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CEE Legal Matters

In-Depth Analysis of the News and Newsmakers That Shape Europe's Emerging Legal Markets

EDITORIAL: THE ESG DIRTY WORD

By Radu Neag

I worked on a couple of "Women in Tech" research projects recently, helping companies understand whether a Pink Strategy or a Gender-Blind Strategy would be more suitable for them attracting and retaining female tech talent. Pink would mean focusing on the inclusion and promotion of those benefits that correlate highly with female employees' preference for a particular workplace. Gender-Blind would focus on identifying and eliminating any roadblocks standing in the way of workplace equality.

The general aim of those tech companies was increasing their proportion of female employees. Overall, such a goal aligns nicely with ESG concerns. And some of the means of getting there align as well: a better work/life balance; an emphasis placed on medical insurance, paid leave, and childcare facilities; fair and quantifiable performance reviews, regardless of gender, sexual orientation, or other criteria; college scholarships encouraging more women to study tech.

Just like with ESG, some of the roadblocks seem more ethereal than others. One of the most frequently mentioned workplace issues were meetings. Everyone found them, at times, either time-consuming or ineffective. But female tech experts feared, and indeed expected, they would be talked over, interrupted, dismissed, or ignored – frequently, all within the same meeting. This was the case for meetings both within and outside the organization (with partners, suppliers, or clients). The worst example – which best illustrates the problem – is having a female expert come up with a solution to a question only to be ignored, for the discussion to move on, and for the same solution to be resubmitted by a male expert (frequently more junior) 10 minutes later – to be picked up enthusiastically by the (still predominantly male) group of participants.

Congratulations follow on the one side, and anger, resentment, and sadness abound on the other. It was harder to find a clear-cut solution to such an issue: "Train all your senior staff to be aware of it and prevent it from happening when running meetings. Train the rest of your staff to avoid such recurring mistakes. Train everyone in communication-related soft skills."

While this might seem time- and resource-intensive – indeed, everyone could alternatively be trained in productivity-related tasks – other solutions were a lot simpler but faced significantly more pushback. Which brought about the notion of an ESG dirty word: "the gender pay gap." This single issue received more company pushback than all other matters combined.

We faced a problem – female talent was potentially being paid less than comparable male talent for the same job. Yet those companies were still paying not-insignificant amounts of money on "Women in Tech" research projects, events, and whole departments tasked with finding and attracting female tech talent. "So, stop spending all that money and pay your women experts more," we said. They couldn't: salaries were calculated based on the initial interview negotiations, internal procedure-based increments, and promotions. "But your whole management team seems to be on board – change those damn procedures," we insisted. To this day, those tech companies are still fighting an uphill hiring battle. And spending good money on conveying important related messaging, just not the crucial one: "We pay our experts the same, regardless of gender."

Some ESG issues are indeed complex and complicated. The reasons why women demand less than men for the same job (in interviews and performance reviews) are even more so: their confidence is eroded by years of having to conform to still-traditional gender roles (with school, family, and the media as primary culprits), or they may fear appearing confrontational or shrill when negotiating harder. No company can single-handedly take on the institutions of family, school, and media. And indeed, they don't have to. They should simply stop lowballing their female employees in negotiations, just because they can.

Keep the research money for more complex matters – and stop fretting about messaging – the solution is simple: for substantially equal jobs, pay your experts the same! ■

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Did We Miss Something?

We're not perfect; we admit it. If something slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at: press@ceelm.com

Date Covered	Firms Involved	Deal/Litigation	Value	Country
17-Jun	Noerr; Schoenherr	Schoenherr, working with Noerr, advised the BTV Multimedia Group on its acquisition of STW Spleisstechnik West. Solo practitioner Georg Justich reportedly advised STW.	N/A	Austria
20-Jun	DLA Piper	DLA Piper advised Knorr-Bremse and its subsidiary Knorr-Bremse Systeme fur Nutzfahrzeuge on their EUR 200 million acquisition of a 55% stake in Cojali.	EUR 200 million	Austria
24-Jun	Freshfields	Freshfields Bruckhaus Deringer advised German state-owned bank KFW on a revolving credit line of up to EUR 9.8 billion for the former Gazprom Germania.	EUR 9.8 billion	Austria
27-Jun	Binder Groesswang; Brandl Talos; PHH Rechtsanwalte	Brandl Talos advised Austrian battery diagnostics start-up Aviloo on an equity investment by the European Innovation Council Fund and Raiffeisen's Invest Unternehmensbeteiligungs AG. Binder Groesswang advised the EIC Fund and PHH advised Invest AG.	N/A	Austria
27-Jun	Cerha Hempel	Cerha Hempel advised Red-Stars.com Data company Freeeway on a financing round leading to the closure of its pre-series A round.	EUR 3 million	Austria
4-Jul	Beira; Schoenherr	Schoenherr advised Caverion Oesterreich on the acquisition of Porreal and its subsidiary Alea. Beira Rechtsanwaelte reportedly advised Porr AG on the sale.	N/A	Austria
16-Jun	Buterin & Partners; Schoenherr	Schoenherr advised Wienerberger on its acquisition of Vargon. Buterin & Partneri reportedly advised the sellers on the deal.	N/A	Austria; Croatia
5-Jul	Deloitte Legal; Ropes & Gray; Wolf Theiss	Wolf Theiss, working with Ropes & Gray, advised Bain Capital Tech Opportunities on its USD 150 million investment in Ataccama, a unified data management platform provider. Deloitte Legal reportedly advised Ataccama.	USD 150 million	Austria; Czech Republic
24-Jun	CMS; Linklaters; Pierstone; White & Case	CMS advised a group of investors on a Sofina-led EUR 220 million series D financing round for the Rohlik Group. White & Case advised the Rohlik Group. Linklaters reportedly advised Sofina. Pierstone reportedly advised some of the investors.	EUR 220 million	Austria; Czech Republic; Hungary; Romania

Date Covered	Firms Involved	Deal/Litigation	Value	Country
15-Jul	CMS	CMS advised Austria's Alpla on its acquisition of Polish pharmaceutical packaging producer Apon.	N/A	Austria; Poland
20-Jun	Sajic	Sajic advised M-Energetika on its EUR 3 million acquisition of the Energo Company in Republika Srpska, BiH.	EUR 3 million	Bosnia and Herzegovina
22-Jun	Sajic	Sajic successfully represented the interests of Elektroprenos BiH in a commercial dispute worth over BAM 30.5 million with Elektroprivreda Hrvatske Zajednice Herceg Bosne before the Republika Srpska Supreme Court.	BAM 30.5 million	Bosnia and Herzegovina
21-Jun	Tsvetkova Bebov & Partners	Tsvetkova Bebov & Partners advised on the preparation of the new Bulgarian Covered Bonds Act.	N/A	Bulgaria
4-Jul	Boyanov & Co; Djingov, Gouginski, Kyutchukov & Velichkov	Djingov Gouginski Kyutchukov & Velichkov advised Maple Bear on its EUR 100 million investment program for the CEE region through a partnership with Vantage Capital. Boyanov & Co reportedly advised Vantage.	EUR 100 million	Bulgaria
14-Jul	Komarevski Dimitrov & Partners	Komarevski Dimitrov & Partners advised the Bulgarian subsidiary of the Kone Corporation on its acquisition of Liftkom Service.	N/A	Bulgaria
8-Jul	KPMG Legal; Legance; PwC Legal; Schoenherr	Schoenherr, working with Legance, advised Nexi on its agreement with Privredna Banka Zagreb and Intesa Sanpaolo-controlled company PBZ Card to purchase PBZ Card's merchant acquiring business in Croatia for EUR 180 million. Reportedly, PwC Legal and KPMG Legal advised Intesa Sanpaolo.	EUR 180 million	Croatia
14-Jul	Brick Court Chambers; Dechert; Peters & Peters; Queritius; Weil, Gotshal & Manges; Wolf Theiss	Queritius and Wolf Theiss, working with Dechert, successfully represented the interests of the Mol Group in a USD 230 million ICSID arbitration case against the Republic of Croatia. Reportedly, Weil Gotshal & Manges, Peters & Peters, and Brick Court Chambers also represented Mol.	USD 230 million	Croatia; Hungary
16-Jun	Weinhold Legal	Weinhold Legal advised the Czech Viamilk cooperative on its merger with Moravian Morava to form the Mleko.cz cooperative.	N/A	Czech Republic
21-Jun	Ferenc & Spol; Weinhold Legal	Weinhold Legal advised investment company Amundi Czech Republic on the sale of its former headquarters in Prague's Dlouha Street. The Ferenc & Co law firm reportedly advised the buyer.	N/A	Czech Republic
28-Jun	Clifford Chance; Dentons	Clifford Chance advised Europa Capital on the acquisition of the D2 Logistics Park project together with partner White Star Real Estate. Dentons advised the undisclosed seller.	N/A	Czech Republic
29-Jun	Weinhold Legal	Weinhold Legal advised Prague-based litigation financier LitFin on its entry into a strategic investment partnership with a US-based fund.	N/A	Czech Republic
7-Jul	Havel & Partners; Weinhold Legal	Weinhold Legal advised the Jamp Group on the share deal acquisition of the 2747 Konevova Street building in Prague from Raiffeisen Stavebni Sporitelna. Havel & Partners reportedly advised the sellers.	N/A	Czech Republic
13-Jul	Taylor Wessing	Taylor Wessing advised S+B Gruppe developer company S+B Plan & Bau Prag on the redevelopment of the Via Una office building in Prague.	N/A	Czech Republic
15-Jul	Havel & Partners; Mavericks	Havel & Partners advised venture capital funds Atmos Ventures, Lighthouse Ventures, and Tera Ventures on an EUR 18 million investment round into Czech logistics-focused fintech company 4Trans. Mavericks Legal advised 4Trans.	EUR 18 million	Czech Republic

Date Covered	Firms Involved	Deal/Litigation	Value	Country
13-Jul	Clifford Chance; Divjak Topic Bahtijarevic & Krka; Onisko & Holesova; Planinic, Soljic and Partners; Selih & Partners	Clifford Chance, Selih & Partnerji, and Divjak Topic Bahtijarevic & Krka advised Ceska Sporitelna and Ceskoslovenska Obchodni Banka on the refinancing of Kofola. Onisko & Holesova, Planinic Soljic & Partners, and solo practitioner Klemen Ticar advised Kofola.	CZK 1 billion	Czech Republic; Croatia; Slovakia; Slovenia
27-Jun	Baker Mckenzie; DLA Piper	DLA Piper advised the Avallon MBO Fund II and the Genesis Private Equity Fund III on their sale of Stangl Technik Holding to Spie Central Europe. Baker McKenzie advised the buyer.	N/A	Czech Republic; Poland
30-Jun	Baker Mckenzie	Baker McKenzie advised Argo-Hytos Group owners Christian Kienzle and FSP Capcellence on selling a 79.5% stake in Argo-Hytos to the Voith Group.	N/A	Czech Republic; Poland
27-Jun	BDO Legal; Schoenherr	Schoenherr advised Ondrej Zita on his sale of OptimNet Solutions and OptimNet Solutions SK to the Hellmann Worldwide Logistics group. BDO Legal reportedly advised the buyer.	N/A	Czech Republic; Slovakia
6-Jul	Dentons; White & Case	Dentons advised the Dr. Max Group on its EUR 940 million loan for the refinancing of its bank debt and further growth. UniCredit Bank Czech Republic and Slovakia and Komercni Banka led the 14-bank strong consortium. White & Case advised the banks.	EUR 940 million	Czech Republic; Slovakia; Romania
16-Jun	PwC Legal	PwC Legal advised certification service provider SK ID Solutions on a five-year concession contract with the Estonian Information System Authority to continue the Mobile-ID service.	N/A	Estonia
20-Jun	Pohla & Hallmagi	Pohla & Hallmagi successfully represented Estonian official distributor of Electrolux professional industrial kitchen appliances Farwell Kaubandus before the Estonian Public Procurement Dispute Board.	N/A	Estonia
4-Jul	PwC Legal	PwC Legal advised LimeWire on raising USD 10.4 million in a private sale of its native token, LMWR, in a round led by Kraken Ventures, Arrington XRP Capital, and GSR.	USD 10.4 million	Estonia
12-Jul	Grant Thornton; Triniti	Triniti advised UG Investments on its acquisition of a 50% stake in Fourings from Tallinn-headquartered Decem. Reportedly, Grant Thornton advised Decem on the deal.	N/A	Estonia
13-Jul	Bird & Bird; Cobalt	Cobalt advised Asuntosalkku on its listing to the Nasdaq First North Growth Market in Finland. Bird & Bird reportedly also advised Asuntosalkku.	N/A	Estonia
14-Jul	Sorainen	Sorainen advised Estonia-based startup 99math on its USD 2.1 million investment round led by Play Ventures, with existing shareholders Flyer One Ventures and Change Ventures participating.	USD 2.1 million	Estonia
7-Jul	Sorainen	Sorainen advised IK Partners and the Renta Group on the acquisition of the Uprent Group.	N/A	Estonia; Latvia; Lithuania
11-Jul	Cobalt	Cobalt advised vehicle parts distributor Meko on its EUR 122 million acquisition of spare parts and services provider Koivunen.	EUR 122 million	Estonia; Latvia; Lithuania
22-Jun	Kyriakides Georgopoulos	Kyriakides Georgopoulos advised Danone SA and Numil Hellas SA on their corporate restructuring, with Numil Hellas absorbing Danone's business in Greece.	N/A	Greece
14-Jul	Dentons; Kinstellar	Dentons advised Raiffeisen Bank on a USD 200 million five-year syndicated green loan facility for Volta Energy Solutions Hungary. Kinstellar advised the borrower.	USD 200 million	Hungary

