LATVIJAS BANKA
EIROSISTĒMA

Climate-Related Disclosures of Latvijas Banka's Non-Monetary Policy Portfolios

June 2026

Contents

1. Introduction

Climate change, in conjunction with the transition towards climate neutrality, can lead to rising financial risks. Latvijas Banka acknowledges how these dynamics influence the macroeconomic environment and financial stability, ultimately affecting the risk profile of assets within its portfolios. To address these challenges, the Bank's climate-related investment management strategy is guided by three core objectives: addressing climate risks, facilitating the green transition through relevant actions within its mandate, and fostering collaboration by sharing experiences to encourage coordinated efforts among financial institutions, policymakers, and regulatory bodies. This report provides the climate-related financial disclosures of Latvijas Banka's non-monetary policy investment portfolios (NMPPs).

Latvijas Banka has developed its Sustainability Strategy which defines the Bank's understanding of sustainability and outlines the scope of its tasks in integrating sustainability principles to ensure a successful performance of the responsibilities specified in the Law on Latvijas Banka, including the management of foreign reserves and other financial investments. The Sustainability Strategy was first published in November 2021 and reviewed in June 2023 to reflect the changing environment and increase the Bank's efforts towards achieving sustainability. Additionally, Latvijas Banka takes part in the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), as well as supports and actively participates in the implementation of the Eurosystem's climate policy.

Latvijas Banka publishes the climate-related financial disclosures of its foreign reserves and other NMPPs in accordance with the Eurosystem's common stance on climate-related disclosures. This is the Bank's fourth report. The disclosures follow the recommendations and terminology of the Task Force on Climate-Related Financial Disclosures (TCFD) of the Financial Stability Board and the information is structured according to the TCFD's four categories: Governance, Strategy, Risk Management, and Metrics and Targets. The Metrics and Targets category encompasses the Eurosystem's common disclosure framework, which also takes into account the recommendations of the Partnership for Carbon Accounting Financials (PCAF) and those of the NGFS. This report also expands the Scope 3 Greenhouse Gas (GHG) emission disclosures for non-sovereign issuers to include relative metrics, in addition to the absolute metrics published last year.

The Bank has gradually expanded the integration of its Sustainability Strategy into several of its NMPPs and plans to extend this scope even further. The Bank also discloses changes made in 2025 to the developed markets equity portfolio by adjusting nature factors in their investment guidelines. This integration of sustainability strategies is carried out without overshadowing other investment objectives, as set out in the mandate of Latvijas Banka.

Over time, further enhancements to sustainability-related data disclosure methodology will support Latvijas Banka's ongoing efforts to reduce its environmental impact and increase transparency regarding its portfolios' exposure to climate risks and their carbon footprint.

2. Governance

Latvijas Banka supports and follows the Eurosystem's common stance on sustainable investment principles related to climate change. When managing NMPPs, the Bank considers sustainability alongside the traditional objectives: capital preservation, liquidity, and income generation over the medium term.

The Bank has adopted a comprehensive approach to the management of climate-related issues, integrating them into its existing governance and investment management frameworks.

The Council of Latvijas Banka is responsible for approving investment principles and targets, including those related to climate and sustainability, while the Investment Committee and Market Operations Department are responsible for implementing these principles in practice and providing annual reports to the Council.

To date, Latvijas Banka has applied sustainability strategies to its developed markets equity portfolio, emerging markets fixed income portfolio, and global investment-grade fixed income portfolio. Latvijas Banka is committed to explore possibilities to integrate sustainability objectives into NMPPs managed on a discretionary basis, as set out in its Sustainability Strategy.

Latvijas Banka's framework for sustainable finance and climate-related risk management is undergoing continuous development; over time, enhancements are expected in the application of sustainability strategies, risk management practices, and data disclosures, particularly in areas such as metrics, data standards, availability, and quality.

3. Strategy

Latvijas Banka's Sustainability Strategy forms the basis for incorporating sustainability principles into the management of NMPPs. Given the Bank's prudent approach, its primary investment goals, and the current composition of the investment portfolios, the incorporation of sustainability strategies is evaluated on a case-by-case basis for each portfolio, subject to the portfolios' objectives and constraints. Although the Bank has not established an overall decarbonisation target for its foreign reserves at present, decarbonisation efforts are ongoing through an alignment process. Further significant progress in terms of sustainability integration can only be achieved through improvements in methodologies and the establishment of robust data standards. Given the investment structure of the Bank's NMPPs, enhanced data availability for securitised instruments would be a significant step in this direction. However, as long as the quality of sustainability and climate data remains uncertain, the extensive reporting requirements will limit the added benefits. Consequently, the Bank prioritises adherence to the Eurosystem's common mandatory disclosure framework.

3.1 Equities

The combination of active ownership opportunities, data availability, and strategic flexibility makes equities the most suitable asset class for executing a robust sustainability strategy. In 2022, the developed markets equity portfolio became the first of Latvijas Banka's portfolios to have a sustainability strategy applied. The applied elements are as follows: climate-related risk mitigation, thematic investment, engagement, conduct-based, product-based and engagement-based exclusions, and Paris Aligned Benchmark (PAB) activity-based exclusions, biodiversity, and waste reduction, as well as environmental, social, and governance (ESG)-related tilting as a means of integrating sustainability.

In February 2025, the Bank updated the sustainability guidelines to further enhance the Natural Capital and Pollution and Waste theme in the portfolio.

