

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainability Bond Framework

Latvia

30 November 2021

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">• Sustainability Bond• Green Bond• Social Bond
Relevant standards	<ul style="list-style-type: none">• Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs) as administered by ICMA
Scope of verification	<ul style="list-style-type: none">• Latvia Sustainability Bond Framework (as of 29.11.2021)
Lifecycle	<ul style="list-style-type: none">• Pre-issuance verification
Validity	<ul style="list-style-type: none">• As long as no material changes are made to the framework

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Scope of work

The Republic of Latvia (“Latvia” or “the issuer”) commissioned ISS ESG to assist with its Sustainability Bond by assessing three core elements to determine the sustainability quality of the instrument:

1. Sustainability bond link to Latvia’s sustainability strategy – drawing on Latvia’s overall sustainability profile and issuance-specific Use of Proceeds categories.
2. Latvia’s Sustainability Bond Framework (as of 29.11.2021) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs).
3. The Selection criteria – whether the projects contribute positively to the UN SDGs and perform against ISS ESG’s issue-specific key performance indicators (KPIs) (See Annex 2).

ISS ESG ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ¹
<p>Part 1:</p> <p>Sustainability bond's link to issuer's sustainability strategy</p>	<p>According to the ISS ESG Country Rating published on 06.05.2021, the Republic of Latvia shows a high sustainability performance on key ESG issues faced by sovereign issuers. The Use of Proceeds financed through these bonds are consistent with the issuer's sustainability strategy and material ESG topics for sovereigns. The rationale for issuing green, social and sustainability bonds is clearly described by the issuer.</p>	Consistent
<p>Part 2:</p> <p>Alignment with GBPs, SBPs and SBGs</p>	<p>The issuer has defined a formal concept for its green, social and sustainability bonds regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA GBPs, SBPs and SBGs.</p>	Aligned
<p>Part 3:</p> <p>Sustainability quality of the Selection criteria</p>	<p>The overall sustainability quality of the Selection Criteria in terms of sustainability benefits, risk avoidance and minimisation is good based upon the ISS ESG assessment. The green, social and sustainability Bonds will (re-)finance eligible project categories which include energy efficiency, climate change adaptation, renewable energy, circular economy, clean transportation, water management, land use, biodiversity conservation, education, social inclusion, and basic infrastructure.</p> <p>Those use of proceeds categories have a positive contribution the following SDGs: 1 "No Poverty", 4 "Quality Education", 6 "Clean Water and Sanitation", 10 "Reduced Inequalities", 11 "Sustainable Cities and Communities", 12 "Responsible Consumption and Production", 13 "Climate Action", 14 "Life Below Water", 15 "Life on Land". The environmental and social risks associated with those use of proceeds categories have been well managed.</p>	Positive

¹ ISS ESG's evaluation is based on the Latvia's Sustainability Bond Framework (as of November 29th, 2021), and on the ISS ESG Country Rating applicable at the SPO delivery date (updated on 06.05.2021).

ISS ESG SPO ASSESSMENT

PART I: SUSTAINABILITY BOND'S LINK TO LATVIA'S SUSTAINABILITY STRATEGY

A. ASSESSMENT OF LATVIA'S ESG PERFORMANCE

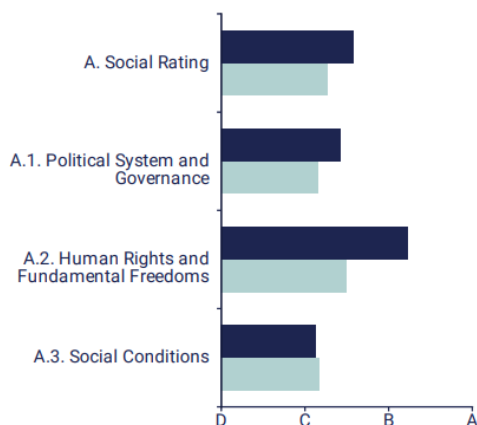
The ISS ESG Country Rating provides material and forward-looking environmental, social and governance (ESG) data and performance assessments. For the purpose of assessing Latvia's ESG performance, ISS ESG used Latvia's Country Rating as a basis for this assessment. The overall analysis is graded on a twelve-point scale from A+ (the country shows excellent performance) to D- (the country shows poor performance or fails to demonstrate any commitment to appropriately address the topic).

COUNTRY	RATING	DECILE RANK
REPUBLIC OF LATVIA	B -	2

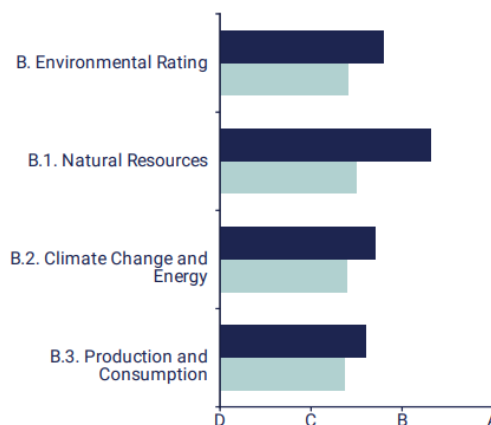
ESG performance

As of 06.05.2021, Latvia is assessed as a high performer in terms of sustainability by the ISS ESG Country Rating methodology. Key challenges faced by sovereign issuers in terms of sustainability management are displayed in the charts below, as well as Latvia's performance against those key challenges in comparison to the other countries' average performance.

Governance and Social Performance



Environment Performance



Legend: ■ Universe ■ Country ²

² The tables reflect the rating on an absolute scale, ranging from D- (poor) to A+ (excellent). For further information on the ESG Country Rating methodology, please refer to Annex 2.

Breaches of international norms and ESG controversies

The country is currently not facing any severe controversies.

B. CONSISTENCY OF SUSTAINABILITY BOND WITH LATVIA’S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the issuer

The Sustainable Development Strategy of Latvia until 2030 (Latvia2030) outlines Latvia’s long-term development priorities, strategic indicators, objectives, development directions, areas of action and performance indicators. It is hierarchically the highest national-level, long-term planning document. It determines the main tasks for the State and the society toward their common objective, the balanced and sustainable development of Latvia.