Date Covered	Firms Involved	Deal/Litigation	Value	Country
17-Jun	Cobalt	Cobalt successfully represented Food Union group company Rigas Piena Kombinats in a court dispute against a former employee regarding the invalidation of the termination notice and the recovery of unpaid wages.	N/A	Latvia
17-Jun	Sorainen	Sorainen's Latvian office successfully represented Sia Prolux in challenging the negotiation procedure for the "Delivery and installation of kitchen equipment at the Jelgava state municipality educational institution Jelgava Technology Secondary School" at Meiju Road 9, Jelgava, organized by the Jelgava city municipality and held at the Procurement Monitoring Bureau.	N/A	Latvia
22-Jun	Skrastins & Dzenis	Skrastins & Dzenis successfully represented the insolvent PNB Banka in five arbitration proceedings at the London Court of International Arbitration, with the bank's claims against its shareholders amounting to about EUR 50 million.	EUR 50 million	Latvia
6-Jul	Cobalt	Cobalt advised Hepsor on its EUR 3.6 million acquisition of the 30,624 square-meter Ganibu Dambis 17A commercial property in Riga from unidentified sellers.	EUR 3.6 million	Latvia
6-Jul	TGS Baltic	TGS Baltic advised BlackSheep Ventures on its planned EUR 2 million investment into geospatial advertising platform developer Roibox.	EUR 2 million	Latvia
14-Jul	Cobalt; Garrigues	Cobalt advised the BaltCap Latvia Venture Capital Fund and other shareholders on their sale of Vendon to Azkoyen. Garrigues reportedly advised the buyer.	N/A	Latvia
15-Jul	Ellex (Klavins); Sorainen	Ellex Klavins advised GoCardless on its acquisition of Nordigen. Sorainen advised Nordigen.	N/A	Latvia
7-Jul	Cobalt	Cobalt successfully represented AirBaltic and the Riga International Airport before the Supreme Court of Lithuania against antitrust claims brought by bankrupt carrier FlyLAL.	N/A	Latvia; Lithuania
20-Jun	Sorainen	Sorainen successfully represented basketball club Zalgiris in a case against the Lithuanian Competition Council before the Vilnius Regional Administrative Court.	N/A	Lithuania
28-Jun	Fieldfisher; Motieka & Audzevicius; Osborne Clarke	Motieka & Audzevicius, working with Osborne Clarke, advised the Orion Private Equity Debt Fund I on the EUR 7 million acquisition of secured mezzanine bonds issued by Austrian real estate developer Soini Asset to finance its real estate projects in Germany. Fieldfisher reportedly advised Soini Asset.	EUR 7 million	Lithuania
1-Jul	Sorainen	Sorainen advised fashion retail platform Farfetch on its acquisition of augmented reality startup Wannaby. The transaction closed in April 2022.	N/A	Lithuania
4-Jul	Motieka & Audzevicius	Motieka & Audzevicius successfully defended Veolia's Lithuanian partner ICOR Group and other Lithuanian respondents before Court of Appeal, from a EUR 240 million claim filed by the Republic of Lithuania.	EUR 240 million	Lithuania
6-Jul	TGS Baltic	TGS Baltic advised Valstybes Investicinis Kapitalas on a EUR 25 million note issuance. Luminor Bank was the sole manager and bookrunner.	EUR 25 million	Lithuania
14-Jul	Walless	Walless provided legal support to Reverest Asset Management on receiving the authorization to operate as a management company for collective investment undertakings for informed investors from the Bank of Lithuania.	N/A	Lithuania
15-Jul	Sorainen	Sorainen advised Lords LB-managed Atsinaujinancios Energetikos Investicijos on a second four-year green bond issuance. Luminor Bank was the main distributor of the EUR 10 million issuance.	EUR 10 million	Lithuania

Date Covered	Firms Involved	Deal/Litigation	Value	Country
28-Jun	Allen & Overy; Baker Mckenzie; Camilleri Preziosi; Hannes Snellman; Herzog Fox & Neeman; Latham & Watkins; ODI Law	ODI Law advised NeoGames on the acquisition of Aspire Global through a recommended public offer. Reportedly, Latham & Watkins, Herzog Fox & Neeman, Hannes Snellman, Allen & Overy, and Camilleri Preziosi advised NeoGames as well. Baker McKenzie reportedly advised Aspire Global.	N/A	North Macedonia
29-Jun	ODI Law	ODI Law advised REDI Development on a EUR 1 million term loan to microcredit foundation Horizonti Skopje. Dentons Luxembourg reportedly advised REDI as well.	EUR 1 million	North Macedonia
16-Jun	SSW Pragmatic Solutions	SSW Pragmatic Solutions advised Polish private equity firm Spire Capital Partners on the acquisition of a controlling stake in Thulium.	N/A	Poland
16-Jun	White & Case	White & Case advised Poland's Grupa Pracuj on its approximately EUR 118 million acquisition of Germany-based Softgarden eRecruiting.	EUR 118 million	Poland
17-Jun	Dentons; Greenberg Traurig	Greenberg Traurig advised Invesco Real Estate on the sale of a logistics park in the vicinity of the Gdansk international airport to EQT Exeter. Dentons advised the buyer.	N/A	Poland
20-Jun	Greenberg Traurig; Jonak i Partnerzy	Greenberg Traurig advised Rentokil Initial's Polish subsidiary on its acquisition of Polish disinfection, disinsectization, and deratization services provider Vaco. Jonak i Partnerzy advised the sellers.	N/A	Poland
22-Jun	Norton Rose Fulbright	Norton Rose Fulbright advised PGE Polska Grupa Energetyczna subsidiary PGE Energia Odnawialna on its recent renewable energy sector acquisition of three onshore wind farms in Poland with a total capacity of 84.2 megawatts – Scieki, Jozwin, and Radzyn.	N/A	Poland
23-Jun	CMS; Norton Rose Fulbright	Norton Rose Fulbright advised mBank on its financing for the construction of the 40-megawatt Pozarowo PV portfolio in Poland, sponsored by Afcon Renewable Energy. CMS advised Afcon.	N/A	Poland
24-Jun	Domanski Zakrzewski Palinka; Greenberg Traurig	Greenberg Traurig advised HDI International and the Meiji Yasuda Life Insurance Company on the acquisition of the remaining shares in Towarzystwo Ubezpieczen Europa from Getin Holding and the Getin Noble Bank. Domanski Zakrzewski Palinka reportedly advised the sellers.	N/A	Poland
24-Jun	Greenberg Traurig; WKB Wiercinski Kwiecinski Baehr	Greenberg Traurig advised ZE PAK Group company PAK-Polska Czysta Energia on the acquisition of the Great Wind project from Neo Investments company Neo Energy Group. Wiercinski Kwiecinski Baehr advised the seller.	N/A	Poland
27-Jun	Allen & Overy; Clifford Chance	Clifford Chance advised a consortium of lenders including DNB Bank, PZU, and Santander Bank Polska on a facilities agreement with DIF Capital Partners-owned SPVs for the construction and operation of a 108-megawatt wind portfolio consisting of four wind farms. Allen & Overy advised DIF Capital Partners.	N/A	Poland
28-Jun	FPS Fritze Wicke Seelig; Freshfields; Moalem Weitemeyer; Paul Hastings; Soltysinski Kawecki & Szlezak; Vinge	Soltysinski Kawecki & Szlezak, working with Freshfields Bruckhaus Deringer, advised Xior Student Housing on the Polish leg of its EUR 939 million acquisition of 5,341 residential units from the Basecamp Group and European Student Housing Funds I and II. Paul Hastings advised Basecamp. Denmark's Moalem Weitemeyer and Sweden's Vinge reportedly advised Xior as well, while Germany's FPS Fritze Wicke Seelig reportedly advised Basecamp.	EUR 939 million	Poland
29-Jun	Kondracki Celej; SSW Pragmatic Solutions; WKB Wiercinski Kwiecinski Baehr	Wiercinski Kwiecinski Baehr advised the Avallon MBO Fund on its acquisition of a majority stake in Globema, together with the company's managers. Kondracki Celej advised Globema's shareholders. SSW Pragmatic Solutions advised Bank Polska Kasa Opieki on financing the acquisition.	N/A	Poland

Date Covered	Firms Involved	Deal/Litigation	Value	Country
30-Jun	Anwaltsgemeinschaft Stuttgart; Binder Groesswang; Grub Brugger; Homburger; Noerr	Noerr advised the Aurelius Group on its acquisition of dental distributors Dental Bauer and Pluradent. Binder Groesswang and Homburger reportedly advised Aurelius. Anwaltsgemeinschaft Stuttgart reportedly advised Dental Bauer, with Grub Brugger reportedly advising Pluradent.	N/A	Poland
30-Jun	Slaughter and May; Sullivan & Cromwell; WKB Wiercinski Kwiecinski Baehr	Wiercinski Kwiecinski Baehr, working with Slaughter and May, advised Schneider Electric on the disposal of its Eurotherm business unit to the Watlow Electric Manufacturing Company. Reportedly, Sullivan & Cromwell advised Watlow.	N/A	Poland
4-Jul	Adacta; Chiomenti Studio Legale; Fredrikson & Byron; Perez-Llorca; WKB Wiercinski Kwiecinski Baehr; Wolf Theiss	Wiercinski Kwiecinski Baehr and Wolf Theiss, working with Fredrikson & Byron, advised Odyssey Investment Partners and its portfolio company PIP Global Holdings on the acquisition of Industrial Starter and its local subsidiaries in Europe. Perez-Llorca and Chiomenti Studio Legale reportedly also advised the buyer. Adacta reportedly advised the seller.	N/A	Poland
4-Jul	DLA Piper; Partners You Trust	Partners-You-Trust advised a consortium of investors led by FF Venture Capital and RKKVC on their investment in ReSpo.Vision. DLA Piper advised the founders of ReSpo.Vision on the seed round.	N/A	Poland
5-Jul	Clifford Chance; WKB Wiercinski Kwiecinski Baehr	Wiercinski Kwiecinski Baehr advised Energix on a PLN 288 million financing from the EBRD and mBank for the construction of a 56-megawatt wind farm in Poland. Clifford Chance advised the lenders.	PLN 288 million	Poland
7-Jul	Baker; Greenberg Traurig	Greenberg Traurig and Baker McKenzie advised Echo Investment on the sale of the MidPoint 71 office building in Wroclaw to the Trigea Real Estate Fund.	EUR 100 million	Poland
8-Jul	Linklaters	Linklaters advised InfraVia Capital Partners on the PLN 1.775 billion acquisition of a 50% stake in Play Group subsidiary FiberForce.	PLN 1.775 billion	Poland
8-Jul	Clifford Chance	Clifford Chance advised the Getin Noble Bank on the synthetic securitization of its housing communities portfolio worth over PLN 500 million.	PLN 500 million	Poland
8-Jul	Chajec; Partners You Trust	Partners-You-Trust advised the founders of the Marketlab Group on the investment from a Value Quest-managed private equity fund. CDZ Chajec & Partners reportedly advised Value Quest.	N/A	Poland
11-Jul	DB77 Tax & Legal; Moskwa Jarmul Haladyj i Wspolnicy; Partners You Trust	Partners-You-Trust advised EEC Magenta on its investment in robot platform DBR77. Moskwa Jarmul Haladyj reportedly advised investor Level2Ventures. DB77 Tax & Legal reportedly advised DBR77's founders.	N/A	Poland
12-Jul	Allen & Overy; White & Case	White & Case advised joint lead managers Banco Santander, Erste Group Bank, Landesbank Baden-Wuerttemberg, PKO BP, and UniCredit Bank on PKO Bank Hipoteczny's EUR 500 million issuance of mortgage-covered bonds. Reportedly, Allen & Overy advised PKO Bank Hipoteczny.	EUR 500 million	Poland
13-Jul	B2RLaw; Kondracki Celej	Kondracki Celej advised Credo Ventures and 500 Startups on participating in a EUR 3.4 million investment round in the Village Network. B2RLaw advised the Village Network.	EUR 3.4 million	Poland
14-Jul	Deloitte Legal; WKB Wiercinski Kwiecinski Baehr	Wiercinski Kwiecinski Baehr advised PKO and mBank on a financing for Electrum Concreo in the form of bilateral multi-product lines. Deloitte Legal reportedly advised Electrum Concreo.	N/A	Poland
15-Jul	Wardynski & Partners	Wardynski & Partners advised Bergs Timber on the acquisition of Pinus from company owners and founders Jerzy and Mariusz Smolarczyk.	N/A	Poland
15-Jul	JDP	JDP Drapala & Partners advised the Dutch SanoRice Group on its investment in a new production plant in Nowa Sol, Poland.	N/A	Poland