3.1.1 Engagement

Latvijas Banka emphasises that meaningful change cannot be achieved solely by excluding issuers that currently fail to meet the relevant sustainability criteria. Instead, it believes that active ownership offers a more impactful long-term approach. The equity portfolio is managed by an external asset manager, who is entrusted with implementing the engagement process. Latvijas Banka evaluates the manager's ability to integrate climate impact strategies and ensure active engagement.

The external manager operates under a well-defined engagement policy, acting as an active manager of the Bank's assets. This approach enables Latvijas Banka to leverage its position as a shareholder in public companies to influence corporate decisions concerning climate-related risks and other ESG factors. The primary objectives are to reduce GHG emissions, minimise investees' exposure to climate-related risks, and promote sustainability while fostering good governance practices.

3.1.2 Climate-related risk mitigation and thematic investment strategies

The equity portfolio's risk mitigation framework addresses both transition risks (policy and technological shifts) and physical risks (climate impacts).

Portfolio optimisation strategies mitigate climate risk by:

- Accelerating the transition to carbon neutrality by 2050 at the latest;
- Aligning with the Paris Agreement commitments, aiming to reduce carbon intensity by 50% relative to the benchmark or achieve 7% annual self-decarbonisation (based on 2019 levels), prioritising whichever target is lower at each stage;
- Capturing sustainability opportunities through investment tools provided by the external manager: the green opportunities factor and glide path transition factor.

3.1.3 Exclusions

Several types of issuer exclusions are applied to Latvijas Banka's developed markets equity portfolio to support a wider range of sustainability goals. These include conduct based, product-based, engagement based, and PAB activity-based exclusions. The conduct based exclusions align with the United Nations (UN) Global Compact principles. The product based exclusions apply to producers of controversial weapons and tobacco in accordance with the Global Industry Classification Standard. The engagement based exclusions target laggards within the external manager's thematic engagement programme. The Bank also restricts investments in companies whose revenues from the following activities exceed the specified thresholds (PAB activity-based exclusions, revenue based):

• coal mining	maximum 1%;
• oil	maximum 10%;
• natural gas	maximum 50%;
• inefficient electricity production	maximum 50%.

3.1.4 Biodiversity and pollution

Latvijas Banka applies a tilting strategy to favour companies with stronger biodiversity and waste management practices. This approach involves assigning greater weight to better-performing companies through two key channels: the Natural Capital theme (a weighted average score for water stress, biodiversity and land use, and raw material sourcing) and the Pollution and Waste theme (a weighted average score for toxic emissions and waste, packaging material and waste, and electronic waste).

At the end of 2024, the biodiversity and pollution strategy was revised to reinforce the applicable criteria. Portfolio adjustments were executed in February 2025, and target deviations from the neutral portfolio for the Natural Capital and Pollution and Waste Theme factors were increased from 10% to 15%.

3.1.5 Broader ESG factors

Companies are not excluded from the equity portfolio based merely on weak ESG scores. To emphasize the importance of not only the environmental, but also the social and governance factors, the Bank utilizes ESG factor tilting by improving the ESG score of the portfolio by 10% relative to the benchmark.

3.2 Fixed income securities

3.2.1 Emerging markets fixed income portfolio

The emerging markets fixed income portfolio was the second portfolio to have the sustainability strategy applied by changing its benchmark in 2024. The updated benchmark applies the following ESG exclusion criteria to issuers, based on the index provider's methodology: quasi-sovereign issuers that are not in compliance with the UN Global Compact principles and quasi-sovereign issuers that are involved in activities such as the production of unconventional weapons, oil sands, thermal coal, and tobacco. In addition, the new benchmark integrates an ESG methodology to tilt its constituents towards sovereign and quasi-sovereign issuers with higher ESG ratings, based on their sustainability credentials, while underweighting and/or excluding issuers with lower ESG ratings according to the thresholds set by the index provider.

3.2.2 Global investment grade fixed income portfolio

In 2024, the global investment grade fixed income portfolio, managed by an external asset manager, was restructured to align with the requirements of Article 8 funds under the Sustainable Finance Disclosure Regulation (SFDR). Although sustainable investment is not the portfolio's primary objective, sustainability considerations are integrated into its investment process. Within this framework, a limit is placed on the share of assets invested in issuers with low ESG scores, as determined by the external manager's proprietary ESG scoring methodology and cross-checked with the ESG providers' data. As an Article 8 fund, there is an ongoing effort to invest in companies that contribute positively to areas such as sustainable development, good governance practices, and transparent disclosure. This approach ensures that, while sustainability is not the core focus, it plays a significant role in guiding investment decisions.

3.2.3 Structured financial instruments

A considerable share of Latvijas Banka's NMPPs is allocated to structured instruments, such as asset-backed securities (ABS) and mortgage-backed securities (MBS). MBS, in particular, offer opportunities for socially-focused investments, as their issuers – government agencies Fannie Mae, Freddie Mac, and especially Ginnie Mae – operate with social missions aimed at promoting homeownership and facilitating access to government-subsidised residential credit for low- and moderate-income borrowers.

However, while progress has been made in ESG data disclosure and engagement, further improvements are still needed in data transparency and quality, measurement frameworks, and harmonized disclosure practices to develop meaningful sustainability strategies for structured financial instruments. Integrating ESG factors into securitised debt strategies presents unique challenges compared to equities or traditional bonds. A key obstacle is the limited access to granular loan-level data, as borrower privacy laws restrict investors' ability to acquire social attributes (e.g., income levels or housing accessibility) for individual loans within pooled securities, hindering a comprehensive ESG analysis.

