

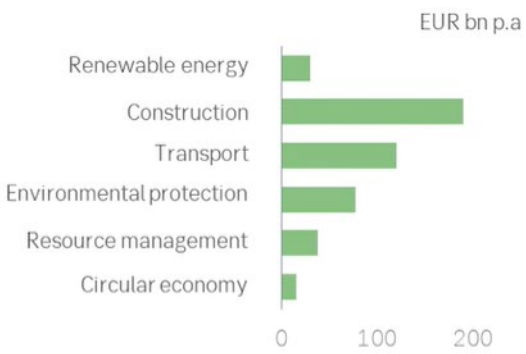
# KEY ACTIVITIES TO SUPPORT GREEN FUNDING

13.09.2021

# IMPOTANCE FOR FINANCIAL SECTOR

Significant public and private investment needs

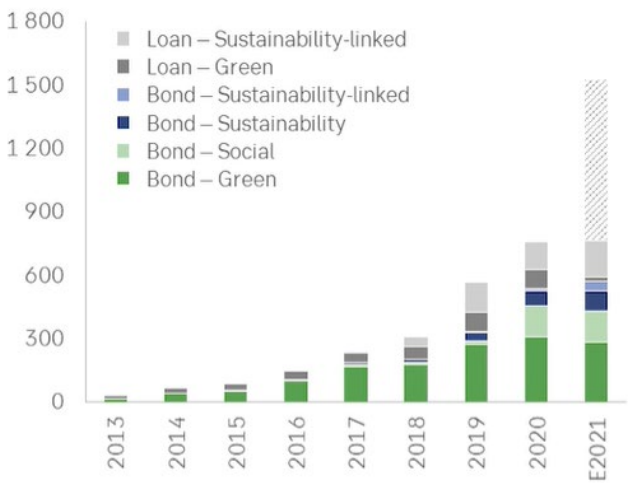
EUR ~3,290bn estimated investment gap in EU 2021-27<sup>1</sup>



Source: EU Commission

Continued strong growth in sustainable debt market

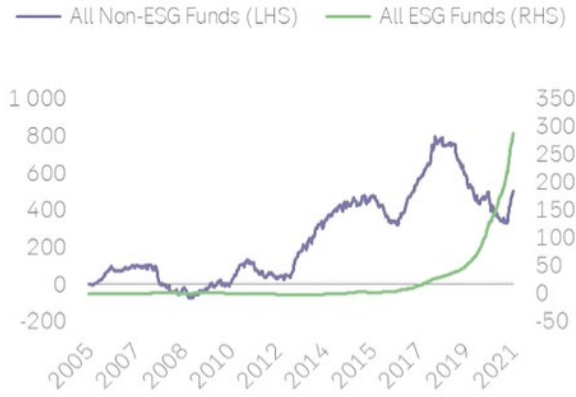
Yearly issuance volumes across sustainable debt product categories (USD bn)<sup>2</sup>



Source: Bloomberg

Accelerated net flows to sustainable funds

Global cumulative net sales (USD bn)



Source: Goldman Sachs

# REALITY CHECK



The average result of ESG reporting of 100 Largest Latvian companies is 20%

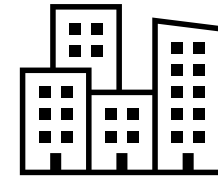
From 100 largest companies 20 report ESF issues at a good level (over 50%)

7 reports prepared in accordance with the Global Reporting Initiative standard

6 companies from 100 largest companies refer Sustainable Development Goals



**62%**  
**Listed Companies (5)**



**5%**  
**Local capital companies (29)**

**AVERAGE RESULTS BY OWNERSHIP TYPE**



**50%**  
**State-owned companies (16)**



**14%**  
**Foreign capital companies (50)**

# ACTIONS TAKEN BY THE FINANCE LATVIA ASSOCIATION

# 15-POINT PLAN TO PROMOTE FINANCING 2021–2022

## LENDING



- 1. New products to finance the green transition**, discussions with the public sector on **facilitating sustainable initiatives** with tax motivation mechanisms and state aid programmes.
- 2. Enhancement of state aid programmes** or involvement of other **international financial institutions' products** to expand the support available to SMEs.
- 3.** Discussion on broader use of asset classes **in mortgage lending** to facilitate reduction in down payment.
- 4.** Internationally **competitive regulations on securitisation**.

