



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

13.07.2023



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. Piotr Nowak**

*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)*



**Mr. Ints Dālderis**

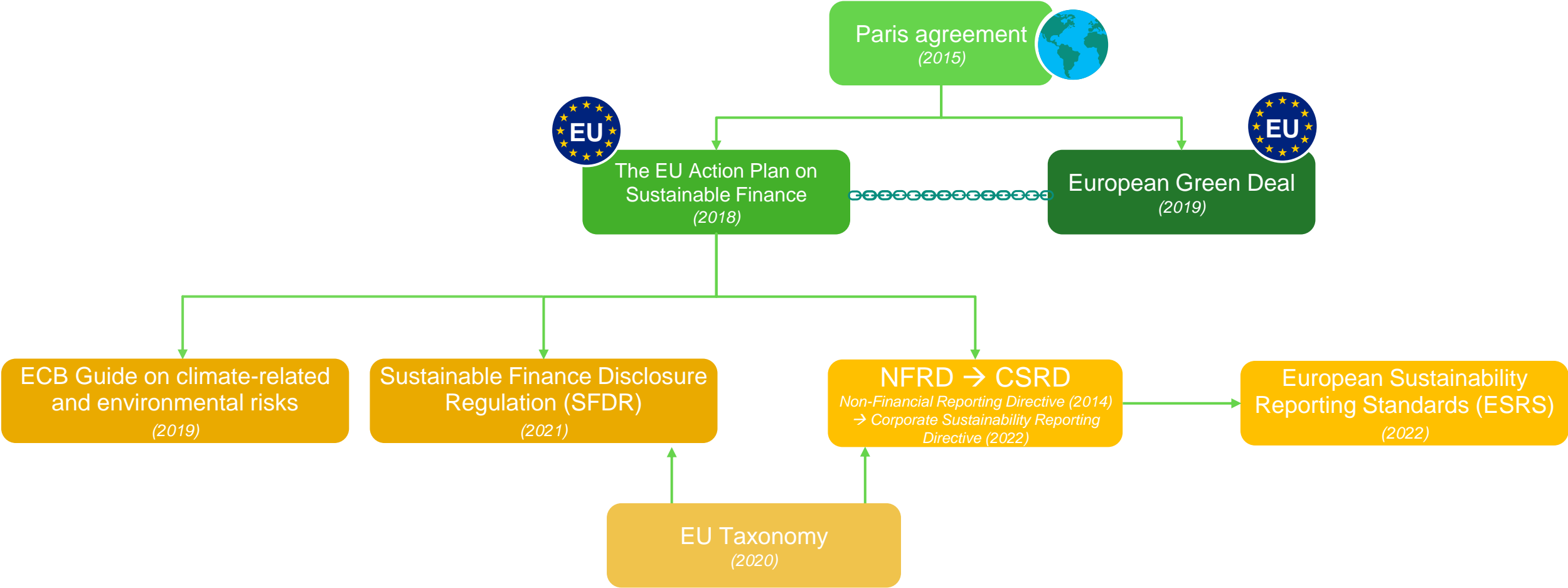
*Ministry of Finance of the Republic of Latvia*

*Advisor to the Minister of Finance*

A close-up photograph of a hand reaching into a field of golden wheat. The hand is positioned on the left side of the frame, with fingers slightly spread, touching the wheat stalks. The wheat is in full bloom, with long, thin awns extending from the heads. The background is a soft-focus field of similar wheat, creating a sense of depth. The overall color palette is warm, dominated by the golden-yellow of the wheat and the skin tone of the hand.

