectives:

- Desired level of Taxonomy alignment and recommended sources
- Adjusted borrower-based measures

## Expected results:

- Adopted stewardship code in Estonia
- Common approach towards clients
- Aligning sustainability objectives with prudential requirements

## Proposed implementation steps:

- 01 Setup of a working group of sustainability experts
- 02 Development, adoption and publishing of stewardship code

Short-term

Long-term  
(exceeding  
24 months)

# Empowerment of financial sector and capital markets

## Approach

- Continued development of green and sustainable products
- Cost reduction, streamlining of information

## Financial sector:

- Consumer and enterprise-oriented products
- Information on sustainable investments for Pension Pillars

## State and municipal institutions:

- Tapping into capital markets
- Consider issuing public sustainable financial instruments

## Expected results:

- State and municipalities are entering capital markets
- More sustainable investment options

## Proposed implementation steps:

**01** Activities to promote use of sustainable finance instruments

Short-term

**02** Consider developing guidance on sustainable financial instruments

Short-term

**03** Ministries consider encouraging implementation of sustainable finance instruments

Medium-term

**04** Financial sector is proposed to develop an approach on how to foster development of new EU Taxonomy-aligned financial products

Short-term



# Green labelling

## Approach

- Substantial advantages and cost reductions
- Market research on the potential demand
- Common Pan-Baltic approach  
Engagement of experts
- Eligibility and criteria, certain alignment with EU Taxonomy

## Expected results:

- Pan-Baltic green labelling program
- Development of green financial products
- Steering investors towards sustainability
- Access to new investor pools

## Proposed implementation steps:

**01** A market evaluation to determine the interest of market participants

Short-term

**02** Considering of the creation of a Pan-Baltic committee comprising of state authorities and experts

Medium-term (if applicable)

**03** Consider development of operational aspects of the green labelling program, incl. eligibility and criteria

Medium-term (if applicable)

**04** Consider establishment of the green label and promotional activities

Long-term (if applicable)

Panel discussion No. 2

# Market readiness - stewardship of the financial sector and ability of the non -financial sector to embrace the opportunities of sustainable finance and sustainable investment

## Moderator



**ĢIRTS RŪDA**  
ESG Lead at  
Eversheds  
Sutherland  
Bitāns



**VALNER LILLE**  
Adviser of the  
Financial  
Services Policy  
Department at  
the Ministry of  
Finance



**MARJU ZIREL**  
Head of Investor  
Relations at Port  
of Tallinn



**RIIN SAVI,  
PhD**  
Head of  
Organizational  
Development &  
Culture at  
BaltCap



**LILI KIRIKAL**  
CFO,  
Member of the  
Management  
Board at Sunly



Panel discussion 3

Public sector  
as a role model

# Sustainable Finance Roadmap

## 1 Awareness and education

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# Main challenges

- 1** State and municipal institutions **should prioritize sustainability** by incorporating targeted policy planning and tailored incentives to **drive the sustainability agenda on a large scale**
- 2** Sustainable public investment (procurement) and transition activities in sectors such as energy, transport, water management, and data transmission should be a **key focus for state and municipal institutions and enterprises**
- 3** State and municipal institutions need to **enhance their expertise in sustainability and prioritize long-term goals over short-term measures**, while updating procurement practices to prioritize sustainability over cost

# Alignment with public policy planning and implementation



# Sustainable state and municipal investments

## Approach

- Development of procurement policies to procure sustainable, green products and services
- Procurement policies require certain sustainability and EU Taxonomy alignment

## Operations:

- Procurement Excellence Centre
- Best practice sharing between various state and municipal authorities

## Expected results:

- Promotion of Procurement Excellence Centre in Estonia and Latvia
- Sustainable state and municipal infrastructure, e.g. energy efficient buildings, electric vehicles
- Encouraged private companies to enhance their readiness to participate in green, sustainable procurements
- Consider setting numerical target in relation to procurements at least in value should be classified as green