The development of appropriate sustainability strategies for other NMPPs will be considered as data quality and methodological frameworks improve. Progress is reported annually.

4. Risk management

The financial risks of NMPPs include market, credit, and liquidity risks. In addition to these, NMPPs are also exposed to climate-related risks, categorised as physical and transition risks. For identifying and assessing climate-related risks, the Bank has adopted the recommendations and terminology originally proposed by the TCFD (now integrated into the International Sustainability Standards Board (ISSB)). Transition risks are related to the transition to a low-carbon economy. Physical risks are related to the physical impacts of climate change. Within the Eurosystem's framework, the Bank procures climate data and climate rating systems to support the investment management process and to ensure that climate-related financial disclosure is aligned with the Eurosystem's unified approach.

Latvijas Banka applies a bottom-up approach to assess climate risks, integrating them into its existing financial risk management framework. Climate risks are treated as an augmenting factor in the traditional financial risk categories mentioned above and are monitored as part of the overall risk management process.

The Bank's risk management framework considers climate risks to the extent that they are already reflected in asset prices, asset price volatilities, and credit risk indicators, such as ratings from credit rating agencies.

Latvijas Banka recognises that climate risks are inherent in its sovereign bond holdings. Transition risks, which are longer-term in nature, depend on carbon emissions and the transition policies implemented by governments and national authorities. In contrast, physical risks can affect the market value of financial assets in the short term.

Latvijas Banka focuses on the traditional objectives of foreign reserves – capital preservation, liquidity, and return. Currently, the scope for specific climate risk management measures is limited. In addition, the sustainability strategies are implemented without compromising the other investment objectives set out in the mandate of Latvijas Banka. Nevertheless, the prudent risk management framework also addresses climate-related risks, as these can lead to financial losses by affecting credit and market factors.

Considering the Bank's current asset allocation, climate-related risks are assessed to have a limited impact on financial risks in the short and medium term. However, climate-related risks are expected to become more significant in the long term.

The monitoring and reporting of portfolios' exposure to climate risks will expand and improve with better data coverage and quality, and these efforts are reviewed annually.

5. Metrics and targets

This section presents Latvijas Banka's fourth disclosure of climate-related metrics and targets for its NMPPs within the framework of the Eurosystem's jointly identified climate-related disclosures: data metrics and common data sources, incorporating both backward- and forward-looking data. The calculation of the following metrics adheres to the TCFD's recommendations and is prepared for holdings at the end of the corresponding year. Data are provided for the last three calendar years. The four key metrics, which together form the basis of the Eurosystem's common disclosures for NMPPs, are: Weighted Average Carbon Intensity (WACI), Carbon Intensity, Total Absolute GHG Emissions, and Carbon Footprint. Where relevant, data availability is indicated as a percentage for each metric and asset class.

Sovereign bond metrics are calculated based on two emission allocation methods: (i) emissions within a country's physical borders (production emissions) and (ii) emissions related to domestic consumption (consumption emissions). In accordance with the updated PCAF standard for the Financial Industry, this year's report no longer includes central government emissions (related to government institutions and government expenditures). Production emissions for sovereign issuers are reported both including and excluding the effects of land use, land use change, and forestry (LULUCF). Production emissions are self-reported by sovereign issuers, while all other emissions are modelled by the data providers. These two emission allocation methods are complementary and allow for maximum transparency. However, due to differences in methodologies, the calculations of emissions for sovereign bonds and non-sovereign bonds are not comparable and are therefore reported separately.

The data reported for supranational, agency, and corporate issuers are based on their Scope 1 and Scope 2 emissions. Scope 3 metrics are reported separately from Scope 1 and Scope 2 metrics as quality issues limit their reliability and comparability, aligning with PCAF guidance. Scope 3 reporting for non-sovereign issuers has been expanded this year to include relative emission metrics alongside the absolute metrics reported previously. The reporting of Scope 3 metrics highlights their significance, as they represent the largest share of NMPP issuer emissions. Scope 1, 2, and 3 emissions are either self-reported by issuers or modelled by the data providers, with self-reported emissions preferred whenever available. The main quality and reliability issues associated with the Scope 3 emissions data include (i) considerable estimation uncertainty, (ii) divergent estimates across different data providers, and (iii) methodological issues. Consequently, metrics based on Scope 3 emissions are reported separately.

Whenever possible, emissions and financial data matching the reference year of the holdings are used to calculate the metrics. However, the discrepancy in the reference years for the most recent reporting periods arises due to the inherent delay in the availability of emissions data. This data limitation is most notable when applying the same emissions data to non-sovereign holdings in 2024 and 2025, and to sovereign holdings from 2023 to 2025. As a result, the only observable changes are those resulting from changes in the portfolio holdings and securities' market values, creating an artificial sense of stability in the NMPP climate-related parameters.

In future reports, the Bank will retrospectively revise metrics that were originally based on data from different reference years than those of the portfolio holdings. These updates will be made as the relevant data become available. Following this approach, the report presents updated metrics for corporate sector assets for the years 2023 and 2024, compared to the metrics presented in the previous report.