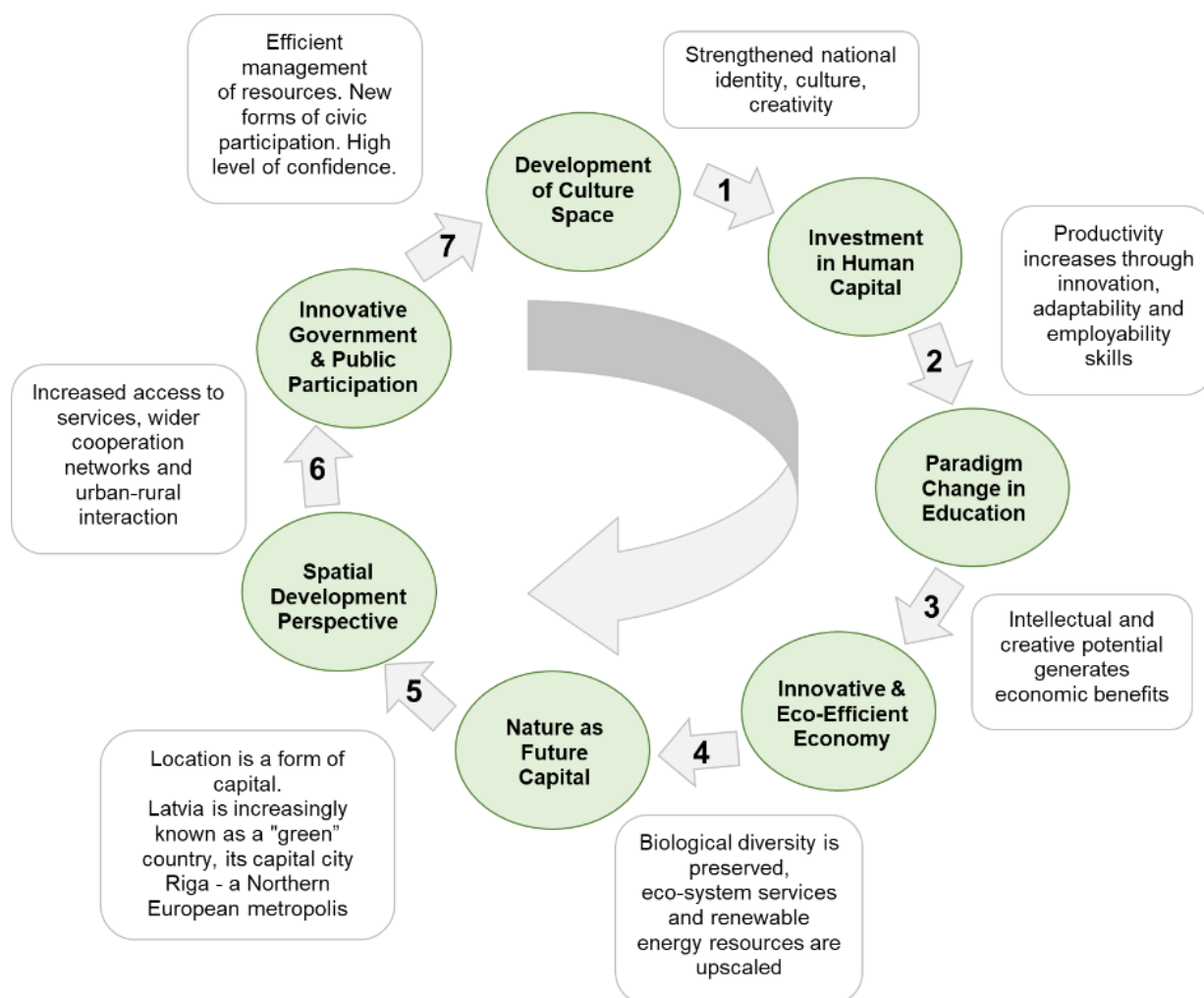


Figure 1. Latvia2030 priorities (Source: Cross-sectoral Coordination Centre)³

³ https://www.pkc.gov.lv/sites/default/files/inline-files/LIAS_2030_en_1.pdf

Complementing Latvia2030, the National Development Plan of Latvia for 2021-2027 (NDP2027), approved by the Saeima (the Parliament) on July 2, 2020 is Latvia's main medium-term development planning document. NDP2027 envisages strategic objectives, operational priorities and relevant measures for the sustainable and balanced development of Latvia during the next seven-year planning period, with the objective of achieving Latvia2030, contributing to the UN Sustainable Development Goals and improving the quality of life in Latvia. NDP2027 defines investments in 18 priority areas needed to ultimately ensure that Latvia meets its four strategic goals of increasing productivity and income, ensuring equal opportunity, strengthening social trust, and promoting regional development.

Latvia's Climate policy

The Government of Latvia has defined the fight against climate change as one of the State priorities. Latvia is committed to reducing the negative impacts of climate change at international, EU and national levels and moving towards climate neutrality by 2050.

As Latvia is experiencing the impact of climate change, it requires climate change mitigation and adaptation measures in order to reach low carbon and climate resilient development. Specific targets for greenhouse gas emission reductions are set for 2030, as well as 2050.

- 2030 - Latvia is committed to reducing greenhouse gas emissions (covered by the non-Emission Trading Scheme (ETS) sector) by 6% compared to 2005. Note that as a result of the European Commission "Fit for 2055" legislative package⁴, Latvia has acknowledged that it will have to adjust its targets in order to ensure its trajectory to climate neutrality in 2050. Indicatively, Latvia would have to reduce its non-ETS emissions by about -17% by 2030 compared to 2005.
- 2050 - Latvia is fully committed to reaching 2050 climate neutrality (mid-term indicative targets have also been set in the Strategy of Latvia for the Achievement of Climate Neutrality by 2050, see the table below under Section 1.4.1.).

According to the issuer statement, targets set by Latvia are in line with the climate policy of the European Union and the EU's objectives for climate policy, as well as with the United Nations Framework Convention on Climate Change, including the Kyoto Protocol and Paris Agreement, treaties to which Latvia is a signatory.

In order to implement its targets, three documents for climate policy have been developed:

- Strategy of Latvia for the Achievement of Climate Neutrality by 2050⁵
- National Energy and Climate Plan for 2021-2030⁶
- Latvia's National Plan for Adaptation to Climate Change until 2030⁷

⁴ In July, 2021 the European Commission has presented the so called "Fit for 55" legislative package aimed at adjusting the legislation to enhanced 2030 target in EU of at least 55% net GHG emission reduction by 2030 in order for the EU trajectory to climate neutrality in 2050 to be balanced, realistic and prudently chosen.

⁵ https://ec.europa.eu/clima/sites/its/lts_lv_en.pdf

⁶ https://ec.europa.eu/energy/sites/default/files/documents/lv_final_necp_main_en.pdf

⁷ <https://likumi.lv/ta/id/308330-par-latvijas-pielagosanas-klimata-parmainam-planu-laika-posmam-lidz-2030-gadam>

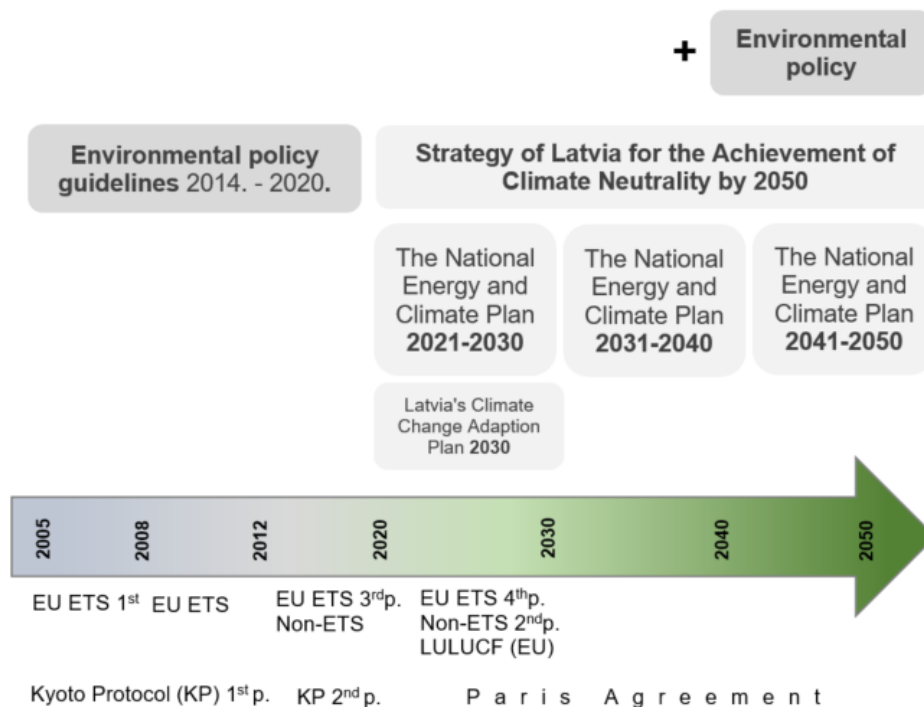


Figure 2. Structure of Climate Policy Framework in Latvia

Rationale for issuance

The Government of the Republic of Latvia states to be committed, with its long-term focus on funding investments with tangible environmental and/or feasible social benefits, to supporting the Republic of Latvia in implementing its transition strategy and reaching its long-term sustainability goals.