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 Latvia?
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**

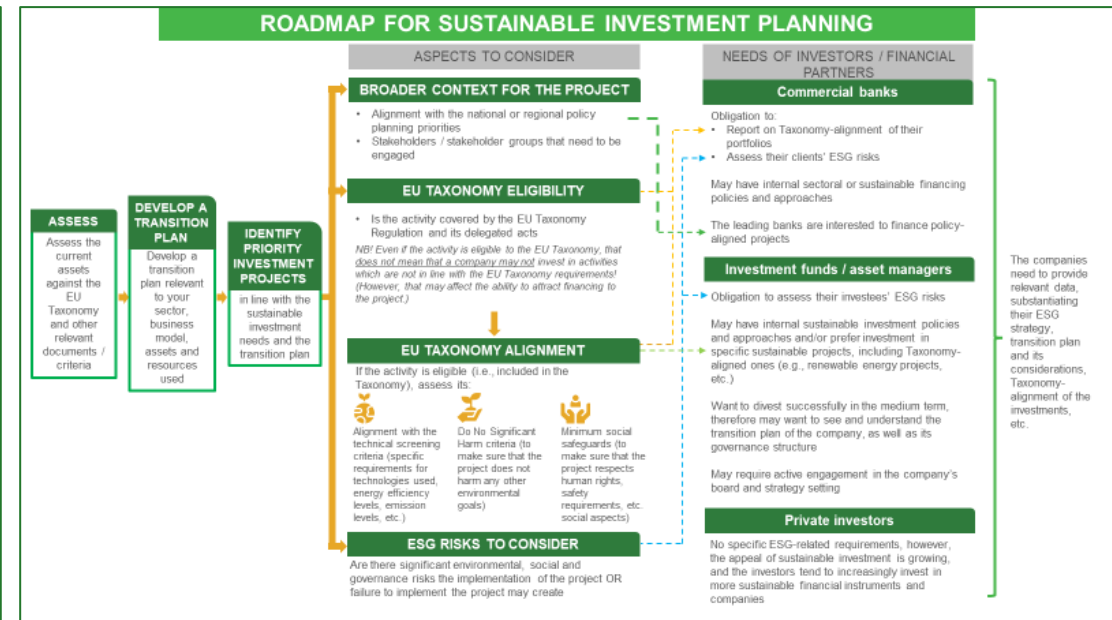
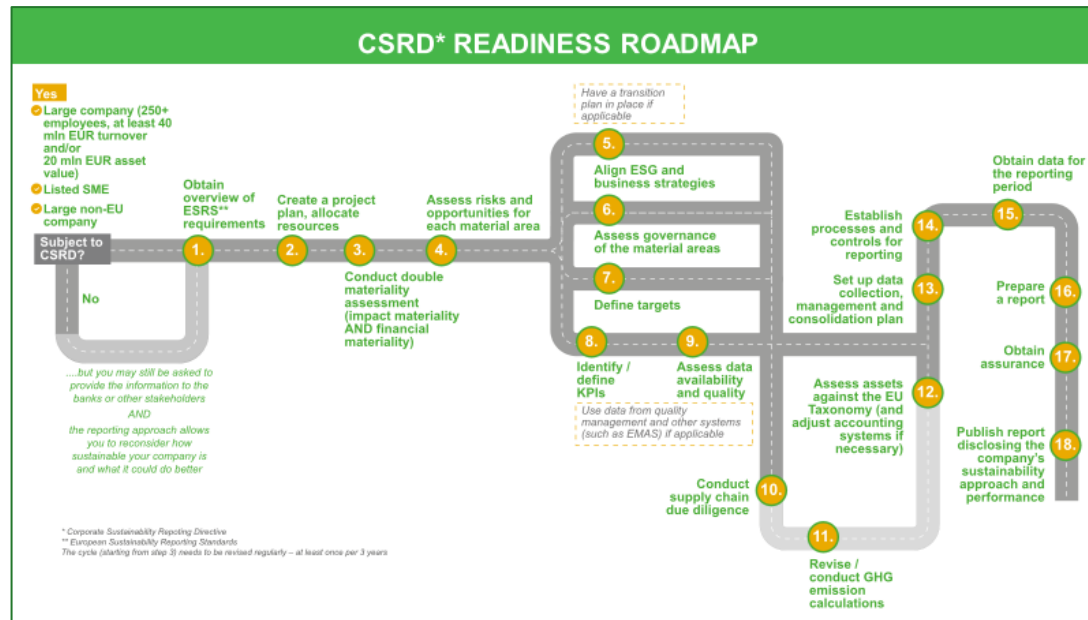
*Case studies, schematic roadmaps, discussion in stakeholder workshops (February 2023)*