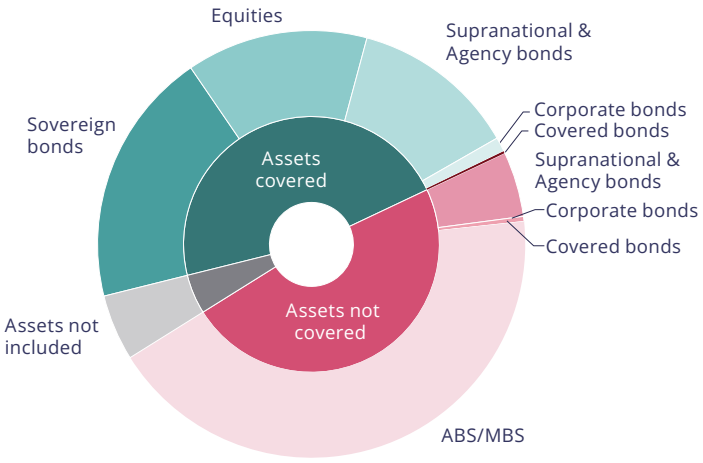
As a member of the Eurosystem, Latvijas Banka strives to ensure that the NMPPs under its management are aligned with a pathway that supports the goals of the Paris Agreement and the EU's climate neutrality objectives as set out in the European Climate Law.

5.1 Climate-related disclosure results for 2025

The review below covers 91% of the total market value of the NMPPs at the end of the year. However, gold, cash, negative security exposures, derivatives, and cash equivalents are not included in the climate analysis due to their current incompatibility with this analysis. At the time of the calculation, no GHG emissions data were available for ABS/MBS and select supranational, agency, and corporate bonds. As a result, the total coverage ratio of assets for which climate analysis can be performed is 45%.

Chart 1

Coverage of the climate analysis, NMPP market value as of 31 December 2025



For a detailed description of the allocation methods, normalisation factors, and attribution factors see Annex 1.

The most significant climate impacts arise from the sovereign and corporate (corporate bonds and equities) investments (see Table 1).

Table 1

Climate-related metrics, NMPPs for 2025

	Sovereign bonds		
	Production-based emissions		Consumption-based emissions
	ex LULUCF	inc LULUCF	
Portfolio size (€ M)	1,304		
Total Absolute GHG Emissions (Scope 1 and 2 in tCO_2e)	228,640	210,999	247,400
data availability	*100%*	*100%*	*100%*
WACI (tCO_2e/ € M revenue or PPP adj. GDP, population or expenditure)	171	158	10
data availability	*100%*	*100%*	*100%*
Carbon Footprint (tCO_2e per € M invested)	171	158	185
data availability	*100%*	*100%*	*100%*
Carbon Intensity	171	158	9
data availability	*100%*	*100%*	*100%*

		Non-sovereign issuers					Total non-sovereign issuers
		Supranational & Agency bonds	Corporate bonds	Covered bonds	Equities	ABS/MBS	
Portfolio size (€ M)		1,020	131	9	825	2,722	4,707
Total Absolute GHG Emissions (tCO_2e)	Scope 1 and Scope 2	51	9,726	1	15,235	0	25,013
	data availability	*69%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	83,106	61,597	2,324	324,702	0	471,728
	data availability	*69%*	*89%*	*100%*	*100%*	*0%*	*35%*
WACI (tCO_2e/ € M revenue or PPP adj. GDP, population or expenditure)	Scope 1 and Scope 2	0.3	223	1	61	0	45
	data availability	*70%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	1,555	1,485	1,593	1,135	0	1,343
	data availability	*70%*	*89%*	*100%*	*100%*	*0%*	*35%*
Carbon Footprint (tCO_2e per € M invested)	Scope 1 and Scope 2	0.07	86	0.1	18	0	15
	data availability	*69%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	119	525	244	394	0	285
	data availability	*69%*	*89%*	*100%*	*100%*	*0%*	*35%*
Carbon Intensity	Scope 1 and Scope 2	0.4	340	1	57	0	57
	data availability	*69%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	598	2,338	1,627	1,216	0	1,087
	data availability	*69%*	*89%*	*100%*	*100%*	*0%*	*35%*

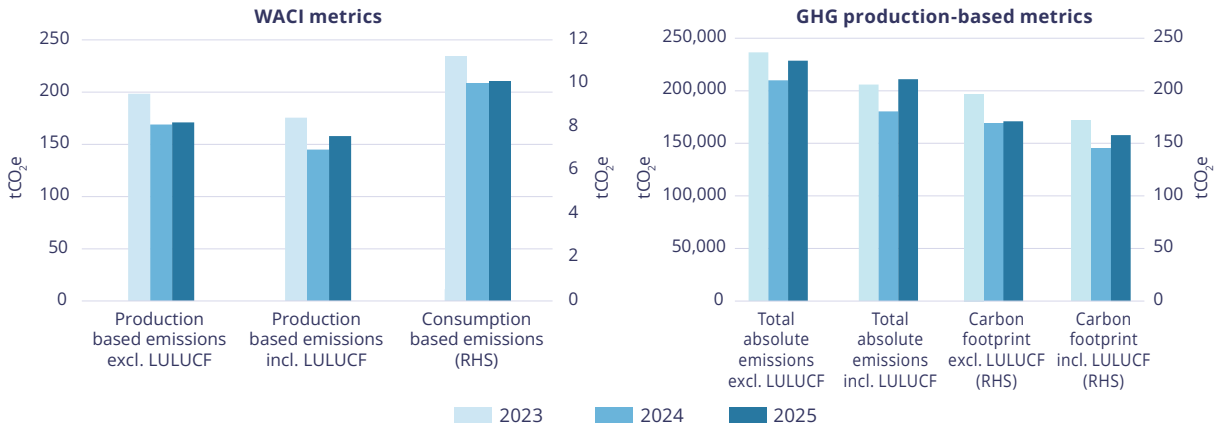
Data: Latvijas Banka, ISS (reported or estimated), World Bank, and financial statements of issuers. Calculations by Latvijas Banka.