Recognizing the transformational force that Sustainable Finance has in accelerating Environmental, Social and Governance (“ESG”) progress, the Republic of Latvia aims to issue Sustainable Bond(s) to contribute to financing its environmental and social transition, and to support the development of Sustainable Finance in the Republic of Latvia in line with the key priorities set out in its Financial Sector Development Plan 2021-2023⁸.

⁸ <https://www.fm.gov.lv/en/financial-sector-development-plan-2021-2023>

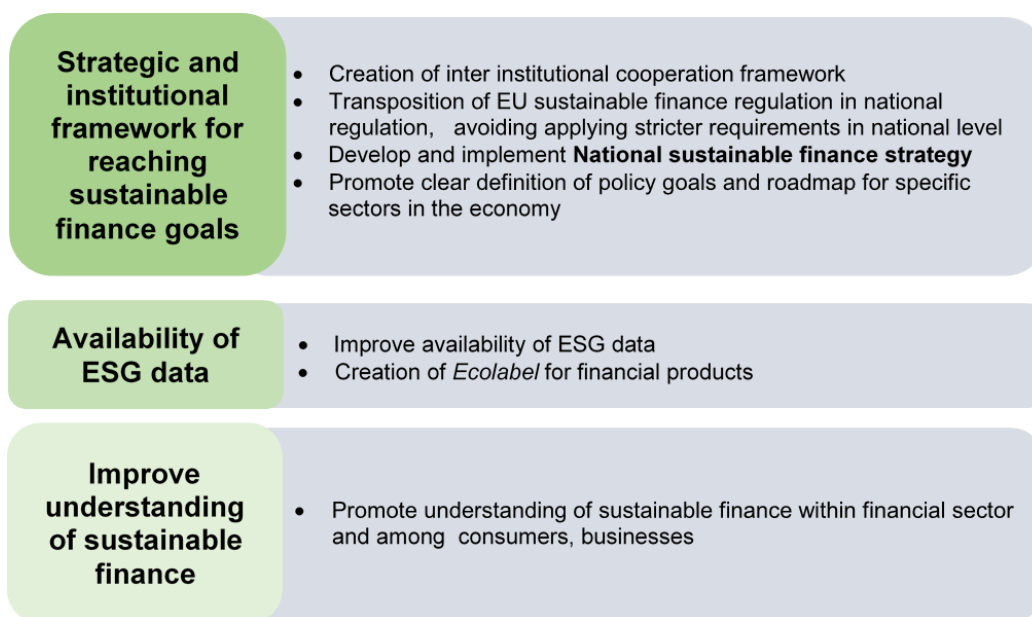


Figure 3. Planned Sustainable Finance measures of the Financial Sector Development Plan 2021-2023

Contribution of Use of Proceeds categories to sustainability objectives and priorities

ISS ESG mapped the Use of Proceeds categories financed under this Sustainability Bond Framework with the sustainability objectives defined by the issuer, and with the key ESG challenges as defined in the ISS ESG Country Rating methodology. Key ESG challenges are key issues that are highly relevant for sovereign or sub-sovereign issuers when it comes to sustainability. From this mapping, ISS ESG derived a level of contribution to the strategy of each Use of Proceeds categories.

USE OF PROCEEDS CATEGORY	SUSTAINABILITY OBJECTIVES FOR THE ISSUER	KEY ESG CHALLENGES FOR LOCAL AUTHORITIES AND SOVEREIGN ISSUERS	CONTRIBUTION
Energy Efficiency	✓	✓	Contribution to a material objective
Climate Change Adaptation	✓	✓	Contribution to a material objective
Renewable Energy	✓	✓	Contribution to a material objective
Circular Economy	✓	✓	Contribution to a material objective

Clean Transportation	✓	✓	Contribution to a material objective
Sustainable Water Management	✓	✓	Contribution to a material objective
Land Use and Living Natural Resources	✓	✓	Contribution to a material objective
Terrestrial and Aquatic Biodiversity Conservation	✓	✓	Contribution to a material objective
Access to essential services: Education	✓	✓	Contribution to a material objective
Access to essential services: Social Inclusion	✓	✓	Contribution to a material objective
Affordable Basic infrastructure	✓	✓	Contribution to a material objective

Opinion: *ISS ESG finds that the Use of Proceeds financed through this bond are consistent with the issuer’s sustainability strategy and material ESG topics for the issuer. The rationale for issuing green, social and sustainability bonds is clearly described by the issuer.*

PART II: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES (GBPs), SOCIAL BOND PRINCIPLES (SBPs) AND SUSTAINABILITY BOND GUIDELINES (SBGs)

1. Use of Proceeds

FROM ISSUER'S FRAMEWORK

An amount equal to the net proceeds from the issuance of each Green, Social and/or Sustainability Bonds will be allocated to relevant Eligible Expenditures from the State budget of the Republic of Latvia:

- Incurred in the two budget years preceding the bond issuance date,
- Incurred in the same budget year as the bond issuance date,
- Expected in the two budget years following the bond issuance date

Eligible Expenditures will align with the Green and/or Social categories outlined below and may include investment expenditures and operational expenditures (for example, current expenditures, and transfers (subsidies and grants)).

Eligible Expenditures exclude:

- Expenditures already financed via a dedicated funding source, including European Union funds or any other Green or Social financing, in order to avoid potential "double counting";
- Rail infrastructure dedicated solely for the transportation of fossil fuels;
- Power generation with greenhouse gas emissions above 100g CO₂/kWh and nuclear power;
- Production, transmission and distribution of fossil fuels;
- Armament, tobacco, alcohol or gaming industries.

The technical screening criteria from the recently published EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation have also been taken into consideration.

Eligible Green Categories

GREEN CATEGORIES	SUB-CATEGORIES OF ELIGIBLE EXPENDITURES	DESCRIPTION AND EXAMPLE OF ELIGIBLE EXPENDITURES
Energy Efficiency for Buildings	<ul style="list-style-type: none"> Construction and acquisition of energy-efficient buildings⁹ Individual renovation measures, such as acquisition, installation or maintenance of improved insulation, LED lighting, new boiler, etc. 	<ul style="list-style-type: none"> Acquisition and construction of public energy-efficient buildings and renovation of public buildings in order to increase energy-efficiency Support for measures reducing primary energy consumption and greenhouse gas emissions in municipal buildings
Climate Change Adaptation	<ul style="list-style-type: none"> Infrastructure and resources for climate change adaptation 	<ul style="list-style-type: none"> Support for reducing the risk of floods and coastal erosion caused by climate change in flood risk areas of national importance Subsidies for insurance policies to support climate change adaptation (e.g. sown areas climate risks insurance)

⁹ Energy efficient building is so defined if it is:

- a nearly zero energy building (NZEB) in accordance with the Cabinet of Ministers Regulation No.222 of 8 April 2021 "Rules for the method for calculating the energy performance of buildings and rules for energy certification of buildings" (hereinafter – Regulation No.222), namely:
 - the energy consumption of the building for heating does not exceed the level specified for class A;
 - the primary non-renewable energy consumption of the building for heating, hot water supply, mechanical ventilation, cooling, lighting (applies to non- residential buildings) shall not exceed the values for class A;
 - energy-consuming equipment of engineering systems installed in buildings which complies with the ecodesign requirements and at least class A of the energy label, if the corresponding energy label requirements are specified in regulatory enactments;
 - in the building provided requirements set in the Regulation Nr.222 points 9., 10., 11., 12., 13., 14., 15. and 16. regarding indoor temperature conditions, ventilation air exchange, cooling system, space overheating, lighting parameter etc. requirements, as well as compliance of the requirements of construction regulatory enactments, hygiene and labor protection.;
- a class A+ building in accordance with the Regulation No.222 (i.e. a building that meets the requirements of the technical screening criteria of the EU taxonomy delegated acts on climate change published in April 2021 since the non-renewable primary energy consumption rate for class A+ compared to class A (depending on the building type) is more than 10% below the NZEB), namely:
 - the energy consumption of the building for heating does not exceed the level specified for class A+;
 - the primary non-renewable energy consumption of the building for heating, hot water supply, mechanical ventilation, cooling, lighting (applies to non- residential buildings) shall not exceed the values for class A+;
 - energy-consuming equipment of engineering systems installed in buildings which complies with the ecodesign requirements and at least class A+ of the energy label;
 - in the building provided requirements set in the Regulation Nr.222 points 9., 10., 11., 12., 13., 14., 15. and 16. regarding indoor temperature conditions, ventilation air exchange, cooling system, space overheating, lighting parameter etc. requirements, as well as compliance of the requirements of construction regulatory enactments, hygiene and labor protection.