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

*To be discussed today*

*Source: analysis conducted for the purpose of the project*

# 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 Latvia



# 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

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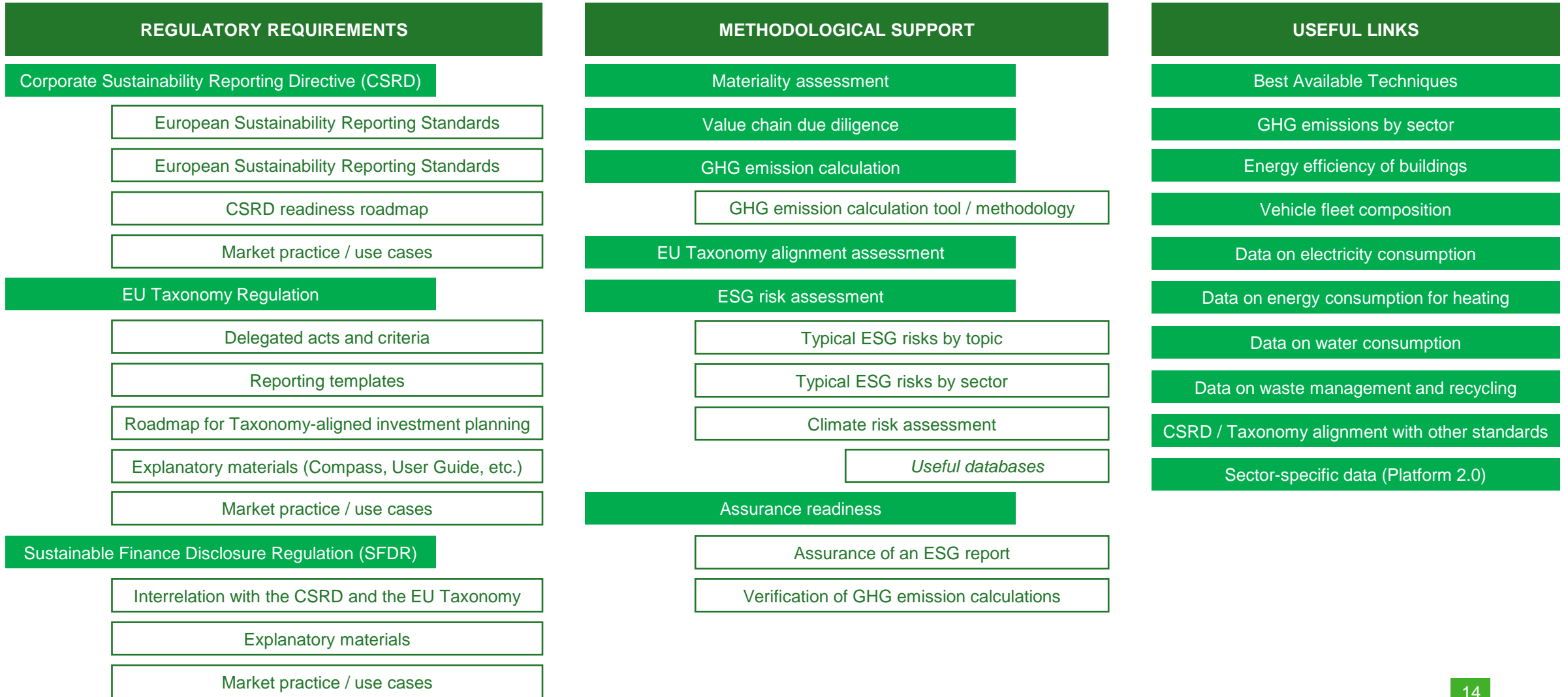
# Main challenges