Note: Sub-sovereign issuers are treated as sovereign issuers. The percentages below the metrics represent data availability, calculated as a percentage of investments (i.e., market value of investments / market value of portfolio) for which all the required data (i.e., GHG emissions data and financial data) are available. GHG emissions data have a 1–3 year lag; therefore, the 2025 metrics reflect 2024 corporate emissions and 2023 and 2022 sovereign emissions. GDP, population, and final consumption expenditure, revenue, and EVIC data are as of 2024. The displayed portfolio size is calculated using the market value of the respective investment, regardless of the accounting principles applied to the investment. Metrics are calculated using market values for equities and nominal values for bonds. WACI, Carbon Footprint, and Carbon Intensity for individual asset classes are reported on a standalone basis.

The evolution of WACI and GHG emission metrics shows a gradual improvement from 2023 to 2025 (see Chart 2). However, as 2023 represents the latest available climate data — with 2024 and 2025 data not yet available at the cut-off date for this report — the figures for 2024 and 2025 reflect changes in the portfolio holdings only.

Chart 2

Evolution of key metrics for sovereign bond investments



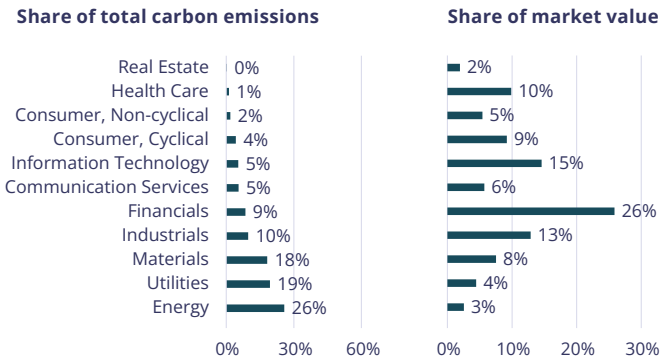
Data: Latvijas Banka, ISS (reported or estimated), World Bank. Calculations by Latvijas Banka.

Note: Climate data for 2024 and 2025 are expected to be revised in subsequent reports in light of updated climate data. Underlying holdings refer to year-end values.

For corporate issuers (both bonds and equities), exposures in the energy, materials, and utilities sectors account for 63% of the total carbon emissions, while constituting only 15% of their respective market value (see Chart 3). This is explained by the high carbon intensity in these sectors.

Chart 3

Breakdown of corporate investment allocation (corporate bonds and equities) by sector



Data: Latvijas Banka, ISS (reported or estimated), and financial statements of issuers. Calculations by Latvijas Banka, based on issuers' Scope 1 and 2 emissions.

As of the end of 2025, green bonds made up 1.9% of fixed income investments, while sustainability, sustainability-linked, and social bonds accounted for 3.0%.

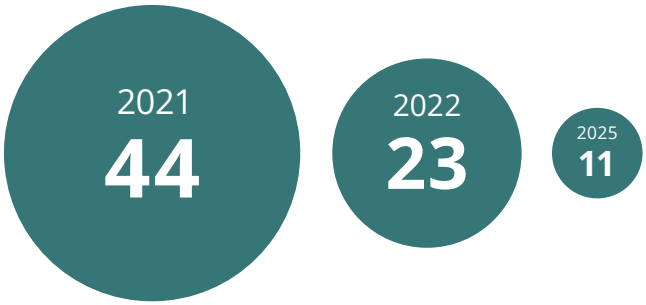
As described in Section 3, sustainability strategies for NMPPs are assessed on a portfolio-by-portfolio basis. Sovereign bond holdings are expected to decarbonise in line with national governments delivering on their commitments under the Paris Agreement. Supranational and agency holdings will mirror the decarbonisation paths of their respective issuers. However, the developed markets equity portfolio is structured to enhance carbon neutrality by 2050 at the latest. As outlined in Section 3.2.1, the emerging markets fixed income portfolio is structured to improve its ESG scores, and the global fixed income portfolio has been restructured to ensure alignment with the requirements of SFDR Article 8 funds.

5.2 Developed markets equity portfolio

As described in Section 3.1, the transition of the developed markets equity portfolio was completed in December 2022, ensuring compliance with the provisions set out in the Paris Agreement. Consequently, the portfolio's carbon footprint decreased by 47%, in line with the strategy. By 2025, the carbon footprint had fallen by 75% relative to the pre-strategy baseline.

Chart 4

Evolution of the carbon footprint of the developed markets equity portfolio (tCO_2e per € M invested)



Data: Latvijas Banka, ISS (reported or estimated), and financial statements of issuers. Calculations by Latvijas Banka, based on issuers' Scope 1 and 2 emissions.

Note: Metrics are rounded, the change is calculated using exact numbers.

Table 2 provides more granular data on the developed markets equity portfolio, reflecting the specific sustainability strategy applied to it — enhanced in 2025 by raising the Natural Capital and Pollution and Waste theme targets. The data and calculations in Table 2 are provided by the external manager.