<p>Renewable Energy</p>	<ul style="list-style-type: none"> • Research in the field of renewable energy technologies 	<ul style="list-style-type: none"> • Provide a research base to contribute to the development and implementation of Latvia’s long-term national energy policies and to promote safe, environment-friendly and competitive energy supplies
<p>Circular Economy</p>	<p>Expenditures related to the promotion of circular economy, such as:</p> <ul style="list-style-type: none"> • Collection, treatment and recycling of municipal waste • Projects supporting the use of sustainable production and sustainable consumption practices 	<ul style="list-style-type: none"> • Support of a pilot project for the manufacturing of products based on recycled materials
<p>Clean Transportation</p>	<p>Construction, operation and maintenance of Rail Transport services, including:</p> <ul style="list-style-type: none"> • Investments in trains with zero direct tailpipe CO2 emissions • Expenditures to develop and maintain an electrified railway infrastructure, or otherwise infrastructure where there is a plan for electrification • Multi modal infrastructure crossings between different modes of transport • Provision of passenger transport services by trains <p>N.B. Rail infrastructure dedicated solely for the transportation of fossil fuels is not eligible.</p> <p>Construction, operation and maintenance of Sustainable Road Transport services, including:</p> <ul style="list-style-type: none"> • Subsidies or investments aimed at developing zero direct tailpipe CO₂ emission vehicles (i.e. electric vehicles) • Electric vehicle charging stations and supporting infrastructure • Infrastructure dedicated to personal mobility devices whose propulsion comes from the physical activity of the user and/or zero-emission motor, such as pavements or bike lanes • Provision of passenger transport services by bus 	<ul style="list-style-type: none"> • Cross border Rail Baltica project connecting three Baltic states (Latvia, Estonia, Lithuania) with Central Europe¹⁰ • Renewal of passenger electric rolling stock • Subsidies to joint stock company “Pasazieru vilciens” (state-owned passenger carrying company) to cover payments for railway infrastructure use for passenger carrying and subsidies for unprofitable regional railway routes. • Subsidies to passenger carrying companies for unprofitable regional bus routes • Subsidies to the state joint stock company “Latvijas Dzelzceļš” - railway infrastructure manager, to cover the costs of maintaining and renewing the passenger segments • Subsidies to the Road Traffic Safety Directorate for the management and maintenance of the national electric vehicle charging network

¹⁰ www.railbaltica.org

<p>Sustainable Water Management</p>	<p>Development, construction, operation and maintenance of water and wastewater management systems which result in significant improvement in energy efficiency and/or water quality including:</p> <ul style="list-style-type: none"> • Extension, reconstruction and construction of wastewater collection and treatment infrastructure • Construction and reconstruction of sewage sludge management infrastructure • Construction and reconstruction of rainwater management infrastructure, including green infrastructure • Construction and maintenance of infrastructure (buffer strips, sedimentation ponds etc.) to reduce diffuse pollution • Operation and maintenance of polder pumping stations • Maintenance and operation of dams • Operation and maintenance of amelioration systems of national significance (water drains) • Maintenance of amelioration cadastre • Maintenance and modernization of ameliorative hydrometric items • Maintenance of ameliorative technical documentation storage facilities • Implementation of river basin management plans and flood risk management plans to achieve good surface water status 	<ul style="list-style-type: none"> • Projects to improve the status of water bodies at risk (to reach environmental objectives) focusing on the implementation of the measures laid down in the Daugava, Gauja, Lielupe and Venta River Basin Management Plans and Flood Risk Management Plans
<p>Land Use and Living Natural Resources</p>	<p>Measures and project development for the protection of living natural resources:</p> <ul style="list-style-type: none"> • Promotion and support of sustainable agriculture and forestry practices • Support for organic farming commitments • Enforcement of forest management and utilization regulations, monitoring of forest fire safety and management of national forests • Promotion of biodiversity and preservation of living natural resources • Reduce and eliminate sources of radiation avoiding risk of soil and groundwater pollution 	<ul style="list-style-type: none"> • Implementation of innovative climate change mitigation measures in management of nutrient-rich organic soils • State subsidies: <ul style="list-style-type: none"> - Development of crop production¹¹ - Development of collaboration by raising capacity of nongovernmental organisations - Promotion of participation in food quality schemes¹² - For the improvement of vocational educational programmes in the agriculture sector

¹¹ preparation of high-quality seed, testing of selection material to introduce integrated and organic crop production technologies, monitoring of soil quality, conservation of genetically high-quality plant genetic resources of the national significance

¹² Grants for participation in organic farming, protected geographical indications, designations of origin, traditional specialities guaranteed and in the national food quality scheme

		<ul style="list-style-type: none"> • National forest monitoring in the whole territory of the State by the Latvian State Forest Research Institute Silava • Monitoring report on quality of groundwater and soil and in the building of the former reactor
<p>Terrestrial and Aquatic Biodiversity Conservation</p>	<p>Expenditures that ensure the protection and conservation of terrestrial and aquatic biodiversity including:</p> <ul style="list-style-type: none"> • Protection of the legally protected species¹³ (bears, otters, fish-eating birds) as well as migratory bird species (geese, cranes) • Preservation of biological diversity, maintained specially protected nature territories • Implementation of the policies to ensure the balance between nature protection and economic interests (functions of the Nature Conservation agency) • Implementation of complex management activities in order to improve the status of species and habitats and to reduce anthropogenic pressures • Information and education on nature protection and biodiversity issues • Measures for implementation of the Priority Action Framework 2021-2027 • Surveillance of the circulation and use of plant protection products, seeds, varieties and fertilizers as well as agronomic mapping of soils • Implementation of a surveillance and control system for phytosanitary safety • Restocking of fish resources • Support for restrictions in Natura 2000 territories 	<ul style="list-style-type: none"> • Restoration or increase of the natural processes of peat accumulation in the degraded sites • Demonstration of new approaches and methods for re-vegetation of open water bodies and bare peat in abandoned peat mining areas • Raising awareness on the impact of peatland use on climate change • Mire habitat restoration measures and monitoring • Implementation of an internationally-applicable handbook on the restoration of degraded mire habitats • Implementation of fish resources restocking plan, research on freshwater and migratory fish stocks and providing of scientific advice, implementation of projects for fish resources restocking, conservation and control, providing of public information, • Construction of infrastructure to reduce anthropogenic pressures in Natura 2000 sites (incl. Piejūra Nature Park) • Project GrassLIFE to restore and improve EU priority grasslands and to promote their multiple use in Latvia

Eligible Social Categories:

¹³ [Law on the Conservation of Species and Biotopes](#)