Date Covered	Firms Involved	Deal/Litigation	Value	Country
11-Jul	Linklaters; Paksoy	Linklaters and Paksoy advised the Qatar Investment Authority on the acquisition of an approximately 20% interest in the D.ream International fine dining group from parent company Dogus Group, a Turkish conglomerate.	N/A	Poland; Turkey
16-Jun	CMS; Herbert Smith Freehills; MPR Partners; Schoenherr	MPR Partners advised GreenVolt subsidiaries V-Ridium Solar 45 and V-Ridium Renewables on their EUR 83 million acquisition of a photovoltaic project from the Samsung C&T Corporation. Schoenherr and, reportedly, Herbert Smith Freehills advised the seller. CMS reportedly advised a consortium of banks on financing the acquisition.	EUR 83 million	Romania
17-Jun	Dentons	Dentons successfully represented Bibus Metal's Romanian subsidiary Bibus SRL in a customs dispute before the Ploiesti Court Appeal in Romania.	N/A	Romania
20-Jun	Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised Morgan Stanley Real Estate Investing on the EUR 10 million technical and aesthetic refurbishment and modernization process of the America House office building in Bucharest.	EUR 10 million	Romania
20-Jun	Glodeanu & Associates	Glodeanu & Partners advised INVL Asset Management's INVL Renewable Energy Fund I on the acquisition of two companies developing solar power plants in Romania with a capacity of 166 megawatts.	N/A	Romania
20-Jun	Dentons; RTPR	Radu Taracila Padurari Retevoescu advised the Engie Group on its sale of an 80% stake in Flashnet to the Lucy Group. Dentons advised the buyer.	N/A	Romania
24-Jun	Ijdelea & Associates	Ijdelea & Associates provided legal assistance to Black Sea Oil & Gas and its co-venture partners in obtaining the Upstream Pipeline Operating License for the Midia Gas Development Project (MDG) from the Romanian Energy Regulatory Authority (ANRE).	N/A	Romania
30-Jun	Dentons; Ionescu & Sava	Dentons advised Asseco Group company Asseco SEE on its acquisition of a majority stake in Bithat Solutions. Ionescu & Sava advised the seller.	N/A	Romania
1-Jul	PeliPartners	PeliPartners successfully represented the National Union of Insurance and Reinsurance Companies of Romania (UNSAR) before Romania's High Court of Cassation and Justice in a dispute against the Romanian competition authority.	N/A	Romania
5-Jul	Stratulat Albulescu; The Law Chamber	Stratulat Albulescu advised the Indotek Group on its acquisition of the One Victoriei Center office building in Bucharest. The Law Chamber reportedly advised the Element Group on the sale.	N/A	Romania
7-Jul	Vlasceanu, Nyerges & Partners	Vlasceanu Nyerges & Partners advised Essensys Software on its merger with mReady.	N/A	Romania
13-Jul	Tuca Zbarcea & Asociatii	Tuca Zbarcea & Asociatii advised Electrica on its EUR 600,000 acquisition of Green Energy Consultancy & Investments from shareholders Vlad-Mihai and Tudor-Nicolae Ungureanu.	EUR 600,000	Romania
13-Jul	Luther; Nestor Nestor Diculescu Kingston Petersen; Schoenherr; Taylor Wessing	Nestor Nestor Diculescu Kingston Petersen, working with Luther, advised Staffbase on its acquisition of the Romanian Dirico entity from 247Grad Labs. Schoenherr, working alongside Taylor Wessing's German office, advised the sellers.	N/A	Romania
14-Jul	CEE Attorneys	CEE Attorneys Boanta Gidei si Asociatii supported Sparking Capital in obtaining a self-managed alternative investment fund license registered with the Financial Supervisory Authority of Romania.	N/A	Romania
16-Jun	Harrisons	Harrisons advised the EBRD on its RSD 1.2 billion loan to Serbian commercial bank 3Bank for on-lending to eligible sub-borrowers.	RSD 1.2 billion	Serbia
17-Jun	Harrisons	Harrisons advised the EBRD on a EUR 30 million loan facility to ProCredit Bank in Serbia.	EUR 30 million	Serbia
20-Jun	Harrisons	Harrisons advised the EBRD on a EUR 15 million loan to UniCredit Leasing Serbia for on-lending to small and medium-sized enterprises in the country.	EUR 15 million	Serbia

Date Covered	Firms Involved	Deal/Litigation	Value	Country
21-Jun	Harrisons	Harrisons advised the EBRD on a senior unsecured loan amounting to EUR 8 million for on-lending to eligible women-led small and medium-sized enterprises.	EUR 8 million	Serbia
24-Jun	CMS	The Walt Disney Company and Disney DTC EM Limited appointed Petrikic & Partneri in cooperation with CMS Reich-Rohrwig Hainz as their Serbian Data Protection Representative.	N/A	Serbia
30-Jun	Zivkovic Samardzic	Zivkovic Samardzic advised OTA Sync on its latest investment round with the TS Ventures Fund, the DSI Business Angel Group, and Startup Wise Guys.	N/A	Serbia
5-Jul	NSTLaw	NSTLaw advised both Lotika Mokra Gora and TMB Diamond Vocar Pancevo on their partnership for the production of organic food and beverages.	N/A	Serbia
6-Jul	Harrisons; MBM Commercial; Norgren Legal	Harrisons, working with Norgren Legal, advised Claret Capital Partners on its EUR 12.25 million investment in Devtech. MBM Commercial reportedly advised Devtech.	EUR 12.25 million	Serbia
7-Jul	NKO Partners	NKO advised CTP on its acquisition of land in Kac, the suburb of Novi Sad, intended for industrial development.	N/A	Serbia
14-Jul	BDK Advokati; Drazic Beatovic & Stojic	BDK Advokati advised Epam Systems on the acquisition of IP assets and takeover and integration of employees of Serbian IT company Vivify Ideas. Drazic Beatovic & Stojic reportedly advised sellers Goran Prijic, Nedeljko Damnjanovic, and Milos Janjic on the deal.	N/A	Serbia
27-Jun	CMS; Luther; Ulcar & Partnerji; Zivkovic Samardzic	Ulcar & Partners and Zivkovic Samardzic advised the TCH Industrial Group on the sale of Cimos and its subsidiaries to Mutares. CMS and, reportedly, Luther advised the buyer.	N/A	Serbia; Slovenia
7-Jul	ODI Law; Selih & Partners	ODI Law advised Gorenjska Banka and SKB Banka on a cross-border syndicated project financing and debt refinancing for the Don Don Group. Selih & Partnerji advised Don Don.	N/A	Serbia; Slovenia
24-Jun	Clifford Chance; Krnac, Koncok & Partners; Taylor Wessing	Clifford Chance advised Atrium European Real Estate on its divestment of the Optima shopping center in Kosice to the joint venture of two Slovak shopping center investors for EUR 118 million. Taylor Wessing and, reportedly, Krnac Koncok & Partners advised the buyers.	EUR 118 million	Slovakia
21-Jun	Kinstellar	Kinstellar announced it is providing pro bono legal advice to public charity organization Soborna Ukraine on implementing its programs across the country.	N/A	Ukraine
28-Jun	Redcliffe Partners; Simmons & Simmons	Redcliffe Partners, working with Simmons & Simmons, advised the EBRD on a EUR 24 million short-term unsecured loan to Ukrainian poultry and grain producer MHP.	EUR 24 million	Ukraine
29-Jun	Asters; Quinn Emanuel Urquhart & Sullivan	Asters, working pro bono with Quinn Emanuel Urquhart & Sullivan, advised the Ministry of Justice of Ukraine on the inter-state proceedings being brought by Ukraine against the Russian Federation before the European Court of Human Rights.	N/A	Ukraine

Legal Ticker:

■ Full information available at:
www.ceelegalmatters.com
■ Period Covered:
June 16, 2022 - July 15, 2022

Did We Miss Something?

We're not perfect; we admit it. If something slipped past us, and if your firm has a deal, hire, promotion, or other piece of news you think we should cover, let us know. Write to us at: press@ceelm.com

ON THE MOVE: NEW HOMES AND FRIENDS

Turkey: Karaduman & Esin Opens Doors in Istanbul

By Teona Gelashvili (June 16, 2022)

Partners Ozan Karaduman, Merve Karaduman, and Filiz Toprak Esin have announced that the Karaduman Law Firm and Esin Legal have merged in May 2022 and will operate under the Karaduman & Esin Law Firm brand.

Specializing in IT and telecoms, data privacy, and corporate and M&A, Ozan Karaduman was a Partner at the Karaduman Law Firm between 2020 and 2022. Earlier, he spent over 13 years at Gun+Partners, having first joined as an Associate in 2007, and being promoted to Senior Associate, Managing Associate, and Partner in 2012, 2015, and 2018, respectively.

Merve Karaduman has expertise in litigation and dispute resolution and was previously a Partner at the Karaduman Law Firm, from 2014 to 2022. Before joining the firm, she was an Attorney-at-Law at Gun+Partners from 2009 to 2014.

Esin specializes in corporate and M&A, competition law, and anti-corruption and compliance matters and founded Esin Legal in 2021. Earlier, she spent over 15 years at Gun+Partners from 2006 to 2021, having first joined as an Associate and being promoted to Senior Associate, Managing Associate, and Partner in 2013, 2015, and 2020, respectively. In 2010, she also worked for AstraZeneca Turkiye, on secondment, as a Legal Counsel.

"All three partners have the same educational background in Galatasaray University and years of experience working together in one of the largest law firms in Turkey previously, they have the same vision and discipline in working with international clients and are sure of their harmony and ability in providing high-quality services in various practice areas," the new firm announced. ■

Bulgaria: Eversheds Sutherland Enters Bulgaria by Incorporating Tsvetkova Bebov & Partners

By Radu Cotarcea (June 23, 2022)

Eversheds Sutherland has announced it is combining with Sofia-based "long-standing relationship firm" Tsvetkova Bebov & Partners, as of June 22, 2022.

The TBP team joining Eversheds is led by Irina Tsvetkova, specializing in M&A, commercial, and corporate law, and Nikolay Bebov, specializing in capital markets, banking, financial services, and M&A, and includes Partners Damyan Leshev, specializing in capital markets and banking, and Victoria Tzonkova, specializing in commercial transactions, litigation and dispute resolution, insolvency, and employment law matters, as well as 15 further lawyers.

"The firm is committed to growing across Europe and is now present in 23 countries," Eversheds Sutherland Chair for Europe Ian Gray commented. "We are delighted to be working more closely with the Bulgarian practice which will expand our Central Eastern European presence."

"By joining forces with Eversheds Sutherland and having the weight of a global brand behind us, we will be able to drive the further growth of our practice across CEE," Eversheds Sutherland Bulgaria Managing Partner Irina Tsvetkova added. "This is a very important step for us. Our people, our clients, and our communities will all benefit from our more visible presence in the market. Our lawyers will be able to further develop their skills and knowledge across multi-jurisdictional sectors, our national and international client base will benefit from inbound and outbound opportunities in new markets, and the feedback from our community is one of huge excitement that Eversheds Sutherland, with its strong global brand and reputation, will be established in Sofia." ■

Hungary: Oppenheim Announces New Management Board

By Radu Cotarcea (June 29, 2022)

Oppenheim has announced the leadership of the firm will be handed over to its three newly-appointed board members – Jozsef Bulcsu Fenyvesi, Aron Laszlo, and Istvan Szatmary – with Fenyvesi and Laszlo to hold non-executive roles and Szatmary to take over the role of Managing Partner on July 1, 2022.

The three take over from Partners Ulrike Rein, Tamas Eless, and Zsolt Cseledi.

Focusing on corporate and commercial law, Fenyvesi has been with the former Freshfields Hungarian office since 2005, making Partner in 2010. Prior to that, he was an Associate with Szalay Gabor Law Firm.

Focusing on IP/IT and trademarks and design, Laszlo also worked with Freshfields in Hungary between 2002 and 2005. He then worked for SBGK, between 2005 and 2013, to rejoin the Oppenheim team in 2014 as the Head of Trademarks and Designs. He was appointed to Partner in 2017.

Szatmary, who will be serving as the firm's Managing Partner going forward, joined the team this year as its Head of Antitrust, Competition, and Trade (as reported by CEE In-House Matters on May 2, 2022). He returned to private practice earlier this year after serving as Mediaworks Hungary's General Counsel for three years. Prior to him moving in-house, he worked with DLA Piper in Hungary for 21 years, where he was last a Senior Counsel and Head of Antitrust.

"After more than one and a half decades of leadership, I am happy to support the new generation of talented professionals in the transition process and wish them all the best in their new roles," Rein commented, with Eless adding: "The appointment of the three experienced, yet dynamic partners into the top-level leadership of the firm will bring in new management initiatives that quickly respond to the current challenges of businesses." From the former leadership's side Cseledi concluded that "the operational model built by the management team in the last 15 years is a strong foundation for the new members, and they can use it as a stable basis for their future work."

On the new management side, Laszlo commented: "I am personally very devoted to bringing the organization to the next level while preserving its unique values," with Fenyvesi noting that his "many years of experience in leading the corporate and M&A team of the firm can be well utilized when dealing with firm-wide issues." The new Managing Partner, Szatmary, concluded that he sees his executive role as a "service that should be for the benefit of the firm's staff at all levels, and should improve operational efficiency whilst preserving all those characteristics of Oppenheim that have made this successful team unique in the market." ■

Albania: Founding Partner Returns to Kalo & Associates

By Radu Cotarcea (June 30, 2022)

Founding Partner Perparim Kalo has returned to his eponymous firm Kalo & Associates after serving for two years as a Justice of the Constitutional Court of Albania.

Kalo established the firm in 1994 and served as its Managing Partner until December 2020 when he was appointed to the court. "His appointment makes history as only now the Constitutional Court is functional, after two years and a half of dysfunction due to the missed quorum required by law," stated a Kalo & Associates press release announcing his appointment on December 28, 2020, adding that his "appointment does also mark the satisfaction of the sole precondition imposed on Albania for opening the integration negotiations with EU. This high-level appointment is an appreciation for his contribution, not simply as a lawyer, but also as a man with additional values, including involvement in social affairs like Corporate Social Responsibility, support for art and culture, civil society causes, etc. Many lawyers who have been working in the firm see this appreciation as appreciation for them, too."

When he moved to the Constitutional Court, Kalo passed on the reigns to Co-Managing Partners Aigest Milo and Eni Kalo.

In 2017, Kalo received the CEE Legal Matters Market Makers award, being identified by peers as being most influential, most important, most uniquely responsible for having created Albania's modern commercial legal market. ■

Turkey: Gokalp Arslan Opens Doors in Istanbul

By Teona Gelashvili (July 13, 2022)

Burcu Dal Gokalp and Alper Arslan have announced the establishment of their new firm in Turkey: the Gokalp Arslan Law Firm.

Gokalp specializes in corporate and M&A, contracts law, and competition law. Previously, she was a Legal Counsel at Eczacibasi Holding, from 2011 to 2021. Gokalp also worked as an Associate with Paksoy, from 2005 to 2011, and with the Yildirim Law Fim, from 2003 to 2004.

Specializing in dispute resolution, Arslan spent over 15 years with Cosar Avukatlik Burosu as an Attorney-at-Law, from 2007 to 2022. Prior to that, he was an Attorney-at-Law, working as a sole practitioner, from 2000 to 2007.