- 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)

# Development and operation of a Knowledge Hub



# 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

## Primary responsible authority:

- Ministry of Finance

## Other stakeholders:

- State Revenue Service
- Other state institutions
- Bank of Latvia
- Finance Latvia
- Auditors' Association of Latvia

## Implementation:

- 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 (implemented by the Knowledge Hub)

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 role of the Knowledge Hub and awareness raising

### Moderator



**IEVA  
KUSTOVA**

ESG &  
Sustainability  
expert



**VIKTORS  
TOROPOVS**

Sustainability  
Officer at SEB  
banka, member  
of Sustainable  
Finance  
workstream at  
Finance Latvia



**ARNIS  
JANKOVSKIS**

Chief  
Regulations  
Expert at the  
Bank of Latvia



**JĀNIS  
LIELPĒTERIS**

Member of the  
Board and leader of  
the Green Think-  
tank at the Chamber  
of Commerce and  
Industry of Latvia



**ILZE PRŪSE**

Director of the  
Strategic  
Coordination  
Department at the  
Ministry of Climate  
and Energy



**ADRIĀNA  
KAULIŅA**

Chief  
Sustainability  
Officer at TET



**IMANTS  
TIESNIEKS**

Chief Expert of  
the Financial  
Market Policy  
Department at  
the Ministry of  
Finance

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

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# 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
- Fostering green issuances from SOEs
- Creation of sustainability committee
- 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

## Primary responsible authority:

- Ministry of Justice

## Implementation:

**01** Update of Latvian Corporate Governance Code (also in line with the expected updates in the OECD guidelines)

Short-term  
(1-12  
months)

**02** State guidelines requiring 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 Latvia
- Common approach towards clients
- Aligning sustainability objectives with prudential requirements

## Primary responsible authority:

- Bank of Latvia (limited role)

## Implementation:

**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 2nd Pension Pillar

## State and municipal institutions:

- Tapping into capital markets
- Public Sustainable Financial Instrument Issue Plan

## Expected results:

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

## Primary responsible authorities:

- Ministry of Finance
- Ministry of Climate and Energy
- Ministry of Environmental Protection and Regional Development
- Bank of Latvia (limited role)

## Implementation:

- 01** Activities to promote use of sustainable finance instruments are included in the draft Financial Sector Development Plan 2024-2026
- 02** Cabinet of Ministers adopts Public Sustainable Financial Instrument Issue Plan
- 03** Bank of Latvia publishes guide on sustainable financial instruments
- 04** Ministries set targets for sectoral policies to implement sustainable finance instruments
- 05** Industry develops an approach on how to foster development of new EU Taxonomy-aligned loan products

Short-term

Long-term

Short-term

Medium-term

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

## Primary responsible authority:

- Ministry of Finance

## Implementation:

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

**02** Creation of a Pan-Baltic committee comprising of state authorities and experts

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

**04** Establishment of the green label and promotional activities

Short-term

Medium-term (if applicable)

Medium-term (if applicable)

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



**AIJA ZITCERE**  
Director of  
Financial Market  
Policy Department  
at the Ministry of  
Finance



**DAIGA  
AUŽINA-  
MELALKSNE**  
CEO of Nasdaq  
Riga, Head of  
Nasdaq Baltic  
Exchanges



**MATĪSS PAEGLE**  
Investment  
Director at BaltCap



**NORA  
PASTORE**  
Sustainability  
Officer, Head of  
Development  
at Signet Bank

A modern glass skyscraper with lush green trees in the foreground and background. The building's glass facade reflects the surrounding greenery and sky. The text is overlaid on the left side of the image.