SOCIAL CATEGORIES	SUB-CATEGORIES OF ELIGIBLE EXPENDITURES	DESCRIPTION AND EXAMPLE OF ELIGIBLE EXPENDITURES
<p>Access to essential services: Education</p>	<ul style="list-style-type: none"> Improving quality and providing access to essential educational infrastructure, programmes and services Supply of fresh products supported by accompanying educational measures on: agriculture production, local products, healthy eating habits, environmental issues, food waste reduction etc, promoting healthy eating habits <p>Target Population:</p> <ul style="list-style-type: none"> Pre-school children, schoolchildren to 12th grade, university staff, academic staff, secondary/vocational school staff, students and scientists 	<ul style="list-style-type: none"> Supply of equipment for secondary and primary schools, including information and communication equipment Funding for higher education, vocational education and science (academic staff remuneration; scholarships; maintenance costs) Funding for supply of fresh products and for carrying out accompanying educational measures (e.g. contests, tasting classes, farm visits etc.) under the framework of EU scheme for supply of fruit, vegetables and milk
<p>Access to essential services: Social Inclusion</p>	<ul style="list-style-type: none"> Providing minimum income for population groups at risk of poverty. Provision of public transport services at subsidised fares for certain passenger groups <p>Target Population:</p> <ul style="list-style-type: none"> Persons¹⁴ receiving low old-age pensions, low pensions for disabilities, low pensions in case of loss of provider¹⁵) or state social security benefit¹⁶ Passenger groups entitled to receive reduced public transport fares¹⁷ 	<ul style="list-style-type: none"> Minimum income reform Subsidies to passenger carrying companies to compensate reduced fares to certain passenger groups (trains and buses)
<p>Affordable Basic infrastructure</p>	<ul style="list-style-type: none"> Expenditures to ensure access to affordable, reliable, sustainable and modern energy for all 	<ul style="list-style-type: none"> Subsidised final price of electricity for a needy or low-income family (person), a large family (3 and more children) or

¹⁴ As stated in the [Law on State Pensions](#)

¹⁵ A person who in accordance with the law or a court ruling has an obligation to take care of his or her spouse, children, or parents – reference in the [Law on Social Services and Social Assistance](#)

¹⁶ [Law on State Social Allowances](#)

¹⁷ preschool children; persons with a group I or II disability; persons under the age of 18 with a disability and a person accompanying a person with a group I disability or a person under the age of 18 with a disability; orphans and children left without parental care, who are in foster care, guardianship, childcare institutions or study in general and vocational education institutions, as well as universities and colleges until the age of 24; politically repressed persons and members of the national resistance movement; learners in general primary education institutions (grades 1-9) living outside the city territory; students in general secondary education institutions living outside the city territory (full-time grades 10–12); members of large families who use the state-implemented support program "Latvian Honorary Family Certificate" 3+ Family Card.

	Target populations: needy or low-income ¹⁸ family (person), a large family (3 and more children) or family (person) caring for a disabled child, persons with Group I disability ¹⁹	family (person) caring for a disabled child, persons with Group I disability
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Opinion: ISS ESG finds that the Use of Proceeds aligns with the requirements outlined in the GBPs, SBPs and SBGs. Eligible Expenditures are aligned with the example of project categories defined by the relevant guidelines. Furthermore, the issuer explicitly excludes harmful project categories in line with best market practices.

2. Process for Project Evaluation and Selection

FROM ISSUER'S FRAMEWORK

An Interministerial Working Group (IWG) has been established to oversee the implementation of the Framework. IWG is chaired by the Ministry of Finance and coordinated by the Treasury of the Republic of Latvia (Treasury).

The Treasury is primarily responsible for all operational tasks related to the Sustainable Bond. As such, the Treasury manages the Sustainability Bond Framework on an active basis, coordinating with and gathering information from the IWG members to ensure all Eligible Expenditures are appropriately assessed and selected.

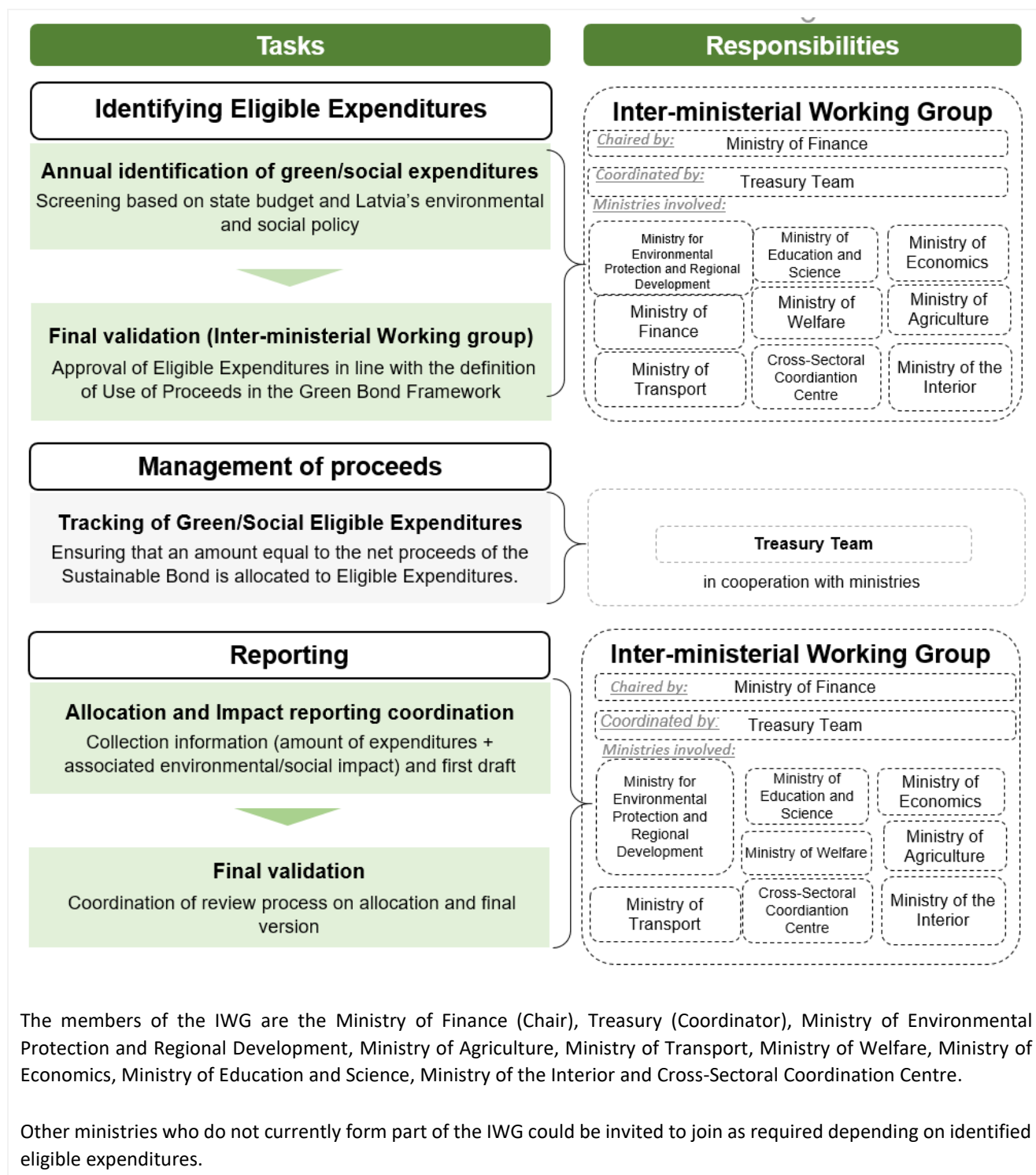
Key responsibilities of the IWG are:

- To approve and update of the Sustainability Bond Framework, if necessary
- To identify Eligible Green and Social Expenditures and check that it complies with the eligibility criteria of the Framework as set out above in section 2.1. Use of Proceeds
- To select and approve the Eligible Expenditures to be allocated to the respective Green, Social and/or Sustainability Bond
- To approve the Annual Allocation Reports referred to in Section 2.4. (Reporting) below, which will detail the allocation of an amount equal to the net proceeds of the Bond to the Eligible Expenditures
- To approve the Impact Report referred to in Section 2.4. (Reporting), which will detail the environmental and social impacts of the Eligible Expenditures

The IWG will meet at least once a year.