Table 2

The developed markets equity portfolio

Climate and sustainability metrics	Target deviations from the benchmark	*Deviation from the benchmark at the last rebalancing of the reporting year*
Carbon Intensity Scope 1 (revenue-based)	–50%	*–70%*
Carbon Intensity Scope 2 (revenue-based)	–20%	*–24%*
Carbon Intensity Scope 3 (revenue-based)	–10%	*–11%*
Carbon Intensity Scope 1+2, selected 3 (EVIC based) ^	–50%	*–57%*
Decarbonisation target (reference metric – Carbon Intensity Scope 1+2, selected 3 (EVIC based)) vs base year of 2019^	–7% per annum	*N/A*
Fossil Fuel Reserves Factor	–30%	*–100%*
Green Opportunities Factor	+15%	*+17%*
Glide Path Transition Factor (forward-looking factor)	+20%	*+22%*
The external manager's ESG Consensus Score	+10%	*+10%*
Natural Capital Theme Score (Water Stress Key Issue Score, Biodiversity & Land Use Key Issue Score, Raw Material Sourcing Key Issue Score)	+15%	*+17%*
Pollution and Waste Theme Score (Toxic Emissions & Waste Key Issue Score, Packaging Material & Waste Key Issue Score, Electronic Waste Key Issue Score)	+15%	*+28%*

Data: The external manager of Latvijas Banka's developed markets equity portfolio, MSCI ESG Research, Trucost, Thomson Reuters, MSCI. Data as at the last rebalancing of the reporting year, 20 February 2026.

Notes: Metrics are rounded to one decimal point, deviations are not calculated using rounded figures.

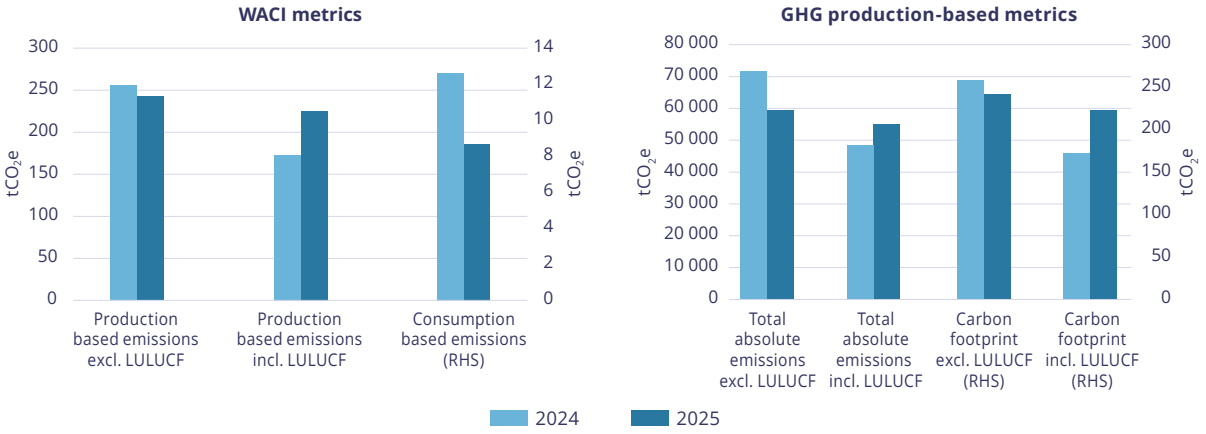
^The stricter rule between the carbon intensity deviation target and decarbonisation target of 7% per annum is applied – as long as the -50% deviation from the benchmark is greater than the deviation produced by the decarbonisation target of 7% per annum vs base year, the deviation of 50% is applied.

5.3 Emerging market fixed income portfolio

As described in Section 3.2.1 of the report, the sustainability strategy was applied to the emerging markets fixed income portfolio in April 2024. As a result, reductions in both WACI and Carbon Footprint are evident (see Chart 5 and Table 3). The increase in total absolute emissions is due to the increase in sovereign bond holdings following the implementation of the sustainability strategy.

Chart 5

Evolution of key metrics for sovereign bond investments in the emerging markets fixed income portfolio after the transition



Data: Latvijas Banka, ISS (reported or estimated), World Bank. Calculations by Latvijas Banka.

Table 3

Climate-related metrics for non-sovereign issuers in the emerging markets fixed income portfolio before and after transition

		Total non-sovereign issuers		
		2023	**2024**	**2025**
Total Absolute GHG Emissions	Scope 1 and Scope 2	24 555	6,504	9,162
data availability	*data availability*	*48%*	*50%*	*62%*
WACI (tCO_2e/ € M revenue or PPP adj. GDP, population or expenditure)	Scope 1 and Scope 2	860	181	289
data availability	*data availability*	*62%*	*56%*	*67%*
Carbon Footprint (tCO_2e per € M invested)	Scope 1 and Scope 2	591	251	229
data availability	*data availability*	*48%*	*50%*	*62%*

Data: Latvijas Banka, ISS (reported or estimated), and financial statements of issuers. Calculations by Latvijas Banka.

The ESG score of the portfolio before the change was 46, reaching 51 at the end of 2025 – marking an improvement of 11%.

Chart 6

Evolution of the ESG score of the emerging markets debt portfolio

Data: the ESG score according to the methodology of the benchmark index.

Conclusions

Latvijas Banka has prepared this report on its climate-related disclosures to provide transparency regarding the corresponding metrics. The Bank recognises a high degree of uncertainty surrounding the materialisation of climate-related risks — particularly regarding timing, magnitude, and type of impact on investment portfolios. The underlying disclosure methodology will continue to evolve as climate-related reporting standards develop. The EU 2050 long-term strategy strives for EU climate neutrality by 2050, in line with the Paris Agreement's objective to keep the global temperature increase well below 2°C and pursue efforts to keep it to 1.5°C. Going forward, in support of the EU climate strategies and the Paris Agreement, Latvijas Banka intends to further improve its climate-related risk management framework, especially due to the rapidly evolving nature of this field in terms of data availability and quality, best practices, and regulation.