"Gokalp Arslan is founded in Istanbul by myself and Alper Arslan, having more than twenty years of experience as attorneys and legal counsels," Gokalp commented. "We offer a broad range of legal services in relation to Turkish law matters to our domestic and international clients through our partners focusing on diversified but complementary practice areas, in particular M&A and Dispute Resolution." ■

Ukraine: Ilyashev & Partners Announces Cooperation with Glimstedt

By Teona Gelashvili (July 14, 2022)

Ilyashev & Partners has announced it has started a cooperation with Glimstedt to expand the firm's capabilities in EU countries.

According to Ilyashev & Partners, "meeting the new challenges facing Ukraine and foreign businesses in connection with the war in Ukraine, Ilyashev & Partners and Glimstedt, which has 13 offices in Sweden, Estonia, Latvia, and Lithuania, have joined efforts to provide the widest range of services to their clients."

"The new partnership significantly widens the range of opportunities for Ilyashev & Partners in terms of provision of legal services to its current clients in the Baltic Region, where the firm has had a presence since 2016," the firm stated. "At the same time, the offices of Ilyashev & Partners in Kyiv, Kharkiv, Dnipro, and Odesa will be able to ensure coordinated joint consulting on projects of the clients of Glimstedt in Ukraine."

"Close cooperation with Glimstedt will allow us to provide additional services to our clients and assist Baltic and Scandinavian companies in coming to Ukraine for its post-war reconstruction," Ilyashev & Partners Managing Partner Mikhail Ilyashev commented. "Our teams, as well as our clients, believe in the prospect of Ukraine's EU membership and see the opportunities opening before them."

"We are willing to ensure our presence in the countries that seem most promising to our clients," Glimstedt Partner Randu Riiberg added. "Partnership with the largest legal network and the leader of Ukrainian court dispute resolution practice opens opportunities for complex support of the projects in our jurisdictions, providing our clients with a clear competitive advantage." ■

PARTNER MOVES

Date	Name	Practice(s)	Moving From	Moving To	Country
30-Jun	Perparim Kalo	Litigation/Disputes	Constitutional Court of Albania	Kalo & Associates	Albania
29-Jun	Manuela Maurer-Kollenz	Real Estate	Mueller Partner Rechtsanwalte	PwC Legal	Austria
29-Jun	Simone Maier-Huelle	Real Estate	Mueller Partner Rechtsanwalte	PwC Legal	Austria
6-Jul	Philipp Zumbo	Corporate/M&A	Fellner Wratzfeld & Partner	Taylor Wessing	Austria
23-Jun	Irina Tsvetkova	Corporate/M&A	Tsvetkova Bebov & Partners	Eversheds Sutherland	Bulgaria
23-Jun	Nikolay Bebov	Capital Markets	Tsvetkova Bebov & Partners	Eversheds Sutherland	Bulgaria
23-Jun	Damyan Leshev	Capital Markets	Tsvetkova Bebov & Partners	Eversheds Sutherland	Bulgaria
23-Jun	Victoria Tzonkova	Litigation/Disputes	Tsvetkova Bebov & Partners	Eversheds Sutherland	Bulgaria
7-Jul	Dominika Ramirez-Wolkiewicz	Tax	Arena Advisory	Gessel	Poland
20-Jun	Gheorghe Buta	Litigation/Disputes	Musat & Asociatii	Popescu & Asociatii	Romania
16.Jun	Ozan Karaduman	TMT/IP	Karaduman Law Firm	Karaduman & Esin	Turkey
17.Jun	Merve Karaduman	Litigation/Disputes	Karaduman Law Firm	Karaduman & Esin	Turkey
18.Jun	Filiz Toprak Esin	Corporate/M&A	Esin Legal	Karaduman & Esin	Turkey
7-Jul	Hasan Yasar	Capital Markets	Pekin & Pekin	Kolcuoglu Demirkan Kocakli	Turkey
13-Jul	Alper Arslan	Litigation/Disputes	Cosar Avukatlik Burosu	Gokalp Arslan	Turkey

PARTNER APPOINTMENTS

Date	Name	Practice(s)	Firm	Country
28-Jun	Vice Mandaric	Corporate/M&A	Schoenherr	Croatia
28-Jun	Ivan Einwalter	Corporate/M&A	Schoenherr	Croatia
6-Jul	Martin Raz	Real Estate	Havel & Partners	Czech Republic
6-Jul	Dalibor Kovar	TMT/IP	Havel & Partners	Czech Republic
15-Jul	Marton Kocsis	Competition	Cerha Hempel	Hungary
6-Jul	Daniel Chojnacki	Environmental Law	Domanski Zakrzewski Palinka	Poland
6-Jul	Piotr Jackowski	Corporate/M&A	Domanski Zakrzewski Palinka	Poland
6-Jul	Sylwia Kuca	Corporate/M&A	Domanski Zakrzewski Palinka	Poland
6-Jul	Damian Szczygielski	Corporate/M&A	Domanski Zakrzewski Palinka	Poland
15-Jul	Krzysztof Cieplinski	TMT/IP	Gide Loyrette Nouel	Poland
8-Jul	Engin Sahin	Corporate/M&A	Postacioglu Law Firm	Turkey

IN-HOUSE MOVES AND APPOINTMENTS

Date	Name	Moving From	Company/Firm	Country
7-Jul	Srdjan Sisic	Solo Practitioner	One Crna Gora	Montenegro
24-Jun	Joanna Knozowska-Castens	Allegro	Brainly	Poland
13-Jul	Burcu Dal Gokalp	Eczacibasi Holding	Gokalp Arslan	Turkey

THE BUZZ

In "The Buzz" we check in on experts on the legal industry across the 24 jurisdictions of Central and Eastern Europe for updates about professional, political, and legislative developments of significance. Because the interviews are carried out and published on the CEE Legal Matters website on a rolling basis, we've marked the dates on which the interviews were originally published.

Croatia Says Bye to the Kuna: A Buzz Interview with Damir Topic of Divjak, Topic, Bahtijarevic & Krka

By Teona Gelashvili (July 25, 2022)

Despite economic forecast-related fears, there is plenty to be optimistic about in Croatia, with the country joining the eurozone and Schengen area next year, according to Divjak, Topic, Bahtijarevic & Krka Senior Partner Damir Topic.

"It is a surprisingly busy period for the legal industry in Croatia," Topic says. "We experienced a bit of a slowdown in May, which was clearly related to the war in Ukraine. However, the situation changed rather suddenly to an extent that at the moment, we expect that we will not have a decent break in summer. The overall sentiment in Europe was that the business sector was pushing the break to understand what happens first. Still, now we feel that the situation is calming down." Among the busiest sectors, Topic says, "driven by concerns regarding the energy supply after the cut of gas supply from Russia, there is a special interest in energy, in particular, in transactions related to hydro, solar, and wind plants."

"As of January 1, 2023, Croatia will become a member of the eurozone," Topic notes, adding: "Our currency – the Croatian Kuna will be replaced by the euro. This will have an interesting effect, as introducing the euro normally leads to inflation, which is already record-high in Croatia." On top of that, as of January, next year, Croatia will also be a part of Schengen, resulting in easier travel and exchange of goods and services. "This will have a huge impact on businesses and our lives," he explains. "Rating agencies have already lifted the credit rating of the state by two notches, meaning that we are now a decent area for investment. We feel that there are plenty of reasons to be optimistic and happy."

Despite that, Topic points out, "everyone seems to be quite scared about the winter, considering energy prices forecasts. Yet, we are a relatively small country with a rather low demand for gas, and that, together with the access to the LNG terminal on island Krk which allows us to transport gas from anywhere in the world, is a good ground to feel optimistic about the future." Overall, Topic adds that he doesn't expect that crisis in Croatia will be as bad as before. "In the past, Croatia was one of the last EU countries to formally end the crisis, but this time, we expect to be the frontrunners to come out of it."

One noteworthy recent trend, Topic notes, is the moves and spin-offs in Croatian law firms. "This is a common trend among all major Croatian firms, like in other CEE jurisdictions, but contrary to the western world where law firms are rather merging," he says. "It could be explained by factors such as generational change or the absence of proper internal structures, but still, we all tend to struggle to maintain lawyers and face constant spin-offs."

Other than that, Topic highlights that the Croatian parliament will be very busy after the summer break. "There are thousands of laws and bylaws, referencing Croatian Kuna as a currency, which will cease to exist in five months," he points out. "For that reason, the legislative body is busy amending these laws to reflect the values in euros. This alone creates plenty of work for the parliament to prepare for January 1, 2023." ■

Good Hot and Bad Hot Times in Greece: A Buzz Interview with Yanos Gramatidis of Bahas Gramatidis & Partners

By Teona Gelashvili (July 26, 2022)

With the pandemic slowly fading away, the Greek economy is reviving with a large number of projects in the infrastructure, tourism, and energy sectors, according to Bahas Gramatidis & Partners Partner Yanos Gramatidis.

"In Greece, there is a lot of legal work in relation to the design and implementation of various infrastructure projects launched by the Greek government – especially projects by the Hellenic Asset Management Fund which owns the real properties," Gramatidis says. "The current projects include the protection of forests, the establishment of industrial parks, and the exploitation of various real estate belonging to the Greek state." Among these projects, according to Gramatidis, "are the Olympic installations, which have been built for the 2004 Olympic Games, but have mostly been abandoned ever since. Now, there is a push for these areas to be used for commercial purposes. In addition, there is a rise in work generated by privatization, including ports, marinas, casinos, and others."

Gramatidis says, that another busy area is the tourism sector. "There have been a lot of transactions related to the acquisition of hotels – not only 4 and 5-star hotels, but also boutique hotels. Many foreign companies are looking for investments in this area, keeping law firms busy, in particular, in relation to hotel franchises and management contracts. Once the hotel has been acquired, the new owners are trying to make sure that they enter into a reputable hotel chain." The biggest player at the moment, according to Gramatidis, is Marriott due to the strong brand its portfolio possesses. "In relation to tourism, we also saw many projects of creating and modernizing marinas for private yachting," he adds. Finally, Gramatidis says that there is a great demand by non-EU nationals to acquire either bonds or real estate in order to secure a golden visa of 5 years renewable.

"Very relevant to the tourism industry are commercial aircraft leasing projects, with Aegean airlines, as well as several small carriers, increasing their fleet in order to meet increased demand," Gramatidis notes. "As a result, there is a lot of work related to commercial aircraft leasing." According to him, the airlines tend to assume that there is no prospect for further lockdowns, with the pandemic slowing down and becoming less lethal.

> ***Greek law firms are increasingly engaged in ESG programs. Interestingly, this is not primarily driven by the modern European trend toward implementing ESG requirements, but rather by the sensitivity of the Greek people toward environmental disasters that have been taking place, including the wildfires from last summer and this summer.***

Further, Gramatidis says, "there are big groups from Europe looking at Greece to acquire energy projects that are either already licensed or about to be licensed. Greece has a lot to offer, considering its capacity to produce energy, especially solar and wind power."

"As for the legislative updates, the biggest novelty is related to the new development law," Gramatidis adds. "It gives incentives through grants and tax holidays for companies wishing to invest in Greece. Commercial legislation has also been recently modernized, now allowing one to set up a company in one day," he says, adding that "we are still evaluating its impact on the business sector."

"Finally, Greek law firms are increasingly engaged in ESG programs," with the partner pointing to his firm's project of planting olive trees in the areas affected by the fires these past years. "Interestingly, this is not primarily driven by the modern European trend toward implementing ESG requirements, but rather by the sensitivity of the Greek people toward environmental disasters that have been taking place, including the wildfires from last summer and this summer," he concludes. ■

Lithuania's Legal Transformation: A Buzz Interview with Vilma Sabaliauskiene of Ilaw Lextal

By Andrija Djonovic (July 26, 2022)

The Lithuanian legal landscape is being transformed, with notable changes taking place in the energy, tax, corporate, and employment sectors, according to Lextal Partner Vilma Sabaliauskiene.

"Major changes are taking place in the energy law sector," Sabaliauskiene begins. Lithuania has just passed an energy law legislative package dubbed the "breakthrough package," and she says that it puts the Baltic country ahead of the curve in the European Union. "The changes make it easier to construct renewable energy power plants, primarily solar and wind-powered."

> *Debt collection and insolvency cases increased. This is already a trend and, with the way things are right now, and the fact that EU sanctions on Russia are impeding certain contracts from being performed, I only expect it to continue.*

For example, Sabaliauskiene shares that solar and wind power plants can now be constructed on agricultural land as well, without any need for implementing sanitary zones. "This package of laws is quite similar to the upcoming EU Renewables Energy Directive, so it's a good move for Lithuania to have passed it, both from a legislative standpoint and, also, on account of decreasing the dependency on fossil fuels." Moreover, she reports that pollution taxes and corporate fines for environmental breaches have been increased, further seeking to prevent damaging the environment.

In addition to the energy sector, Sabaliauskiene reports that the tax system is due for comprehensive reform this autumn. "The reforms, which are to be implemented over the course of the next two years, seek to do a number of things. Firstly, the scope of the real estate tax is to be extended to all real estate properties and is to be applied to all natural persons," she says. So far, the real estate tax had a value threshold beneath which the properties were not taxed, but the reforms will amend this.

"Secondly, the dividends tax will be applied only in the case of dividends being distributed and paid, akin to the system in Latvia, Estonia, and Poland." Finally, Sabaliauskiene says that the reforms will also "extend fewer benefits to the income tax paid by the citizens."

The corporate sector did not go unnoticed, with Sabaliauskiene reporting that a new company law is in the pipeline for Lithuania. "The new law will regulate remote shareholder meetings, create a procedure for minority shareholder buyout, as well as lower the minimum statutory capital requirements for the incorporation of limited liability companies – from EUR 2,500 to EUR 1,000," she explains. Additionally, starting in August, Lithuania will establish a registry of ultimate beneficial owners, with "companies having to declare accurate information and submit it to the relevant registries," she adds.

The labor code was also changed, with the legislative framework "finally including the definition of mobbing," Sabaliauskiene shares. "Also, the changes will further take care of the employees, extending the protections to non-work hours as well, especially in those instances where the employers can extend their influence beyond business hours," she explains.