¹⁸ [Law on Social Services and Social Assistance](#)

¹⁹ [Electricity Market law](#)



Opinion: ISS ESG considers that the Process for Expenditure Evaluation and Selection aligns with the requirements outlined in the ICMA Principles regarding the process for expenditure evaluation and selection. Latvia has set a clear and detailed process to assign responsibility and accountability among various departments of the Government to select expenditures in line with transparent selection criteria.

3. Management of Proceeds

FROM ISSUER'S FRAMEWORK

It will be the responsibility of the Treasury of the Republic of Latvia to coordinate and ensure that an amount equal to the net proceeds of the Green, Social and/or Sustainability Bonds is allocated to finance or refinance Latvian State budget expenditures in accordance with this Framework.

Pending full allocation, the net proceeds of the Green, Social and/or Sustainability Bond issuances will be managed in accordance with the regulatory framework of the Treasury of the Republic of Latvia.

The Republic of Latvia intends to allocate the proceeds of the Green, Social and/or Sustainability Bond at the earliest convenience and in any case commits on a best efforts basis to reach full allocation within two years of the Green, Social and/or Sustainability Bond issuance.

If for any reason some expenditures were withdrawn from the portfolio of Eligible Expenditures, the Republic of Latvia will reallocate on a best efforts basis the proceeds to other Eligible Expenditures which are compliant with the Eligibility Criteria, as soon as reasonably practicable.

Opinion: ISS ESG finds that Management of Proceeds proposed by Latvia's Sustainability Bond Framework is aligned with the requirements outlined in the ICMA Principles regarding the process for management of proceeds. An amount at least equal to the amount of Green, Social and Sustainability Bond Proceeds will be allocated to sustainable projects. The expected allocation period is clearly defined.

4. Reporting

FROM ISSUER'S FRAMEWORK

For all issuances under this Framework, the Republic of Latvia intends to produce and publish

- (i) an allocation report (Allocation Report) and
- (ii) an impact report (Impact Report) at least annually until one year following full allocation of the Green, Social and/or Sustainability Bond proceeds.

Allocation Report

With the aim of providing transparent disclosure on the allocation of net proceeds, the Allocation Report will include:

- A detailed breakdown of proceeds allocated to each of the Eligible Expenditures from the Latvian State budget
- The balance of unallocated proceeds at the end of the reporting period (if any)

Impact Report

The Impact Report will provide detailed information on the associated environmental impact metrics and outcomes of the Green and Social Eligible Expenditures, subject to the availability of suitable information and data.

GREEN CATEGORIES	EXAMPLE OF IMPACT INDICATORS
Energy Efficiency for Buildings	<ul style="list-style-type: none"> • Number of zero energy consumption building constructed • Estimated annual decrease of greenhouse gas emissions (tons of CO2 equivalent), • Additional power produced from renewable energy sources (MW) • Decrease of annual primary energy consumption of public buildings (kWh/year) • Number of building subject to energy performance improvements
Renewable energy	<ul style="list-style-type: none"> • High level holistic research projects (number)
Climate Change Adaptation	<ul style="list-style-type: none"> • Number of beneficiaries • Protected population, reduced negative effects of the affected territory (in numbers) • Length of territory with engineering-technical solutions introduced (m) • Number of inhabitants that benefit from the flood protection measures • Flood-protected areas (ha) • Number of waterbodies with improved status due to implemented rehabilitations of watercourses through re-naturalisation actions • Areas where flood risks are reduced • Length of restored dams and water drains • Number of implemented projects
Circular Economy	<ul style="list-style-type: none"> • Volume of produced product in Latvia from recycled material (m3/year or t/year)
Clean Transportation	<ul style="list-style-type: none"> • Number of charging stations maintained (number) • Share of rail passengers in passenger transport • Number of railway stations and stop points where elevated platforms are constructed and accessibility requirements are provided • Number of serious railway accidents • Passenger turnover in regional bus routes (million pas./km) • Passenger turnover in regional rail routes (million pas./km) • Length of new European gauge (1435mm) railway connection main line of Rail Baltica in Latvia under construction (km) • Number of passenger electric rolling stock delivered (number)
Sustainable Water Management	<ul style="list-style-type: none"> • Number of waterbodies with improved status due to implemented rehabilitations of watercourses through re-naturalisation actions • Areas where flood risks are reduced (ha) • Length of restored dams and water drains • Number of implemented projects • Number of water bodies at risk in Latvia addressed by supported projects • Number of surface water bodies in high/good status in 2022 and 2027 • Volume (m³) and proportion (% of total volume) of wastewater discharged into environment and complying with the treatment standards • Surface of flood-resilient floor space

<p>Land Use and Living Natural Resources</p>	<ul style="list-style-type: none"> • Number of beneficiaries • Forest area subject to supervision of forest management (ha) • Surface of sample plots where timber resources characterization data are measured • Number of organic farms supported • Supported organic area (ha) • Population with reduced risks from radiation in numbers • Results from radiation level monitoring in groundwater and soil not exceeding x year values • Number of innovative climate change mitigation technologies, systems, methods and instruments implemented • Additional number of forest certificates supported • Supported forest area (ha)
<p>Terrestrial and Aquatic Biodiversity Conservation</p>	<ul style="list-style-type: none"> • Number of migratory birds protected (in thousands) • Number of area left for feeding (and compensated) • Proportion of specially protected nature territories (% of the state territory); • Tourism and nature education infrastructure objects maintained and improved in good condition (number); • Nature education classes, events and other activities organized (number). • Target audience reached through awareness-raising events / classes, etc. (number) • Surface area of habitats supported in order to attain a better conservation status • Number of species in a favourable conservation status • Area clearing of invasive species (ha) • Surface area of habitats (ha) supported to improve conservation status • Number of fish released in natural waterbodies • Number of projects implemented • Proportion of farms in which crops are grown according to integrated farming guidelines (%) • Area where soil agrochemical research has taken place over a period of five years ((% of the total area of Agricultural land) • Supported forest area - habitat surfaces (ha)

SOCIAL CATEGORIES	EXAMPLE OF IMPACT INDICATORS
<p>Access to essential services: Education</p>	<ul style="list-style-type: none"> • Number of beneficiaries • Number of computers provided
<p>Access to essential services: Social Inclusion</p>	<ul style="list-style-type: none"> • Number of passenger carrier companies receiving subsidies for reduced fares (number) • Number of beneficiaries (average and monthly) • Average amount of municipal GMI benefit per person per month • Average amount of municipal housing benefit per person per year
<p>Affordable infrastructure</p>	<p>Basic</p> <ul style="list-style-type: none"> • Number of beneficiaries (households)

Opinion: ISS ESG finds that the reporting proposed by Latvia's Sustainability Bond Framework is aligned with the GBPs, SBPs and SBGs. Allocation reporting is clearly described and in line with the

requirements set in the principles. Latvia also defines the scope and magnitude of its impact reporting, in line with the market best practices.

External review

FROM ISSUER'S FRAMEWORK

The Republic of Latvia sought pre-issuance verification through a Second Party Opinion on the Sustainability Bond Framework (pre-issuance) as well as post-issuance reviews of the Allocation Report. These will be made available on the Treasury's website: www.kase.gov.lv.