Annex 1

Carbon emissions allocation methods, normalisation factors, and attribution factors

Table 1

Emissions allocation

Issuer type	Factor	Remarks	Unit
Corporate	Scope 1, 2 and 3 emissions	Scope 1 comprises direct GHG emissions that occur from sources controlled or owned by an organisation (e.g., emissions associated with fuel combustion in boilers, furnaces, vehicles). Scope 2 comprises indirect GHG emissions associated with the purchase of electricity, steam, heat, or cooling. Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream, and downstream emissions.	tCO_2e
Supra & Agency			
Sovereign	Production-based emissions	Emissions produced domestically within a country's physical borders, including domestic consumption and exports. This definition follows the territorial emissions approach adopted by the United Nations Framework Convention on Climate Change (UNFCCC) for annual national inventories. Production emissions are specified with and without considering the effects of LULUCF, as the rate of carbon dioxide accumulation in the atmosphere influences the changes in vegetation and soil within terrestrial ecosystems.	
	Consumption-based emissions	Emissions related to domestic demand, accounting for trade effects. This metric provides a broader view of a sovereign's emissions and tackles the issue of carbon leakage that arises due to production shifts from countries where goods are later consumed	
	Government-based emissions	Direct emissions (e.g. from buildings, vehicles) and indirect emissions (e.g. emissions related to energy consumption, but also expenditures, subsidies, and investments) of the central government.	

Table 2

Emission normalisation

Issuer type	Factor	Remarks	Unit
Corporate	Revenue	The total amount of income generated by the sale of goods and services related to the primary operations of the business. Commercial revenue may also be referred to as sales or turnover.	EUR million
Supra & Agency			
Sovereign	Production: PPP adj. GDP	GDP is the sum of gross value added by all resident producers plus any product taxes and minus any subsidies not included in the value of the products. The Purchasing Power Parity (PPP) conversion factor is a spatial price deflator and currency converter that eliminates effects of differences in countries' price levels..	EUR million
	Consumption: Population	Total population of a country.	People
	Government: Final consumption expenditure	General government final consumption expenditure (formerly general government consumption) includes all government current expenditures for purchases of goods and services (including compensation of employees). It also includes most expenditures on national defence and security but excludes government military expenditures that are part of government capital formation.	EUR million

Table 3

Emission attribution

Asset class	Factor	Remarks	Unit
Sovereign bonds	PPP adj. GDP	See description of "PPP adj. GDP" in the normalisation factor.	EUR
Equities	EVIC	The sum of the market capitalisation of ordinary shares at fiscal year-end, the market capitalisation of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests.	
Supra & Agency bonds			
Corporate bonds			
Covered bonds			

Annex 2

Definitions

The WACI measures a portfolio's exposure to carbon-intensive issuers, expressed in tonnes of CO_2 equivalent per EUR million revenue. The carbon intensity of each issuer is computed by normalising their GHG emissions by a measure of economic activity. For sovereign and sub sovereign bonds, the calculation consists of three measures: purchasing power parity adjusted for gross domestic product (PPP adj. GDP) for production-based emissions, population for consumption-based emissions, and final consumption expenditure for government-based emissions. For all other instruments, calculations are based on revenues. The portfolio WACI is then calculated by weighing the carbon intensity of each issuer by their respective share of holdings in the portfolio. The WACI is the central element of the Eurosystem's climate-related financial disclosures. High data availability, data normalisation, and the widespread application of the metric across the financial industry ensure comparability across portfolios and time. The WACI delivers an "outside-in-perspective" (i.e. financial materiality), which serves as a proxy for a portfolio's exposure to climate change-related transition risks.

$$WACI = \sum_{n}^{i} \left(\frac{current\ value\ of\ investment_i}{current\ portfolio\ value} \right) x$$

$$\left(\frac{issuer's\ GHG\ emissions_i}{issuer's\ revenue\ or\ PPP\ adj.GDP, population, final\ consumption\ expenditure_i} \right)$$

The Total Absolute GHG Emissions metric quantifies the emissions associated with a portfolio, expressed in tonnes of CO_2 equivalent. GHG emissions are weighted by the investor's contribution to the issuer's total capital structure – enterprise value including cash (EVIC) or PPP adj. GDP – and summed up to determine the portfolio's total absolute GHG emissions. The metric functions as a foundation of related normalised metrics such as Carbon Footprint. It provides an "inside-out-perspective" (i.e. environmental materiality), which serves as a proxy for a portfolio's environmental footprint.

$$Total\ Absolute\ GHG\ Emissions = \sum_{n}^{i} \left(\frac{current\ value\ of\ investment_i}{EVIC\ or\ PPP\ adj\ \ GDP_i} x\ issuer's\ GHG\ emissions_i \right)$$

Due to its non-normalised nature, the metric's comparability across portfolios and time is limited, with portfolio size being the main driver. To overcome this shortcoming and to provide a more holistic view of a portfolio's associated emissions, the complementary disclosure of Carbon Footprint is essential.