Reflecting on the high number of legislative updates, Sabaliauskiene adds: "in Lithuania, we always enjoy creating and changing laws – it's the subsequent implementation that is a challenge!"

Finally, Sabaliauskiene says that, with inflation levels reaching 20% in July, "debt collection and insolvency cases increased. This is already a trend and, with the way things are right now, and the fact that EU sanctions on Russia are impeding certain contracts from being performed, I only expect it to continue," she concludes. ■

Judicial Gridlock and New Highways in Montenegro: A Buzz Interview with Danilo Radulovic of Doklestic Repic & Gajin

By Teona Gelashvili (July 27, 2022)

Montenegro has reached a deadlock in appointing members of the judiciary, with cases being significantly delayed, while the government is on the verge of a vote of no confidence, according to Doklestic Repic & Gajin Attorney-at-Law Danilo Radulovic.

"Montenegro is in a very specific predicament at the moment with regards to the judiciary," Radulovic begins. "Key bodies responsible for appointing new judges are unable to operate since politicians cannot agree on who to nominate for the Judicial Council – the highest institution that selects judges. Despite some members of the old council still being in power, the council is not able to appoint the judges in different instances of the courts, including the Supreme Court."

"Consequently," Radulovic says, "a large number of cases are on hold, with only critical ones being processed. The latter include criminal charges as, unlike the Judicial Council, the Prosecution Council is already formed. Major civil litigations, on the other hand, are significantly delayed. EU officials have recently acknowledged this deadlock and have called for a response to unblock the judicial system."

Shifting gears, Radulovic says that "Montenegro recently completed its first highway project, which was inaugurated around one month ago." The new highway will connect Montenegro from the center to the north, including to Serbia and Romania. "The project was quite controversial initially, as the major source of funding was a Chinese bank and investors, compromising Montenegro's relations with the EU. Eventually, the EU re-invested in the project to not be fully dependent on Chinese funds," he notes, adding that the new 43-kilometer highway passing through the mountains is very promising for the tourism sector.

"The recent noticeable trend in terms of business activities is that, following the war in Ukraine, a large number of companies are relocating to Montenegro," Radulovic points out. "The majority of these companies operate in the IT sector and employ freelance workers. So far, the trend is particularly noticeable among Russian IT companies, which cannot receive payments due to the sanctions regime."

Other than that, Radulovic notes there is a rather important legislative update on the horizon. "For the first time, Montenegro will adopt regulations requiring specific individuals to justify the source of their funds," he says. "Notably, this update has more focus on anti-bribery and less on anti-money laundering regulations."

"With regards to political life, the opposition recently made the suggestion to initiate a vote of no confidence against the current government," Radulovic says. "Interestingly, if the vote is successful, a new government would have to be elected without new elections, considering that new elections are not in the interest of any of the political parties. At the moment negotiations are ongoing but, despite that, there's a lot of uncertainty about the upcoming period," he concludes. ■

"For the first time, Montenegro will adopt regulations requiring specific individuals to justify the source of their funds. Notably, this update has more focus on anti-bribery and less on anti-money laundering regulations.

Turkey Rallying (for) the Lira: A Buzz Interview with Zahide Altunbas Sancak of Guleryuz Partners

By Andrija Djonovic (July 27, 2022)

Strong efforts to protect the lira while keeping the economy healthy and vibrant in a time of global turmoil and uncertainty is the name of the game in Turkey, according to Guleryuz Partners Partner Zahide Altunbas Sancak.

"The overall financial situation and the depreciation of the Turkish lira have led to a number of legislative updates seeking to protect it," Altunbas Sancak begins. "The financial situation directly impacts the political climate – of course, the reasons for this are many: the global crisis, rising inflation, and supply chain issues, to name but a few," she says. "The Turkish government has instituted a number of protection measures for keeping the lira healthy, including implementing currency appreciation controls until the end of this year," she explains.

"Furthermore, there were credit restrictions imposed on borrowing in Turkish lira – if a company is holding more than TRY 15 million in foreign currency, it can no longer borrow in lira." According to Altunbas Sancak, the idea of this control is "to prevent foreign currency speculation," but she argues that the regulation "threads dangerously closely to capital control measures." Additionally, the current status of the financial ecosystem in Turkey is influenced by the upcoming elections that should normally take place next year but are expected to happen sooner, in the face of opposition pressure. However, "no official communications have been made yet as to when they will occur." Altunbas Sancak also reports there has been a legislative update regulating assets. "Now, if unregistered assets are brought into the country, for example, money – it can be registered with a bank with a minimal tax burden without any inquiries made by the bank concerning the source," she says. This measure, applicable until March 2023, seeks to encourage people to "introduce foreign assets into the local economy."

> *The government is attempting to implement a new competition framework for intermediate service providers, as well as vendors – there will be licensing requirements which will differentiate between the size of these platforms.*

Moreover, the war in Ukraine, the EU and US Russia-sanctions-related fallout, and the increase in e-commerce sector volume have led to "more regulatory updates to the Turkish ecosystem," Altunbas Sancak explains. "As for the ongoing war in Ukraine and its impact on Turkey – the country had previously been acting and will continue to act as a trade corridor of sorts between Russia and western countries," she says. The war has no doubt disrupted trade in the area, and "some legislative measures have been announced on the restriction of certain exports, such as some food items", she adds, stressing that there has been a surge of client inquiries related to the war and, "especially, on Turkish multinational companies' standing on US and EU sanctions."

Finally, Altunbas Sancak says that the "legislator has started to take action with regulating the rapidly growing e-commerce sector. The government is attempting to implement a new competition framework for intermediate service providers, as well as vendors – there will be licensing requirements which will differentiate between the size of these platforms," she explains. "Some of these changes will take hold by the end of the year, while others will be implemented by 2024 and 2025 – although we have already started receiving client inquiries," Altunbas Sancak concludes.

Bosnia and Herzegovina Buoyant Despite the Challenges: A Buzz Interview with Zlatan Balta of Legal Partners

By Teona Gelashvili (July 28, 2022)

Resolving the political deadlock in one of the Bosnian entities, tackling inflation, and a shortage of workers are among the most recent challenges in Bosnia and Herzegovina, according to Partner Zlatan Balta of Legal Partners, in cooperation with Deloitte Legal.

"The political atmosphere in Bosnia and Herzegovina remains strongly influenced by the upcoming general elections in October 2022," Balta begins. "The specific political structure of the country adds additional complexity to the matter – we have weighty discussions on introducing amendments to the electoral law and the Constitution of the Federation of Bosnia and Herzegovina in order to resolve the political deadlock therein. Just a few days ago, we had large demonstrations with thousands of people in Sarajevo protesting electoral changes by the Office of the High Representative."

"The Bosnian economy was hit hard by current global events," he explains. "We have the highest inflation rate in the region, with transportation, energy, and food prices drastically increasing. The country has a problem of semiskilled or mid-skilled labor emigrating to Western European countries – recently this trend also includes highly skilled workers from the IT sector who, despite having a decent income, chose to relocate due to the political climate and better opportunities abroad." Consequently, he notes, there is a shortage of workers in sectors such as construction, with construction companies having to rely on foreign workers for some projects.

"However, aside from the inflation, the Bosnian economy is improving compared to previous years," Balta points out, adding that the main projects carried out in the past few months include infrastructure and energy. "The largest infrastructure projects in the country included investments in highways and, recently, a tender was announced for the construction of one of the largest tunnels in Europe, the 10.5-kilometer Prenj tunnel." Additionally, he says, the EBRD is financing large projects in public transportation in Sarajevo.

"Energy remains our largest export product, and there are quite a few energy projects underway," Balta adds. "The project of the Tuzla power plant seems likely to fail, with General Electric withdrawing and the Chinese contractors left hanging, but still, there are many, mostly privately funded, wind and solar park projects in the pipeline, as well as two hydroelectric power plants." Notably, he says that Bosnia and Herzegovina's IT and tourism sectors are also developing rapidly.

Overall, "Bosnia and Herzegovina is a good place to invest, especially in keeping with the near-shoring trends resulting from recent global events. The country has a great location close to the EU, a good workforce, and lower costs, which makes it a great choice for establishing manufacturing plants, for EU companies, for example." Despite the challenges, "the vast majority of foreign investors are happy with their investment in Bosnia and Herzegovina," Balta points out.

According to Balta, there are also some developments in the tax regime. "There were recent amendments to the VAT rulebooks of the authority," he notes. "The new regime introduces an obligation for foreign transport companies to register and pay VAT when transiting the country. Additionally, foreign digital service providers have to pay VAT for streaming services purchased by users in Bosnia and Herzegovina and have recently begun registering for this obligation."

Balta highlights the backlog in legislative activities. "Republika Srpska is a bit more flexible and quicker in terms of adopting legislation, however, the Federation still faces some challenges," he says. "There are many amendment proposals – on enforcement proceedings, on administrative proceedings, on energy, electricity, and renewable energy sources, and also the personal income tax and the contributions law." Unfortunately, "some of the existing laws are very old school (lacking implementation of electronic signatures, requiring the filing of hard copies of documents, etc.) and the proposed amendments look to resolve some of those issues, but it is not clear when they will be adopted, mostly due to the upcoming elections" he concludes. ■

The Bounce in Latvia's Step: A Buzz Interview with Dace Silava-Tomsone of Cobalt

By Andrija Djonovic (July 28, 2022)

After a bit of a slowdown following the start of the war in Ukraine, the Latvian markets bounced back, with the financial and energy sector being particularly active, according to Cobalt Partner Dace Silava-Tomsone.

"The onset of the war in Ukraine has introduced a brief hiccup in the transactional markets, with some deals being suspended or canceled altogether," Silava-Tomsone begins. "Currently, however, the markets have bounced back, and there is quite a lot of investments taking place in various industries – finance and energy in particular."

When it comes to finance, Silava-Tomsone reports that transactional efforts are "dominated by fintech company acquisitions and various startups changing hands." Additionally, there is a surge in AML work, she reports, mostly when it comes to "companies checking their counterparties for compliance with respect to the sanctions regime" and "work on more comprehensive compliance programs for larger companies." The former also supplies work to commercial and dispute resolution lawyers when the agreements have to be terminated. She indicates that the markets have reached a point where "AML is an integral part of all work, especially in light of the sanctions."

Moreover, Silava-Tomsone reports that the real estate market in Latvia has "been performing a bit slower when compared to last year. However, there is still strong interest from a number of funds – mainly Baltic based – in completed commercial property projects. Likewise, developers are actively looking for opportunities, notably in the residential sector," she says.

"Understandably, with markets being busy battling the unprecedented hike of prices and supply chain disruptions – delays and limited supplies – commercial work has grown." Silava-Tomsone points out that she has been pleasantly surprised that "most of the market players are quite ready to renegotiate their contracts, taking into account new realities and finding a new commercial balance." As a consequence, she reports that there have not been a lot of disputes, nor restructuring or insolvency proceedings. "I do believe that this might change, however, in the autumn, when growing energy prices start to coincide with energy deficits," she stresses.

Finally, Silava-Tomsone shares that, with the parliament in summer recess, there has not been a lot of legislative activity in Latvia. Moreover, "with the parliamentary elections coming up this autumn, I believe that politicians are careful about making any moves that might reverberate poorly among their voters." She concludes by adding that "a number of institutions are preoccupied with unearthing alternative energy sources, in terms of supply, and with devising social programs to be deployed to ease the pressure on households." ■

"The onset of the war in Ukraine has introduced a brief hiccup in the transactional markets, with some deals being suspended or canceled altogether. Currently, however, the markets have bounced back, and there is quite a lot of investments taking place in various industries – finance and energy in particular.

Drafting the Playbook in Serbia: A Buzz Interview with Andjelka Todorovic of Wolf Theiss

By Teona Gelashvili (July 28, 2022)

Preparedness and adaptability are the Serbian keys to doing business in a changing and challenging environment, according to Partner Andjelka Todorovic of Law Office Miroslav Stojanovic, in cooperation with Wolf Theiss.

"The overall feel in the Serbian market is that we have a certain level of preparedness in case of disruption," Todorovic begins. "Globally, we are still on the back end of the COVID-19 pandemic, the world is affected by the conflict in Ukraine and, with the evolving energy crisis, these are not very promising circumstances. Our local market is therefore having to constantly adapt, but Serbs are good at doing business in a changing environment – you can even call it a cultural trait."

According to Todorovic, one of the things the country has to deal with is that, many months after a parliamentary election, there is still formally no government. She explains: "We do not expect a change in government, but we are in limbo politically. A lot of legislative action which will affect project development and investment is waiting for the appointment of new ministers."

"Still, a positive example of moving forward, even with a delay, comes from the Ministry of Mining and Energy," Todorovic points out. "We now have almost a complete set of renewable energy legislation that introduces auctions for premiums and makes way for prosumers." The timing of the first auction is in the air at the moment, she notes, "but developers are ready for the 400-megawatt wind power projects that have been approved for a new round of incentivized investment in renewables. I am pleased to see regulation on biomass kicking into gear and being implemented at a utility-scale, as this is a resource with a lot of untapped potential in Serbia."

Where Todorovic would like to see more movement, however, is on telecoms. "We have been waiting for the new law for ages," she reports. "The drafts that are in development are quickly outdated and have to be revised again before they even go into the procedure." The average income in Serbia has gradually increased over the years, she says, and "we have become a market for smart homes and connected cars. Both the regulator and we, as lawyers, apply European best practices – and have even created our own – because our current laws do not correspond to the needs of these new technologies."

> ***Both the regulator and we, as lawyers, apply European best practices – and have even created our own – because our current laws do not correspond to the needs of these new technologies.***

Speaking about the reliance on European standards, Todorovic says a key area of interest in Serbia is ESG. According to her, "you will not get financing unless your business meets EU thresholds, which is a complex task." There are no regulations in Serbia dealing with ESG as it is known at the European level, she says. "However, as with everything, we made a playbook of our own out of the environmental and social regulations that we do have."