## DEVELOPMENT OF CAPITAL MARKETS



- 5. Enabling regulations** that facilitate a broader and **more diversified investment of pension fund assets in corporate financial instruments**, including capital, quasi-capital and debt instruments issued by medium-sized and state owned companies listed on the regulated or alternative market in the Baltics, and investment (venture, hedge) funds investing in such financial instruments.
- 6. Guidelines for promoting the broader investment of pension fund assets** in the economy of Latvia.
- 7. Implementation of a collateral agent** for issues of bonds and syndicated bank loans.

## FINANCIAL LITERACY



- 8. Creation of a sustainable financing platform** in cooperation with the Financial and Capital Market Commission (FCMC), companies in various industries, professional organisations and other stakeholders (promoting the development of sustainable projects and the purposeful and intelligent implementation of EU regulations).
- 9. Development of a financial literacy programme** for pupils and other age groups.
- 10. Sharing credit institutions' experience** with partners in public and private sector.
- 11.** A publicly available **credit capacity assessment model**.

## SUSTAINABLE FINANCE



- 12. Coordinated public and private sector policy for assessing sustainability** of investments according to the EC guidelines.
- 13. A study on non-financial data** to be included in non-financial reports by SMEs.
- 14. Open innovations for sustainable solutions**, focusing on cooperation with start-ups.
- 15. Memorandum of cooperation** in sustainability with the FCMC and the Bank of Latvia.

# LEAVING A LASTING IMPACT

Finance Latvia Association, the Financial and Capital Market Commission, the Bank of Latvia, Nasdaq Riga, the Latvian Leasing Association and the Latvian Insurers Association have agreed to collaborate to promote public understanding of the meaning and principles behind sustainability and sustainable finances, as well as to promote the implementation of this in business and daily life.

## Memorandum of Understanding to Improve Sustainability



FINANŠU  
NOZĀRES  
ASOCIĀCIJA

FKK

LATVIJAS BANKA  
ĒKOSISTĒMA

Nasdaq

LATVIJAS LĪZINGA DEVĒJU ASOCIĀCIJA

LATVIJAS APDROŠINĀTAJU ASOCIĀCIJA



# MEMORANDUM OF UNDERSTANDING TO IMPROVE SUSTAINABILITY

## **1st priority - Promote sustainable culture and governance**

To promote knowledge transfer, understanding of the principles of sustainability

Establish a sustainability financing platform to promote the financial literacy

Promote wider investment of pension funds and insurers in the sustainable development of the Latvian economy

Promote the knowledge of financial sector participants on the compliance of investments with ESG standards

Promote sustainable housing stock

Develop a stress test on climate change scenarios in specific sectors, their impact on the financial sector, the economy

etc



# MEMORANDUM OF UNDERSTANDING TO IMPROVE SUSTAINABILITY

## **2nd priority - Facilitate the availability of ESG data**

Identify non-financial data (eg CO2 emissions, energy, electricity, etc. resource consumption, impacts on biodiversity) that should be included in non-financial accounts

Foster discussion on the identification, collection, analysis, and maintenance of public sector data necessary to achieve sustainability goals, and ensure convenient, automated access to the data for the private sector

To improve the operation of the Credit Register and the identification and accumulation of the necessary data

etc

# MEMORANDUM OF UNDERSTANDING TO IMPROVE SUSTAINABILITY

**3rd priority -  
- Encourage investment  
in sustainable projects**

To develop new products for financing the “green transition”

Continue to promote the development of open innovation for sustainable solutions, in particular through cooperation with start-ups

Promote green bond issues and investment of pension plans, insurance, investment funds and growth funds in various companies focused on green and sustainable development, digital transformation

etc

**Thank you!**