Carbon Footprint normalises the Total Absolute GHG Emissions associated with a portfolio by its market value, expressed in tonnes of CO_2 equivalent per EUR million invested, thereby allowing for comparability across a spectrum of portfolio sizes and time.

$$Carbon\ Footprint = \frac{\sum_{n}^{i} \left(\frac{current\ value\ of\ investment_i}{EVIC\ or\ PPP\ adj.GDP_i} \right) x\ issuer's\ GHG\ emissions_i}{current\ portfolio\ value}$$

In addition to the elements of the Eurosystem's disclosure framework, Latvijas Banka publishes the Carbon Intensity metric, which is defined as:

$$\text{Carbon intensity} = \frac{\sum_{n}^{i} \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj. GDP}_i} \right) \text{x issuer's carbon emissions}_i}{\sum_{n}^{i} \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj. GDP}_i} \text{x issuer' s revenue, PPP adjusted GDP, or population}_i \right)}$$

Annex 3

Climate-related metrics 2023-2025

Table 1

Climate-related metrics, NMPPs for the year 2023

	Sovereign bonds			Non-sovereign issuers					Total non-sovereign issuers
	Production-based emissions		Consumption-based emissions	Supranational & Agency bonds	Corporate bonds	Covered bonds	Equities	ABS/MBS	
	ex LULUCF	inc LULUCF							
Portfolio size (€ M)	1,179			998	116	11	666	2,424	4,215
Total Absolute GHG Emissions (Scope 1 and 2 in tCO_2e)	236,521	205,963	260,242	11	41,921	2	18,390	0	60,324
data availability	*98%*	*100%*	*100%*	*61%*	*60%*	*85%*	*100%*	*0%*	*32%*
WACI (tCO_2e/ € M revenue or PPP adj. GDP, population or expenditure)	198	175	11	0	580	1	74	0	69
data availability	*100%*	*100%*	*100%*	*70%*	*74%*	*100%*	*100%*	*0%*	*35%*
Carbon Footprint (tCO_2e per € M invested)	197	172	213	0	566	0	28	0	44
data availability	*98%*	*98%*	*100%*	*61%*	*60%*	*85%*	*100%*	*0%*	*32%*
Carbon Intensity	194	169	9	0	751	1	72	0	172
data availability	*100%*	*100%*	*100%*	*61%*	*60%*	*85%*	*100%*	*0%*	*32%*

Table 2

Climate-related metrics, NMPPs non-sovereign issuers for the year 2024, including Scope 3 emissions

		Non-sovereign issuers					Total non-sovereign issuers
		Supranational & Agency bonds	Corporate bonds	Covered bonds	Equities	ABS/MBS	
Portfolio size (€ M)		1,075	91	12	844	2,632	4,654
Total Absolute GHG Emissions (tCO_2e)	Scope 1 and Scope 2	29	5,247	1	15,758	0	21,036
	data availability	*44%*	*47%*	*61%*	*100%*	*0%*	*31%*
	Scope 3	52,056	37,456	1,558	416,683	0	608,341
	data availability	*44%*	*47%*	*14%*	*61%*	*0%*	*39%*
WACI (tCO_2e/ € M revenue or PPP adj. GDP, population or expenditure)	Scope 1 and Scope 2	0.2	252	1	50	0	38
	data availability	*46%*	*47%*	*61%*	*100%*	*0%*	*31%*
	Scope 3	1,549	1,837	1,220	1,194	0	1,203
	data availability	*46%*	*47%*	*61%*	*100%*	*0%*	*39%*
Carbon Footprint (tCO_2e per € M invested)	Scope 1 and Scope 2	0.06	119	0.2	17	0	14
	data availability	*44%*	*47%*	*61%*	*100%*	*0%*	*31%*
	Scope 3	108	847	210	440	0	321
	data availability	*44%*	*47%*	*61%*	*100%*	*0%*	*39%*
Carbon Intensity	Scope 1 and Scope 2	0.3	295	1	46	0	47
	data availability	*44%*	*47%*	*61%*	*100%*	*0%*	*31%*
	Scope 3	622	2,105	1,306	1,226	0	1,326
	data availability	*44%*	*47%*	*61%*	*100%*	*0%*	*39%*

Table 3

Climate-related metrics, NMPPs non-sovereign issuers for the year 2025, including Scope 3 emissions

		Non-sovereign issuers					Total non-sovereign issuers
		Supranational & Agency bonds	Corporate bonds	Covered bonds	Equities	ABS/MBS	
Portfolio size (€ M)		1,020	131	9	825	2,722	4,707
Total Absolute GHG Emissions (tCO_2e)	Scope 1 and Scope 2	51	9,726	1	15,235	0	25,013
	data availability	*69%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	83,106	61,597	2,324	324,702	0	471,728
	data availability	*69%*	*89%*	*100%*	*100%*	*0%*	*35%*
WACI (tCO_2e/ € M revenue or PPP adj. GDP, population or expenditure)	Scope 1 and Scope 2	0.3	223	1	61	0	45
	data availability	*70%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	1,555	1,485	1,593	1,135	0	1,343
	data availability	*70%*	*89%*	*100%*	*100%*	*0%*	*35%*
Carbon Footprint (tCO_2e per € M invested)	Scope 1 and Scope 2	0.07	86	0.1	18	0	15
	data availability	*69%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	119	525	244	394	0	285
	data availability	*69%*	*89%*	*100%*	*100%*	*0%*	*35%*
Carbon Intensity	Scope 1 and Scope 2	0.4	340	1	57	0	57
	data availability	*69%*	*86%*	*100%*	*100%*	*0%*	*35%*
	Scope 3	598	2,338	1,627	1,216	0	1,087
	data availability	*69%*	*89%*	*100%*	*100%*	*0%*	*35%*