Panel discussion 3

**Public sector  
as a role model**

# Sustainable Finance Roadmap

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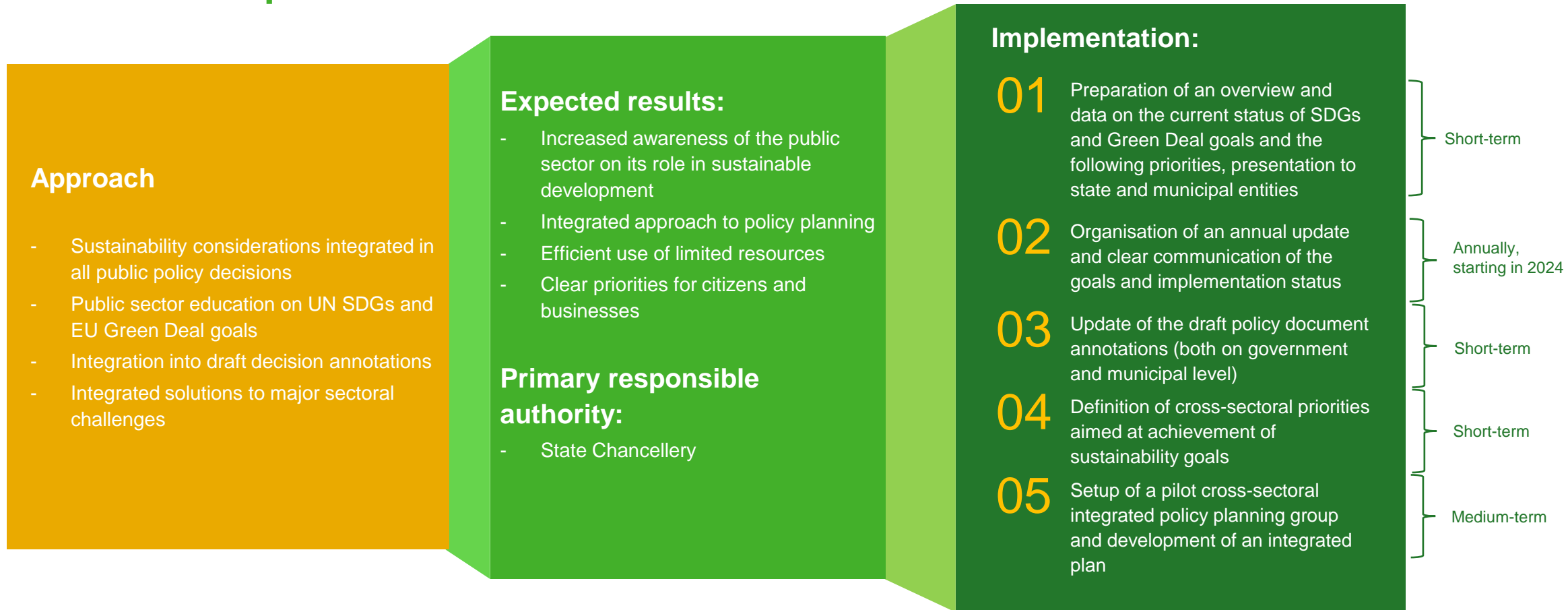
Regional cooperation and alignment