Finally, Todorovic gives a personal view of a shift she sees in client work. "Over the years, Serbia was known for privatizations and public-to-private transactions that were the highest value transactions in the market, but that era is ending," she says. "There will always be public infrastructure projects and there are still a few stubborn public companies in need of a professional investor. However, the value and overall percentage of private-to-private transactions we work on is ever increasing."

"It is not news that Serbia has become fertile ground for companies in innovative sectors, communications, and software development. I expect to see some very interesting M&A deals for private hospitals and in the pharmaceuticals sector, in agriculture and food production, and, of course, the automotive industry," Todorovic concludes.

Shiny and New Tax Legislation in Austria: A Buzz Interview with Michaela Petritz-Klar of Taylor Wessing

By Andrija Djonovic (July 28, 2022)

Tax legislation updates are the zeitgeist in Austria right now, according to Taylor Wessing Partner Michaela Petritz-Klar, with the energy sector, cryptocurrencies, and online platforms being at the forefront of overhaul efforts.

"From a pure tax perspective, there are a number of issues that are intensely discussed in Austria right now," Petritz-Klar begins. "As part of a green tax initiative with the aim to incentivize more carbon dioxide-neutral energy usage and tax fossil fuel sources more heavily, the scope of an exemption from electricity duty was widened and now also includes self-produced energy from renewable energy sources." Furthermore, she says a carbon dioxide duty "shall be introduced for importers/producers or other entrepreneurs placing fossil fuels on the market." However, due to the war in Ukraine, the carbon dioxide duty is to be postponed until October 2022.

Focusing on a more Austria-specific issue, Petritz-Klar reports that the country has introduced a flat tax of 27.5% on all cryptocurrencies. "The tax is already in place and covers any kind of crypto-related income while excluding NFTs and asset tokens," she says. "This is a more favorable framework compared to before, when crypto-related activities could be taxed as high as 50%, which adversely affected frequent trading," she explains.

Furthermore, Petritz-Klar highlights that, by the start of 2023, "DAC 7 compliant disclosure and reporting obligations will be implemented for specific platform operators. As of 2023, operators of online platforms will have to enable sellers to liaise with users regarding, for example, the renting of immovable property, personal services, or the sale of goods, and will have to implement adequate due diligence procedures to identify the relevant sellers," she explains. "The platform operators will now have to ensure that relevant seller data is delivered to the tax authorities in time. Right now, it is envisaged that first reports will need to be filed by end of January 2024, thereby still leaving a bit of time for online operators to get acquainted with the new regime," Petritz-Klar elaborates.

> *The tax is already in place and covers any kind of crypto-related income while excluding NFTs and asset tokens. This is a more favorable framework compared to before, when crypto-related activities could be taxed as high as 50%, which adversely affected frequent trading.*

More of an EU-wide issue is the implementation of the new Anti-tax Avoidance Directive 3, Petritz-Klar says. "This targets, in particular, shell companies with little or no substance. The timeline for its implementation is the end of June 2023, with the rules to enter into force as of 2024," she says.

Finally, as an interesting recent development in the sphere of litigation, Petritz-Klar shares that there has been an increase in COVID-19 subsidies-related disputes. "For lawyers, it is in between civil law and public law and has a lot of constitutional law aspects, meaning that it is interesting to litigate," she shares. "The longer the COVID crisis went on, the more stringent the approach of the government became, and subsidies applications started getting denied," Petritz-Klar explains. "Now, a lot of applicants are seeking to litigate to enforce the approval of their application, leading to more work in this regard," she concludes. ■

Bulgarian Lawyers Catch a Break: A Buzz Interview with Dafinka Stoycheva of Gugushev & Partners

By Teona Gelashvili (July 29, 2022)

Several legislative updates will support the legal profession in Bulgaria, according to Gugushev & Partners Partner Dafinka Stoycheva, with the push toward green energy, (another) pending government change, and a landmark CJEU decision also at the top of the agenda for lawyers in the country.

"During the past year, a lot has changed for the legal profession," Stoycheva begins. "The old legislation concerning the legal profession was a bit outdated. Many outstanding proposals were in place, for a while now, from lawyers' associations," she adds, with the amendments being "timely, since there is a high number of jurists per capita in the country, and there were a number of challenges they were facing."

"To begin with, the government increased the legally recognized costs of lawyers," Stoycheva points out, adding that the taxes will be lower, compared to previous years. "This is a good update, considering that, during the COVID-19 pandemic, our profession suffered with courts being closed and businesses holding off on their disputes, while law firms still had their expenses going. For more than two years the lawyers looked forward to this change," she notes.

Another big update is that, since 2021, lawyers can establish sole law firms, with the ban on being executive directors and/or managers in companies also lifted, Stoycheva says. "This will enable lawyers to be more competitive and not be limited by the law if they want to grow other services or be leaders in the businesses of tomorrow."

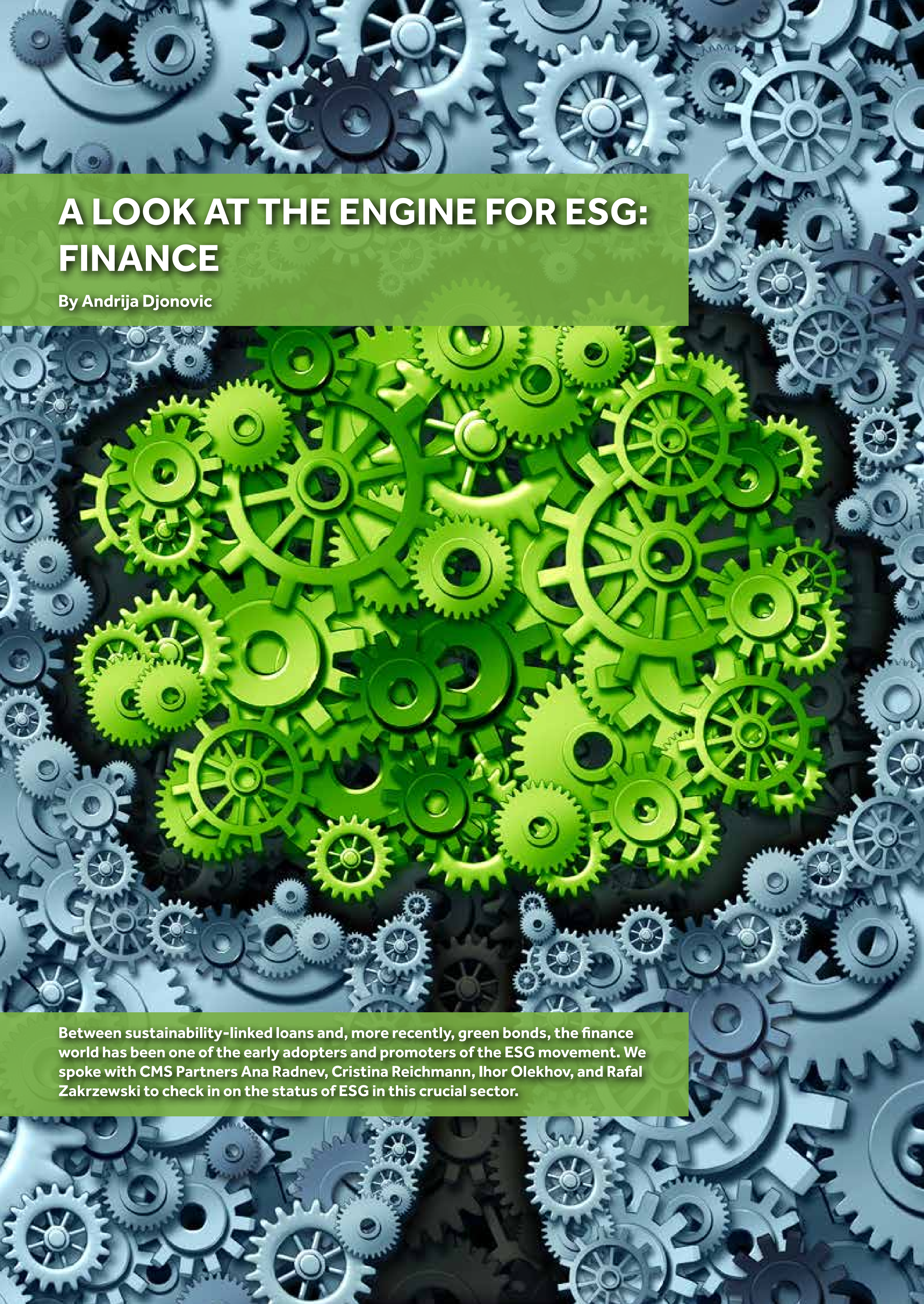
Something else, talked about not only by lawyers, is that the VAT registration threshold could be raised to BGN 100,000, from 2023. "This will be a big relief for many small businesses and professions, including lawyers, who have the burden to have their own accountant in a very early stage of their growth, as the current threshold is BGN 50,000. The amendment was accepted at first reading, however, a mandatory derogation from the EU is required to bring it into action," she explains.

As for the politics, Stoycheva notes "the current climate in Bulgaria is a bit complicated. We are yet again moving toward the election of a new government, probably in October, which would be the fourth time in the last year and a half."

The government increased the legally recognized costs of lawyers. This is a good update, considering that, during the COVID-19 pandemic, our profession suffered with courts being closed and businesses holding off on their disputes, while law firms still had their expenses going.

According to Stoycheva, in Bulgaria, like elsewhere, energy is a hot topic. "Some of the most important challenges are related to the shifting focus on renewable energy. There are significant efforts to reduce the dependence on fossil fuels." She adds, that "the EU Commission proposal suggests that increasing renewable energy by 45% is the target for 2030. Bulgaria will also strive to achieve a 27% share from renewables in gross final consumption by 2030."

Finally, Stoycheva highlights a recent decision of the CJEU that introduced changes in Bulgarian legislation: "the dispute was related to the registration of geographic indications for agriculture products," she notes. "Following the CJEU ruling, the Bulgarian supreme court confirmed that the registration for agricultural products is admissible only at the EU level – and not at a national one. The decision was followed by introducing changes to legislation, having an impact on all the companies in the Bulgarian market. This was one of those rare cases when Bulgaria applied to the CJEU to settle a dispute and is an important precedent for that reason as well," she concludes.



A LOOK AT THE ENGINE FOR ESG: FINANCE

By Andrija Djonovic

Between sustainability-linked loans and, more recently, green bonds, the finance world has been one of the early adopters and promoters of the ESG movement. We spoke with CMS Partners Ana Radnev, Cristina Reichmann, Ihor Olekhov, and Rafal Zakrzewski to check in on the status of ESG in this crucial sector.

The Taxonomy is the mere beginning; now comes the hard work of building on top of. There are technical standards being worked on, which are expected by the taxonomy. Overall, a more consistent and intensive regulatory work was spurred by it.

– Ana Radnev, Partner, International Finance / Head of Finance, CMS Romania

Still Defining ESG

"The main question remains, still – what is ESG and how will the regulators adapt to it by creating a common language around it," Radnev begins. She continues by saying that investors are "facing pressure, for example, from shareholders, financial institutions, or asset managers, to place a higher accent on ESG and disclose their policies."

In terms of "the greatest promoters of the ESG push," Radnev points to "how the approach of commercial and development banks and international corporates to create a dedicated ESG position is spilling over into other areas of the market. These roles, essentially, seek to develop the entire business operation of a company with sustainability in mind." Zakrzewski chimes in noting that "development banks have had ESG-related aspects affixed to their activities for decades now."

Radnev continues: "until recently, finance transactions, like loans or bond issues, placed a high accent on the environmental side of things, however these days, transactions are evolving in the direction of including ESG-related projects linked more broadly to other factors improving sustainability." This, of course, further branches out to cover other corporate aspects, Radnev explains, including analyzing one's overall environmental impact and reporting obligations.

Echoing the notion that "E" is the more focused on, as opposed to the "S" and the "G"– at least until recently – is Olekhov. "Since the war began in Ukraine, the focus has shifted somewhat, and both the sustainability and the governance elements have become more prominent," he says. "Governance, in particular, has come to the forefront of ESG-conscious companies and financial institutions because of massive violations of international law rules by Russia and the related risks for companies and financial institutions to continue to work in Russia and with Russian counterparties," Olekhov adds. "Most international companies left Russia and are completing the process of leaving Russia or of dealing with Russian counterparties, because of the risk to find themselves in breach of generally accepted governance rules and even ethical rules of conducting business."

Moreover, Olekhov says that many businesses in Ukraine began assessing what their rebuilding efforts would entail and "seek to mold their operations to accommodate ESG."

A critical element in ensuring that businesses are "appropriately positioned to evaluate the impact of ESG issues and to factor them into business decisions is the role that boards of directors play in the current and long-term stewardship of the companies they run," Reichmann pitches in. "Elevating the ESG agenda to the boards is not a matter of choice; it is an integral part of directors' fiduciary duties," she says.

"This means that, as part of their fiduciary duties, directors have a responsibility to adopt an integrated, strategic approach for material ESG issues, to ensure these risks are identified and have been adequately addressed and that opportunities are maximized," Reichmann continues. "Integrating ESG into business strategy and company planning is part of a sound risk management, and directors who fail to comprehensively and systematically consider ESG matters as part of their responsibility could well be deemed to be negligent in the performance of their fiduciary duties."

Furthermore, Reichmann points out that, "with the growing focus on ESG of regulators, investors, consumers, and wider society, it could be considered that these developments reframe climate-related risks as financial risks, rather than just non-financial or reputational concerns, which may impact the balance sheet and profitability."

The Taxonomy – A Solid Foundation To Build Upon

With the focus still very much on defining what ESG is and how ESG-related risks should be looked at, Radnev and Olekhov agree that the Taxonomy was a necessary stepping-stone for creating a unified approach and a common language for

With the growing focus on ESG of regulators, investors, consumers, and wider society, it could be considered that these developments reframe climate-related risks as financial risks, rather than just non-financial or reputational concerns, which may impact the balance sheet and profitability.