Pre-Issuance verification of Sustainability Bond Framework

Prior to issuance, the Republic of Latvia has commissioned a Second Party Opinion provider to review Latvia's Sustainability Bond Framework and issue a Second Party Opinion on the Framework's Green and Social credentials and its alignment with the ICMA Green Bond Principles 2021, Social Bond Principles 2021 and Sustainability Bond Guidelines 2021.

Post-Issuance Review

The Republic of Latvia will engage an independent third party to provide assurance on the Allocation Reports, confirming that an amount equal to the net proceeds of the Bond have been allocated in compliance with the criteria and objectives in line with this Sustainability Bond Framework.

PART III: SUSTAINABILITY QUALITY OF THE ISSUANCE










A. CONTRIBUTION OF THE SUSTAINABILITY BOND TO THE UN SDGs

Based on the assessment of the sustainability quality of the selection criteria and using a proprietary methodology, ISS ESG assessed the contribution of Latvia's Sustainability Bond Framework to the Sustainable Development Goals defined by the United Nations (UN SDGs).

This assessment is displayed on 5-point scale (see Annex 2 for methodology):







Significant Obstruction	Limited Obstruction	No Net Impact	Limited Contribution	Significant Contribution
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Each of the Green Bonds' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs according to ISS ESG's methodology described above. Use of Proceeds contribution level is mapped according to an overall appraisal of each category.

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
GREEN CATEGORIES		
Energy efficiency for buildings (I)²⁰ Construction and acquisition of energy-efficient buildings	Significant Contribution²¹	
	Limited Contribution	
Energy efficiency for buildings (II) Renovation measures including the addition of insulation to existing envelope components, such as external walls, roofs and basement and ground floors	Significant Contribution²¹	
	Limited Contribution	
Energy efficiency for buildings (III) Other renovation measures/ installation of devices that provide for reduced energy demand in buildings	Limited contribution	 
Climate change adaptation Infrastructure and resources e.g. support for reducing the risk of floods and coastal erosion caused by climate change	Limited contribution	  

²⁰ This category has been split in three sub-categories given the different expenditures included and to demonstrate the variations in SDGs and degree of contribution.

²¹ This SDG assessment slightly differs from ISS ESG SDG Assessment Methodology due to the fact that the issuer states to align the construction and acquisition of energy-efficient buildings with the Technical Screening Criteria of the EU Taxonomy Climate Delegated Act (June 2021).

<p>Renewable energy Research in the field of renewable energy technologies²²</p>	<p>Significant Contribution</p>	
<p>Circular economy Expenditures related to collection, treatment and recycling of municipal waste²³</p>	<p>Significant Contribution</p>	
<p>Clean transportation e.g. construction, operation and maintenance of Rail Transport services (investments in trains with zero direct tailpipe CO2 emissions), electric vehicles, etc.</p>	<p>Limited contribution²⁴</p>	
<p>Sustainable water management e.g. extension, reconstruction and construction of wastewater collection and treatment infrastructure²⁵, etc.</p>	<p>Significant contribution²⁶</p>	
<p>Land use and living natural resources e.g. implementation of measures concerning the management of nutrient-rich organic soils, etc.</p>	<p>Significant contribution</p>	
<p>Terrestrial and Aquatic Biodiversity Conservation Expenditures that ensure the protection and conservation of terrestrial and aquatic biodiversity, e.g. re-vegetation of open water bodies and bare peat²⁷</p>	<p>Significant contribution</p>	

²² This includes off-shore wind-based electricity generation farms (floating platforms and stable installation), onshore wind parks, solar parks (photovoltaic solutions).




²³ This refers to the support of a project that is aimed at demonstrating the environmental benefits and cost effectiveness of a new type of building insulation material made of recycled paper and hemp fiber.

²⁴ This assessment refers to the overall appraisal of the related rail transport elements financed by Latvia, including expenditures to develop and maintain an electrified railway infrastructure, or multi-modal infrastructure crossings between different modes of transport. Parts of this Use of Proceeds category is mapped to limited or no net contribution referring to the fact that the expenditures to be (re-)financed continues to partially rely on technologies where negative impacts cannot be excluded or positive impacts are difficult to quantify.

²⁵ This assessment refers to the overall appraisal of the related water and wastewater management systems financed by Latvia, including expenditures related to the construction of sewage or rainwater infrastructure. Parts of this Use of Proceeds category is mapped to limited or no net contribution referring to the fact that the expenditures to be (re-)financed continues to partially rely on technologies where negative impacts cannot be excluded or positive impacts are difficult to quantify.

²⁶ This assessment refers to the overall appraisal of the related water and wastewater management systems financed by Latvia, including expenditures related to the construction of sewage or rainwater infrastructure. Parts of this Use of Proceeds category is mapped to limited or no net contribution referring to the fact that the expenditures to be (re-)financed continues to partially rely on technologies where negative impacts cannot be excluded or positive impacts are difficult to quantify.

²⁷ This assessment refers to the overall appraisal of the related biodiversity conservation elements financed by Latvia, including expenditures such as the restocking of fish resources and ecosystem monitoring. Parts of this Use of Proceeds category is mapped to limited or no net contribution referring to the fact that the expenditures to be (re-)financed continues to partially rely on technologies where negative impacts cannot be excluded or positive impacts are difficult to quantify.

USE OF PROCEEDS	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
SOCIAL CATEGORIES		
<p>Access to essential services - Expenditures related to education, e.g. improving quality and providing access to essential educational infrastructure, programmes and services, etc.</p>	<p>Significant contribution</p>	
<p>Access to essential services - Expenditures related to social inclusion, i.e. providing minimum income for population groups at risk of poverty, subsidies to reduce public transport fares</p>	<p>Significant contribution</p>	
<p>Affordable basic infrastructure - Expenditures to ensure access to affordable, reliable, sustainable and modern energy for all, i.e. a subsidised final price of electricity for low-income families, large families or those caring for a disabled child</p>	<p>Significant contribution²⁸</p>	

²⁸ It is noted that the environmental impact of this dimension depends on the energy source (i.e. fossil fuels vs. renewable energy). Truly sustainable would be such subsidies that are limited to the provision of renewable energy only.

B. MANAGEMENT OF ENVIRONMENTAL AND SOCIAL RISKS ASSOCIATED WITH THE SELECTION CRITERIA

The table below presents the findings of an ISS ESG assessment of the Selection Criteria against ISS ESG KPIs.

ASSESSMENT AGAINST ISS ESG KPI

Biodiversity management

- ✓ For all relevant expenditures, comprehensive and specific environmental standards (regarding e.g. direct emissions to air, noise mitigation, minimization of environmental impact during construction work) are in place according to European and national legislation and standards.

Circular economy and Waste management

- ✓ For all relevant expenditures, adequate end-of-life commissioning and recycling measures are in place that address waste management and collection as well as hazardous waste and pollution prevention.

Labor and Health & Safety

- ✓ All expenditures are disbursed in Latvia, a country where high standards regarding labor and health and safety rights are in place (e.g. ILO Core Conventions).

Dialogue with local communities

- ✓ For all relevant expenditures, a dialogue with local communities is an integral part at planning stage (according to national and supranational regulatory frameworks). Environmental Impact Assessments are carried out in accordance with EU law.

User's safety

- ✓ For all relevant expenditures, measures are in place to ensure safety of building users according to national legislation.
- ✓ For all relevant expenditures, measures are currently in place to ensure consumer safety in the context of food & beverages or other consumer goods. Measures are also in place to ensure safety of users for public transport vehicles (e.g., technical condition of vehicles is inspected twice a year, video surveillance is in place).

Water

- ✓ All relevant expenditures are covered by measures regarding standards for water quality (e.g. ISO 24521), water treatment (e.g. ISO 16075) or sustainable water withdrawal and reduction of freshwater use.