Sustainable finance and sustainable economic development in Latvia

# 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

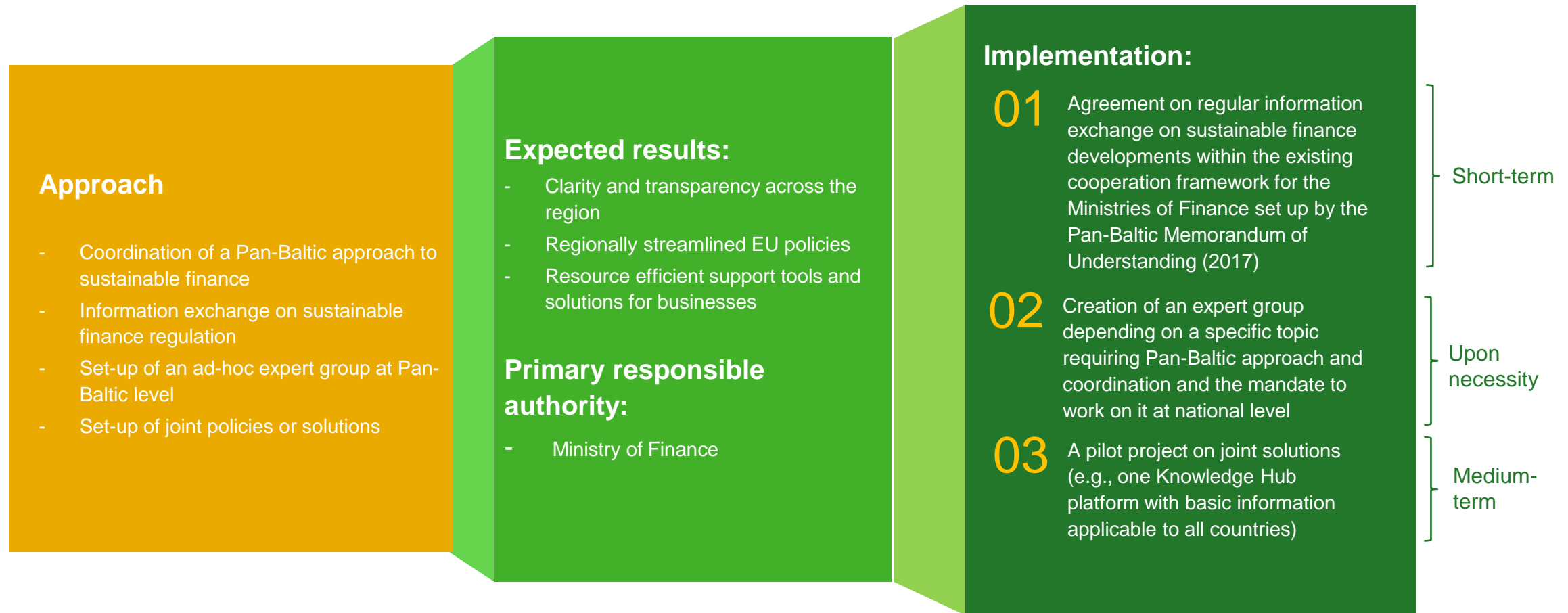
# Alignment with public policy planning and implementation



# Sustainable state and municipal investments



# Regional cooperation and alignment





## Panel discussion No. 3

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

### Moderator



**MĀRIS  
VAINOVSKIS**

Senior Partner of  
Eversheds  
Sutherland  
Bitāns



**JĀNIS  
PATMALNIEKS**

Member of  
Parliament of the  
Republic of  
Latvia,  
Parliamentary  
Secretary to the  
Prime Minister



**JĀNIS LANGE**

Executive  
Director at the  
Municipality of  
Riga



**SIGNE  
MUCENIECE**

Deputy Head of  
the Procurement  
Supervision  
Bureau



**DR. MĀRTIŅŠ  
DAUGULIS**

Head of  
Department of  
Political Science  
at Rīga Stradiņš  
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**ANDA  
SMILTĒNA**

Deputy State  
Secretary for  
Legal Policy  
at the Ministry of  
Justice



**IMANTS  
TIESNIEKS**

Chief Expert of  
the Financial  
Market Policy  
Department at  
the Ministry of  
Finance

# Feedback by Ministry of Justice

**Public sector as role model.** Sustainable practices have emerged as one of today's most pressing challenges. We have to ensure that actions taken today do not threaten the well-being of future generations as enterprises become more sustainable. State and municipal enterprises, as well as state institutions themselves, should set an example and inspire private enterprises and society as a whole to become more sustainable. The Ministry of Justice believes that discussions with stakeholders and the general public guarantees that corporate decision-making is transparent, responsible, and democratic. Such discussions can lead to more effective decision-making and more durable solutions; additionally, public engagement will aid in its development and fulfillment of common goals.