– Cristina Reichmann, Partner, Head of Capital Markets & Structured Finance, CMS Romania

ESG. "The Taxonomy is the mere beginning; now comes the hard work of building on top of," Radnev says. "There are technical standards being worked on, which are expected by the taxonomy. Overall, a more consistent and intensive regulatory work was spurred by it," she says.

"The Taxonomy underlines which areas are open for further development," Olekhov adds. "It provides the groundwork for behavior within certain industries, for instance – treating nuclear as green or not or the way of producing methanol." Moreover, Olekhov believes that the Taxonomy has provided an excellent yardstick for the ESG projects and is aimed at protecting against greenwashing. "It will continue to evolve with time and with the advent of new technologies and processes in various areas. Before the Taxonomy, the rules were ambiguous for ESG requirements."

The ESG Drive Riding Out the Storm

Between the war in Ukraine, the ongoing energy crisis, and high inflation rates, some argue that the ESG agenda is inevitably going to lose some of its momentum. Zakrzewski, for one, believes that "we are heading towards economic turbulence, with high inflation and energy price spikes, and that this might impact ESG, especially because the markets have become used to high liquidity and a lot of readily available funding." He fears that ESG development efforts might be impacted if the situation changes adversely in that way.

Radnev, however, indicates that the focus will remain where it is and that the regulatory framework shouldn't change in light of current developments: "ESG is here to stay. On the one hand, I believe that full compliance is still a couple of years away for most businesses. On the other hand, I don't think that there will be any regulatory efforts that will have a slowdown effect on ESG developments, as a consequence," she says. Radnev reports that "assessing the sustainability impact is now a necessary part of any new investment or restructuring of existing businesses, and having an ESG rating or being able to link growth to ESG KPIs as well will facilitate unlocking liquidity," she believes.

Olekhov chimes in, sharing that, despite the ongoing war in Ukraine, the reconstruction and rebuilding process has already started. It will "involve many areas, including the infrastructure, energy, real estate, and construction industries. Importantly, the Ukrainian government understands that any reconstruction and rebuilding of Ukraine must embrace ESG principles, because the funding for these purposes would be provided by either public sources that have worked with ESG rules for a long time, or by private funds that focus on ESG rules now to a great extent."

Since the war began in Ukraine, the focus has shifted somewhat, and both the sustainability and the governance elements have become more prominent. Governance, in particular, has come to the forefront of ESG-conscious companies and financial institutions because of massive violations of international law rules by Russia and the related risks for companies and financial institutions to continue to work in Russia and with Russian counterparties.

– Ihor Olekhov, Partner, Head of Banking & Finance and Capital Markets, CMS Ukraine

Development banks have had ESG-related aspects affixed to their activities for decades now.

– Rafal Zakrzewski, Partner, International Finance, CMS Poland

Looking at the region as a whole, Radnev believes that ESG will be an unavoidable metric when it comes to restructuring. "A strong accent is likely to be placed on ESG elements, especially concerning looking at supply chains. The way companies behave with their suppliers, how they predict consumer trends, how they commercially engage in certain areas – all will be affected," she shares.

Olekhov adds that, in the context of Ukraine, "there is a high likelihood of seeing a large number of ESG-related innovation projects, focusing on new types of transport and energy storage solutions. Financing for all kinds of ESG projects is likely to come to fruition." He feels that ESG is, as Radnev put it earlier, "here to stay for a very long time" and that "all of the market turbulences and volatilities in energy prices" are only more likely to "spur ESG projects to develop more than ever."

Radnev does concede that there is one element that might lead to a slight drop when it comes to the volume of ESG-related transactions. "With the level of focus and scrutiny being applied to ESG claims, there might be a drop in terms of the number – for example, where there might have been ten, there will now be two – but these will be far more rigorously vetted," she explains. "It will no longer be a matter of *what* you put into a loan agreement but also *how* you prepare transactions and monitor them." The dedicated ESG roles she mentioned previously come into play here. "These professionals will be able to alert their employers about *which* KPIs are to be set, monitored, and reported on."

Reichmann, again, turns to the boards and emphasizes that company boards should be "strategic in evaluating ESG issues, as part of their risk management duties, in line with international guidelines and regulations." This way, they can ensure "the development of policies and strategies to address ESG matters, internal control, and auditing mechanisms."

Hopeful Look Forward

In terms of what he'd point to as his one wish-list item for ESG in finance in CEE, Zakrzewski believes that consistency in approach would be the most important. "This would increase the investors' familiarity with market products and promote cost-effective deal execution. If different institutions go in different directions, there is likely to be a lot of inefficiency," he says. Still, he believes it "will more be a matter of the unification of market approaches than a top-down regulatory effort."

Olekhov, on the other hand, says that "regulators would need to be more active in creating softer capital requirements for ESG-related loans, but that this has been lacking in many jurisdictions as of yet." With the increasing numbers of ESG-related financial instruments, he feels the banks will "have more relaxed rules, but only if the regulators lead by their own example. As more market players realize the benefits of ESG, so too will there be more understanding from all parties involved."

Reichmann pointed out that in some sectors, "mainly for credit and financial institutions, listed companies, and carbon-intense sectors, regulators have already imposed mandatory requirements with respect to ESG risks, as part of the risk management and risk appetite framework." She believes that irrespective of the sector, "directors must be mindful of the interplay between ESG factors and the discharge of their fiduciary duties and therefore ESG issues should be a key part of board agendas." To fulfill their duties, Reichmann says that boards "need to be fully aware of the implications of climate change" as well as to have the skills to assess their company's current ESG posture and "develop strategies, policies, and internal controls for producing consistent, transparent, and measurable sustainability performance data."

Agreeing with Reichmann, Radnev concludes that, ultimately, the markets must continue educating themselves about the crux of what ESG is, instead of just riding the zeitgeist wave: "While you do not need every loan to be green, you do have to understand the core values of ESG as a concept. Only in this way can progress be achieved." ■

ESG TALKS: M&A TRENDS AND THE FUTURE OF DUE DILIGENCE – A CEE LEGAL MATTERS ROUND TABLE

By Andrija Djonovic

On July 7, four leading lawyers from Austria, the Czech Republic, Hungary, and Ukraine sat down for a virtual round table moderated by CEE Legal Matters Managing Editor Radu Cotarcea to discuss the increasing prominence of ESG issues and their impact on M&A transactions, due diligence procedures, and the role of the lawyers themselves.

Round Table Participants:
- **Florian Kranebitter, Partner, Fellner Wratzfeld & Partner**
- **Mihaly Barcza, Corporate M&A Partner, Oppenheim**
- **Milan Sivy, Senior Associate, PRK Partners**
- **Mykola Stetsenko, Managing Partner, Avellum**

What does ESG mean to you and in your jurisdiction?

"ESG means different things to different people," Sivy begins, "While, to me personally, it means mainly clean air and water, to investors it's rather about assessing the risks and benefits of the envisaged investment and projected values following an acquisition," he says, explaining how assets' value might change post-closing due to changing ESG regulations. "In the Czech Republic, ESG is a major discussion topic, with financial institutions being the key drivers behind it," he continues. "It will only become more focal as more EU regulations get passed."

Kranebitter shares how, in Austria, "the discussion initially revolved more around the 'E' in ESG than anything else. Focusing primarily from the perspective of funding and finance, this was not that surprising." Nowadays, he says that the entire spectrum of ESG is being considered, "both from the perspective of the government and the citizens. Our firm does the same thing, approaching the matter in a manner that is not just client-centric, but also seeking to be aware of ESG needs ourselves."

> *We don't really see any new investors moving in, operating solely from an ESG perspective. There has been, however, a large number of investors seeking sustainable investment opportunities, but more as a matter of shifting focus.*

For Barcza, the rising tide of ESG represents an opportunity. "For the short and medium-term, this is an opportunity for growth. In Hungary, there hasn't been much pioneer work on ESG. However, we do observe both the NFRD and SFDD directives in addition to the accounting framework having certain sustainability aspects," he shares. "The Budapest Stock Exchange and the National Bank of Hungary have been dealing with green finance via reports for over a year now," Barcza says. However, he adds that this was mostly done with a "comply or explain approach, meaning that the rules are not really mandatory. Listed and public companies are impacted the most, but even these have a way of getting an exemption from reporting."

According to him, ESG as a concept is still in its early stages in Hungary. "As Milan said, the financial sector plays an important role here. Still, in Hungary, the data are not as promising as in other European countries – the market share of ESG transactions is at 1.8%, which is not much compared to the EU average of 42%."

Ukraine, similarly to Hungary, is experiencing ESG as "something relatively new," according to Stetsenko. "We are lagging a bit but, at the same time, as a fresh EU candidate member, we will have to pick up the pace on account of harmonization endeavors," he says. "There were, of course, movements in this direction before the war – DTEK, an electricity producer in Ukraine, issued green bonds a year and a half ago."

As far as the emphasis of the discussions goes, Stetsenko reports that, in Ukraine, "the 'E' is the key, as well as the 'G.' I think that people are still digesting the social element of ESG and how it could develop." He adds that, while the country has elaborate environmental legislation, there is still no "classification used to distinguish companies based on their impact."

How much has ESG influenced investor decisions so far? Is it still a buzzword, or is there a direct impact on investor decisions?

"We don't really see any new investors moving in, operating solely from an ESG perspective," Kranebitter says. "There has been, however, a large number of investors seeking sustainable investment opportunities, but more as a matter of shifting focus." Building on what Stetsenko and Barcza said, Kranebitter adds that, "while ESG is a global matter, different countries are at different stages, which opens up the opportunity for more cross-border corporate actions." He adds that many companies seek to "enhance their ESG profiles by, for example, replacing or acquiring their suppliers, or even teaming up with them via joint ventures," to exert more control over their supply chain or other business needs.

Sivy agrees with Kranebitter and says there are not a lot of new investors in the Czech Republic on account of ESG. "Rather, it is a focus shift that depends also on the nature of the investor. For example, private equity funds are more sensitive to sustainability-linked investments and ESG-related transaction aspects," he says. "Additionally, it could depend on the source of the financing, with banks pressuring the clients that borrow from them to address ESG."

Sivy further adds that, in the case of M&A transactions, there has also been an interesting development concerning law firms. "It was revealing to see how cross-border transactions

Florian Kranebitter

Mihaly Barcza

Milan Sivy

Mykola Stetsenko

involving clients from the US or the UK include an interesting question – what our ESG compliance policies and levels are – especially over the past 18 months," he explains.

"While I do not know the ratio of new to old money when it comes to ESG-related investments," Barcza says, "I can say that we see signs that the markets are adjusting, with almost all mortgage banks having issued green mortgage bonds, for example." He adds that there was even a green corporate bond issuance and that "all of these instruments are benchmarked, which means that the infrastructure exists, however infant it may be."

He adds that the "new CSRD directive proposal is expected to pass, which will deal more with the due diligence processes in this regard, though the role of lawyers is not yet clear." He believes that, as the proposal moves forward, "we will see more inquiries about the ESG aspects of due diligence work. I think the Big 4 will lead the pack on this front, as these companies already emphasize ESG."

Looking at the market, do sellers also see ESG potential?

"It depends on the sector, really," Kranebitter says. "When it comes to deciding to sell or not, based on ESG, this is already present in quite a number of transactions we see on market." He says that, "in some due diligence processes, we already see ESG aspects being present – this puts investors at ease that the target will be in a position to comply with reporting requirements post-closing or that, at least, it will be possible to restructure it in a way that will make it compliant and ready for the migration and post-closing phase," he explains.

He adds that, specifically, sustainability aspects are present with "representations and warranties within SPAs related to ESG issues. From the seller's perspective, this shall be safely negotiated because ESG is still considered 'soft law', and there is still wiggle room."

How much greenwashing is there, currently, in your jurisdictions?

"I'd agree with Florian and add that we are not operating in an isolated ESG world," Sivy says. "All business decisions have to take into account also a broader context, such as the geopolitical situation, inflation, etc. This means it's not only the ESG impact that has to be taken into account while transacting." He adds that, without having any hard data available, it appears it could be problematic for "companies to hold onto some of their assets – if they wish to retain or improve their ESG position – and thus the companies may wish to divest those, which could be another driving factor for M&A transactions. Offloading these types of assets, which could prove problematic from an ESG perspective, might be difficult," he explains. Still, he believes there isn't "much greenwashing in the Czech Republic, not in its strictest definition at least."

We are not operating in an isolated ESG world. All business decisions have to take into account also a broader context, such as the geopolitical situation, inflation, etc. This means it's not only the ESG impact that has to be taken into account while transacting.

In Hungary, Barcza says that their firm is yet to come across transaction clauses that are directly influenced by ESG. "As far as greenwashing goes, both the Hungarian competition authority and the consumer protection authorities have announced that they will be focusing on greenwashing – so developments are yet to occur," he explains.

"We still do not know what greenwashing is, other than the company attempting to communicate it is being eco-friendly," Kranebitter says. He believes that the upcoming *Directive on Unfair Commercial Practices* will shed further light on this matter with the "expansion of its blacklist. In the future, any and all unfounded statements on a company being green will bear consequences, something to be taken into account starting now," he says.

Comparing ESG to technical innovations, Kranebitter says that, "while in the tech world you have to be ahead of the regulatory curve to be innovative, when it comes to ESG the regulations are still a few years off – and you're ahead of the curve if you anticipate them and are compliant in advance." He shares that he expects there to be an increase in "representations and warranties seeking to protect companies from the upcoming sustainability-related regulations."

When ESG first started becoming a reality, lawyers started considering an ESG due diligence process becoming a reality – how far are we from that? With the taxonomy providing a few tangible metrics, how much did it help, and what is the outlook?

"I do not think that the ESG due diligence is yet part of the customary due diligence, but the legal due diligence work already covers certain aspects," Sivy says. Still, he agrees that ESG expands and modifies the scope and reporting of M&A due diligence processes. "I expect that more focus will be placed on the operational aspects, like supply chains, and that new regulatory requirements will impact both due diligence of the target as well as its supply chain," he explains.