## Proposed implementation steps:

- 01 Set-up / Promotion of Procurement Excellence Centre in Estonia and Latvia

} Medium-term

# Regional cooperation and alignment





Panel discussion No. 3

# Public sector as a role model in implementation of sustainability principles

## Moderator



**TARMO TOIGER**

Partner, Head of Management Consulting and Technology at KPMG Baltics



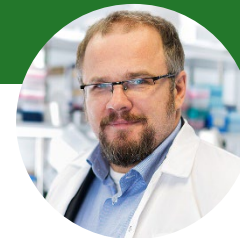
**EILI LEPIK**

Deputy Strategy Director at the State Chancellery



**AIRE RIHE**

Green Reform Advisor at the Ministry of Climate



**PROF MART LOOG**

Professor of Molecular Systems Biology at University of Tartu



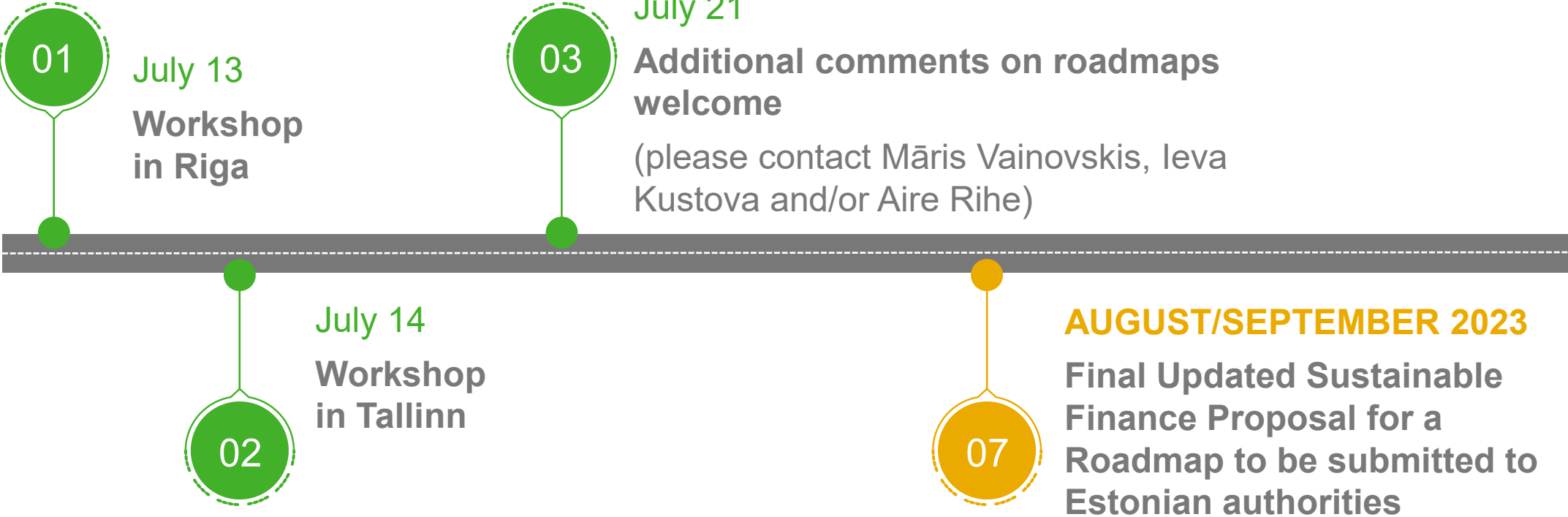
**MARI LAHTMETS**

Advisor at the Fiscal Policy Department of the Ministry of Finance

A close-up photograph of a mossy rock with ferns in a forest setting. The moss is a vibrant green, and the ferns are dark green. The background is dark and out of focus.

Next steps

# Further stakeholder involvement





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# Thank you!

Contact details for inquiries about the Project and comments on the policy recommendations:



**Ieva Kustova**

ESG Expert, Project Lead

[ieva.kustova@gmail.com](mailto:ieva.kustova@gmail.com)



**Māris Vainovskis**

Senior Partner  
Eversheds Sutherland Bitāns

[maris.vainovskis@eversheds-sutherland.lv](mailto:maris.vainovskis@eversheds-sutherland.lv)