# Feedback by Ministry of Justice

**Awareness raising.** The Ministry of Justice agrees that sustainability issues are challenging not only for the private sector, but also for the public sector. It is necessary for both of these sectors to cooperate, grow, and develop together. Public sector also needs competent and well-informed personnel to ensure a focused state direction towards achieving overarching sustainability goals.

There is a strong need for greater awareness raising regarding sustainability issues and public procurement. As the public sector is the largest purchaser of goods and services, it is crucial for it to transition to sustainable practices by providing additional advantages to sustainable enterprises, including in public procurement. Such practice would be decisive in creating a significant demand and supply of sustainable goods and services in the local market. Moreover, this practice will facilitate the development of sustainable business practices and promote economic growth.

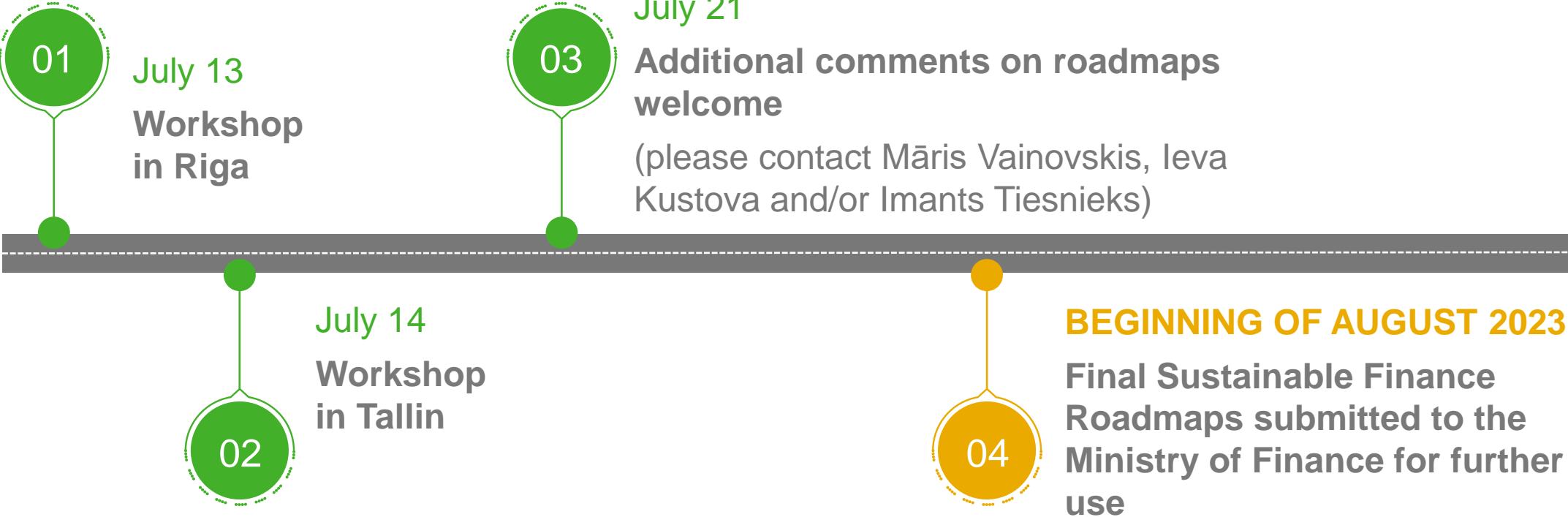
# Feedback by Ministry of Justice

**Pan-Baltic cooperation.** Cooperation between the Baltic States has always been essential in the development of our countries. This cooperation has contributed to the development of our region and strengthened the position of our countries in the international arena. Cooperation in the field of sustainability among the Baltic States would not only strengthen our region but also promote sustainable development throughout the European Union and on a global scale.

A close-up photograph of a moss-covered rock in a forest. The moss is a vibrant green and covers the rock's surface. In the foreground, there are several ferns with delicate, feathery fronds. The background is dark and out of focus, showing more greenery and light filtering through the trees.

Next steps

# Further stakeholder involvement





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# Thank you!

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



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