Inclusion

- ✓ For all relevant expenditures, legislation promotes inclusion and non-discriminatory access with respect to fairly priced and/or subsidized participation for socially disadvantaged groups.

Identified eligible expenditures are (and will be) exclusively related to freely accessible education programs and/or covered by State budget.

Quality management

For all relevant expenditures (education), measures are in place that ensure minimum standards regarding quality management. The quality of Latvia's education system is continuously monitored, and the information obtained is used to provide support, plan improvement measures and promote good practices.



For all buildings-related infrastructure, Latvia ensures the respect of the Construction Law, enforcing control and maintenance of the structure during its service. A building inspector has the right to visit the structures belonging to natural and legal persons and to check the conformity of service with laws and regulations.

DISCLAIMER

1. Validity of the SPO: As long as no material changes are made to the framework.
2. ISS ESG uses a scientifically based rating concept to analyse and evaluate the environmental and social performance of companies and countries. In doing so, we adhere to the highest quality standards which are customary in responsibility research worldwide. In addition, we create a Second Party Opinion (SPO) on bonds based on data from the issuer.
3. We would, however, point out that we do not warrant that the information presented in this SPO is complete, accurate or up to date. Any liability on the part of ISS ESG in connection with the use of these SPO, the information provided in them and the use thereof shall be excluded. In particular, we point out that the verification of the compliance with the selection criteria is based solely on random samples and documents submitted by the issuer.
4. All statements of opinion and value judgements given by us do not in any way constitute purchase or investment recommendations. In particular, the SPO is no assessment of the economic profitability and credit worthiness of a bond but refers exclusively to the social and environmental criteria mentioned above.
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ANNEX 1: Methodology

ISS ESG Green KPIs

The ISS ESG Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Latvia’s Sustainability bond.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

To review the KPIs used in this SPO, please contact Federico Pezzolato (details below) who will send them directly to you.

Environmental and social risks assessment methodology

ISS ESG evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment “no or limited information is available” either indicates that no information was made available to ISS ESG or that the information provided did not fulfil the requirements of the ISS ESG Green Bond KPIs.

The evaluation was carried out using information and documents provided to ISS ESG on a confidential basis by Latvia (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the issuer.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, ISS ESG identifies the extent to which Latvia’s Sustainability bond contributes to related SDGs.

ANNEX 2: ISS ESG Country Rating Methodology

The following pages contain methodology description of the ISS ESG Country Rating.

Methodology - Overview

The ESG Country Rating methodology was originally developed by Institutional Shareholder Services Germany (formerly oekom research) and has been consistently updated for many years.

ESG Country Rating – The ESG Country Rating universe comprises 58 countries, as well as Hong Kong and the European Union, representing 96 per cent of global outstanding sovereign debt (as of June 2018). The assessment of a country's sustainability performance is based on approximately 100 environmental, social and governance criteria with equal weight assigned to the social and environmental dimension. All criteria are individually weighted and evaluated and the results are aggregated to yield an overall score (rating). The selection of criteria is derived from ISS ESG's understanding of sustainability and reflects various global challenges that are embodied in the Sustainable Development Goals. Criteria are selected according to their relevance (materiality) and the quality of data regarding availability, up-to-dateness and consistency for all the countries rated.

Country controversies – In addition to the rating, ISS ESG conducts a comprehensive analysis of relevant controversies. Thereby, our clients have the possibility to consider, either separately or in addition to the rating, circumstances in areas they view as especially critical. The country controversy assessment is either directly derived from information provided by credible and acknowledged external sources, such as indices or blacklists, or it is based on the country's performance in the respective rating section. In the latter cases, underperformance in a specific set of indicators constitutes a controversy. Some controversy issues are delineated on different levels of severity.

Country leaders - List (in alphabetical order) of the top three countries from the ESG Country Rating universe at the time of generation of this report.

Criteria design – The rating comprises both qualitative and quantitative criteria. For instance, the safeguarding of fundamental freedoms by a country's government is mostly assessed in qualitative terms, while a country's consumption of resources is quantified. Qualitative criteria are evaluated against absolute targets and/or best practices, the assessment of quantitative indicators is based on thresholds. Those either reflect normative considerations and/or relative performance in a given area. In order to ensure their validity, some quantitative indicators are normalised against eligible denominators. To assess the quality of government policy in a specific area, we use indicators measuring input, such as spending on education as a proportion of GDP, as well as criteria measuring output, such as female participation in education.

Decile Rank - The Decile Rank indicates in which decile (tenth part of total) the individual Country Rating ranks from 1 (best – country's rating is in the first decile within the country universe) to 10 (lowest – country's rating is in the tenth decile within the country universe). The Decile Rank is determined based on the underlying numerical score of the rating. If the total number of countries cannot be evenly divided by ten, the surplus countries are distributed from the top (1. decile) to the bottom. If there are Country Ratings with identical absolute scores that would span a division in decile ranks, all ratings with an equal decile score are classified in the higher decile, resulting in a smaller number of Country Ratings in the decile below.

Distribution of Ratings - Overview of the distribution of the ratings of all countries that are included in the ESG Country Rating universe (country portrayed in this report: dark blue).

Rating Scale – countries are rated on a twelve-point scale from A+ to D-:

A+: the country shows excellent performance

D-: the country shows poor performance

Overview of the range of scores achieved in the ESG Country Rating universe (light blue) and indication of the grade of the country evaluated in this report (dark blue).

Sources of Information - The sources we draw on include international institutions such as the World Bank, the International Energy Agency (IEA) and the World Health Organisation (WHO), as well as respected non-governmental organisations such as Amnesty International, Transparency International and the Stockholm International Peace Research Institute (SIPRI). A selection of sources used for this report is illustrated in the annex.

Status & Prime Threshold – Countries are categorised as Prime if they achieve/exceed the minimum sustainability performance requirements (Prime threshold) defined by ISS ESG for the Country Rating.

Update cycle - The vast majority of rating criteria is updated annually, only single indicators receive event-driven updates. The exact timing is determined by the publication dates of major sources of information.

ANNEX 3: Quality management processes

SCOPE

Latvia commissioned ISS ESG to compile a Sustainability bond SPO. The Second Party Opinion process includes verifying whether the Sustainability Bond Framework aligns with the ICMA Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs) and to assess the sustainability credentials of its anticipated bond issuance, as well as the issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs)
- ISS ESG KPI sets designed to assess most material environmental and social risks related to the eligible expenditures as listed in Latvia's Sustainability Bond's Framework

ISSUER'S RESPONSIBILITY

Latvia's responsibility was to provide information and documentation on:

- Framework
- Eligibility criteria
- Documentation of ESG risks management at the asset level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

ISS ESG has conducted this independent Second Party Opinion of the Sustainability bond to be issued by Latvia based on ISS ESG methodology and in line with the ICMA Green Bond Principles (GBPs), Social Bond Principles (SBPs) and Sustainability Bond Guidelines (SBGs).

The engagement with Latvia took place in September - November 2021.

ISS ESG'S BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behaviour and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About ISS ESG SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

As part of our Sustainable (Green & Social) Bond Services, we provide support for companies and institutions issuing sustainable bonds, advise them on the selection of categories of projects to be financed and help them to define ambitious criteria.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For Information about SPO services, contact:

Federico Pezzolato

SPO Business Manager EMEA/APAC

Federico.Pezzolato@isscorporatesolutions.com

+44.20.3192.5760

Miguel Cunha

SPO Business Manager Americas

Miguel.Cunha@isscorporatesolutions.com

+1.917.689.8272

For Information about this Sustainability bond SPO, contact: SPOOperations@iss-esg.com

Project team

Project lead

Rafael Heim
Analyst
ESG Consultant

Project support

Giorgio Teresi
Analyst
ESG Consultant

Project supervision

Viola Lutz
Executive Director
Head of Climate Services