Furthermore, Sivy says that contractual and actual obligations might lead to ESG making a dent in more areas. "For example, if a Tier 1 supplier intends to acquire a Tier 2 supplier, it should properly verify that the target complies with the ESG requirements applying to the purchaser," he explains. "The role of lawyers will be interesting in the due diligence process – I think we should be involved in the ESG side of things as well, especially as regards the review, how to report on all of it, and projecting the outcomes in the transactional documentation," he stresses.

> ***I think it important to guide the clients through what makes their business have the highest impact on sustainability but – most importantly – it's crucial to be authentic. We must lead by example and be mindful of our own ESG impact.***

Stetsenko, for one, has a more focused line of reasoning. "I think that we will see a change in the approach in the next five years, due to the clients themselves pushing us towards it. With lawyers getting into more and more roles – for example, project management – it is likely that multidisciplinary cooperation will have to happen, so I agree with Milan: we will have to coordinate with ESG experts," he explains.

Barcza too agrees with Sivy, adding that, "while the lawyers will not be the drivers of ESG due diligence, we will definitely partake in it at some point." He explains that, with "the Big 4 driving the ESG change, this type of work will seep through into the lawyers' sphere as well, probably through their affiliate law firms first."

What is the one element that is most important for lawyers to develop to be better individual professionals and to thrive in the new ESG world?

"With respect to corporate M&A work, I think that lawyers will have to rethink the entire due diligence process, from the point of view of helping clients identify risks and helping them continue with their business operations post-closing," Kranebitter stresses. "Moreover, I think it important to guide the clients through what makes their business have the highest impact on sustainability but – most importantly – it's crucial to be authentic," he explains. "We must lead by example and be mindful of our own ESG impact."

Stetsenko agrees with Kranebitter, adding that the one thing lawyers must keep in mind is, "again, project management skills. Our clients, and the market, will keep pushing us to expand beyond our usual roles – it is up to us to be even better."

"I think it is important to keep up with the pace of ESG developments," Sivy chimes in. "Right now, we are flying in an airplane that is still being built – we have to be prepared to navigate all emerging rules and thousands of pages dedicated to ESG," he says.

Finally, agreeing with Sivy, Barcza says that being open to changes and "following the business reasoning of the clients" will be paramount. "We need to understand their rationale and follow their notions to be as efficient as possible," he concludes. ■

ESG TALKS: FINANCE GOES GREEN – A CEE LEGAL MATTERS ROUND TABLE

By Radu Neag

On July 12, four leading lawyers from Croatia, Lithuania, Poland, and Romania sat down for a virtual round table moderated by CEE Legal Matters Managing Editor Radu Cotarcea to discuss the latest in ESG developments with a focus on green financing, its regional and local drivers and roadblocks, its impact on non-financial reporting, and what it all means for the legal profession.

Round Table Participants:
- **Karolina Lapinskaite, Senior Associate, TGS Baltic**
- **Malgorzata Motyl, Senior Associate, Penteris**
- **Mihai Dudoiu, Partner, Tuca Zbarcea & Associatii**
- **Vedran Kopilovic, Senior Associate, Kinstellar**

How green would you assess finance to be in your jurisdiction at the moment? Where do you see it five years from now?

"Croatia has a legislative framework securing a platform and structure for green financing," Kopilovic begins. "We have an accountancy act that transposes the most relevant directives – on financial reporting and the *Sustainable Finance Disclosure Regulation* – for market participants and financial advisors." While the legal framework is solid on paper, he says that, particularly in the last few months, "the reality of inflation, the war in Ukraine, and even the pandemic have created setbacks."

Still, there has been some progress, he reports, "and a certain amount of sustainability-linked loans were offered by commercial banks in Croatia, closely linked to ESG factors. And the Croatian Bank for Reconstruction and Development has also initiated a green financing program for entrepreneurs."

In the next few years, looking past the recent setbacks, Kopilovic expects things to develop, "particularly with the new directives and EU green bond standards, which would mean additional focus on green financing and the green bond market."

The situation in Romania is not much different, Dudoiu reports: "On paper, it looks green enough, with everyone talking about, and being interested in, green financing. Big players – the larger commercial banks and the authorities – have issued programs and statements, but things are still incipient, to a large extent." He says that Raiffeisen and Erste's BCR have issued green bonds but, "compared to the size of the market, it's still a tiny level of activity."

As for banking and finance, Dudoiu says loans have also seen some interest, having worked with the banks on "a couple of green loan transactions" and putting out "some offers for financing for energy projects – to be probably resolved as green loans." Overall, he stresses that "things are just starting to move," with the "expectation to see this growing – a lot – in the following years, across multiple industries: from real estate, where larger and residential buildings have a big impact on the environment and energy consumption, to renewables, to plastics (where we've done our first green loan last year), and paper manufacturers (an ongoing project, for green facilities in a larger structure)."

He's also optimistic that the trend will pick up speed – "despite the concerns over inflation, recession, the pandemic, or the war – as there is also regulatory pressure supporting it."

Poland, on the other hand, is "not as green as it seemed a few months ago," according to Motyl, "as 2021 financial statements were the first ever to have regulatory requirements on

ESG." She says that "many companies found out on the day of release that they needed that extra data. The topic of ESG reporting is quite new, and even the larger companies were unaware of the new requirements on ESG issues – this being the first example to describe the situation in Poland."

"Then, there's the banks' attitude – it's a very complicated time for the banking sector right now, with growing inflation, less liquidity, and regulatory changes – so banks are very cautious on loans for companies or entrepreneurs and even on mortgage loans," Motyl continues.

But it's a confusing time all-around, she notes: "In order to reduce dependence on Russian fossil fuels we're going back to coal, looking into nuclear, and trying to promote green energy. There's legislation in the works on financing for green projects and renewable energy – so a lot of back and forth, trying to repair the damage done in 2016 to the wind and solar industry." Still, that means "a huge change is coming," she says, with energy independence the end goal and green thinking the way to reach it.

To no one's surprise, Lapinskaite says Lithuania is quite active in green finance. Yet "the current level of capital being raised for such investments is not sufficient in the long term," she believes. There were large green financing transactions in the country, even before the ESG regulations: "Lithuania was well known for its multi-apartment renovation program, aiming to reduce greenhouse gas emissions. And also, we had some green bond issuances under the International Capital Markets Association green bond standard. More recently, the country had its debut sustainability-linked bond issuance, also a Baltic first."

"Currently, financial market participants are starting to introduce green financing possibilities, like green guarantees," Lapinskaite notes, but a lot still has to be done. "Half a year ago, Lithuania introduced the sustainable finance action plan, aiming to become the regional hub for sustainable finance – through, for example, the establishment of a sustainability database – as complete and accessible data is essential in assessing the compliance of companies with ESG criteria."

In five years' time, she believes that such "local initiatives, especially targeted to SMEs, and the EU-level regulations will help with the plan's implementation, to make green financing in Lithuania an even more frequent and common sight."

Karolina Lapinskaite

Malgorzata Motyl

Mihai Dudoiu

Vedran Kopilovic

It's obviously a common denominator to look at a top-down approach – especially looking at EU Directives and Regulations – but there is considerable difference between the market realities. What have been the largest drivers?

"Regulation is indeed playing the key role in driving green financing," Lapinskaite says, noting that "businesses need to decide if they will implement the changes and take advantage of the opportunities, or take the risk of being left behind." For the banking sector, she says "the same regulatory requirements will push the banks towards more green financing, so they will need to include those ESG assessments in their risk management system and publish reports about the extent to which their balance sheets support economic activities that substantially contribute to reaching the EU net-zero targets."

Agreeing on the incentives, Dudoiu says "the EU remains a big factor." The larger Romanian banks are mostly part of EU financial groups. So, "their policies at the group level are coming to Romania – they were the first to come to market with such programs, implemented by local subsidiaries," he notes. Banca Transilvania – a local player – "will probably follow suit soon, as they need to protect their market share." He expects that, "once the lending starts and the image is building, others will join in, reinforcing the energy of the movement, because of branding and public perception needs."

Another factor, Dudoiu notes, is the EBRD and other IFIs, "making facilities available for commercial banks that will, in turn, on-lend to residential and commercial projects and local authorities for green projects and ESG in general."

Adding to what was said, Kopilovic notes that "the driver for the green transition, in theory, should be the goal of having a sustainable circular economy. But that's not the reality. The major driver is still the better green financing terms available. And companies caring about their green reputation – investing in sustainable technologies – to attract capital market investors."

For Poland, it's (geo)politics first. "We have elections next year," Motyl stresses, "the most important election since 1989." So, the country is focusing on internal matters instead of EU challenges. "Sadly, all the green initiatives are coming from the EU, she says, resulting from EU legislation and requirements." The government (and probably future ones) will be "focusing on developing nuclear power plants," she says, "which, as a huge infrastructure project, may play a role in developing green financing as well."

She highlights there are "only two commercial banks focusing on green issues, with a portfolio to match. They support green projects and energy, and environmental sustainability – but that's still only two banks in the whole country."

What particular roadblocks is your jurisdiction facing?

For Lapinskaite, the biggest roadblock to implementation is "the lack of understanding about ESG requirements, especially among corporates which are not directly compelled under the Taxonomy or the NFRD, as well as the lack of data to calculate taxonomy alignment."

Dudoiu says "it takes time to absorb it all – the Taxonomy is complicated and, while the principles are clear, there is some resistance to the novelty. But that's where we come in – as consultants we educate ourselves and then pass on our knowledge to clients."

Kopilovic agrees the Taxonomy is a roadblock, "being too complicated and still needing interpretation to get some clear standards." Most companies in Croatia are making a big effort, he says, and incurring a lot of costs, just to stay up to date and remain compliant on ESG: "it is exhausting for their legal and financing teams. Maybe if it were all simpler, companies that are not legally required to would also file those reports."

Motyl circles back to politics as the biggest roadblock for Poland. "2023 will be a big challenge, for the country and the voters. We'll be deciding for the future, not only on green issues, but our future within the EU as well."

Looking at the level of progress that has been achieved – despite the slow speed or any blockages – in terms of greening up financing flows: Where do you see more progress? Was it banks or capital markets, and why do you think that was?

Dudoiu points out it was actually the banks of both fronts in Romania: "Banks were the first to issue and list green bonds (BCR Erste, Raiffeisen) and first on loans as well. They are trying to make products available for clients, and educate them with incentives and better margins, and explaining their conditions for green loans. So, going through the financial

1 Getting things done

2 Prepared to stand out

3 Building long-term relations

4 Serving as a gateway

5 Going where eagles dare

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Keeping you ahead of the market

system, and the banks in particular, remains an important tool – both IFIs and commercial banks are doing a good job and were the first to react."

Kopilovic joins in, saying that's also the case in Croatia, with the banks as major players in green financing. "They have green financing products and green share or bonds portfolios. If you look at any green financing in the country, you'll find the banks there – also some broker companies focusing on green investment and financing programs – but those seem to be much smaller in scale."

For Lithuania the difference isn't that large between banks and capital markets, Lapinskaite says, but "there's bigger publicity about the capital markets. And the Lithuanian energy sector was quite active – issuing green bonds previously – and issuing sustainability-linked bonds recently." Speaking about the volumes, she says capital markets probably lead the field, but there are also some "large banking financing transactions, especially with support from the EBRD, EIB, and other institutional investors."

"Banks still have a priority role in Poland, providing green financing for companies interested in introducing green business solutions," Motyl points out. But she finds the capital markets more interesting: "Some private investment funds describe themselves as very ESG compliant. Even three or four years ago we had investors pulling out of deals on environmental grounds. So, while banks may be more active on volume, private investors are more aware of ESG issues and discerning. So, the change is starting from private investors, holding potential target companies to a high standard."

Just how active have companies become in reporting on ESG to date?

ESG reporting is not widely known right now, Motyl says. "Last year's requirements were a surprise, catching companies unaware. We'll need to specify the criteria for such reporting, as they're either unclear or nonexistent. Everyone just wrote whatever they wanted, and we ended up with junk data. So, we'll need to standardize reporting for the whole market first, to then be able to focus on analyzing the reported data." In the end, she says it all needs to be "useful as one of the factors considered when evaluating the worth of the company."

It's all incipient, Dudoiu says. "But we've seen projects, especially on real estate, where the advertised green projects were just marketing and no substance." While other players were taking things very seriously: "at a conference last year, one of the biggest real estate investors in Romania, investing millions and millions in the green aspect of their projects, expressed frustration at rampant greenwashing." Still, he says in the long run things should course-correct, with "banks having filters on both project selection and implementation, and only associating with real projects. So, things will become more rigorous, for the larger projects at least." And those not taking things seriously "will suffer in the long run."

That's partially true for Croatia as well. There is some progress in that regard, Kopilovic says, citing data for the past few years showing that "40% of the companies that published non-financial reporting weren't required to do so." So, they see the opportunity to encourage a sustainable way of business – and to promote themselves and attract investors, he notes. As for the banks and how they look into ESG reporting for green financing, he says that, "for sustainability-linked loans, they are required to do so, and they should have strict criteria. It might not always happen, but much more attention will be paid in the future."

In Lithuania, listed companies and large corporations are the ones currently preparing ESG reports, Lapinskaite says. "Other companies prepare such reports on a need-to basis, in case they need to attract funding from institutional investors, for example. Usually, the banks are providing their clients with some ESG due-diligence questionnaires, to better understand underlying ESG risk and for the banks' internal scoring and risk assessment."

And what was the impact of the Taxonomy on reporting? Has it helped so far? Has it clarified any ambiguities your clients were facing on ESG reporting?

The Taxonomy will help to improve the quality of such ESG reporting, Lapinskaite continues. "The requirement for the banks to disclose their green loans, bonds, and other exposures – in order to claim that their balance is green, and how green – they will need to gather such data from their clients, so this will substantially contribute to ESG reporting."

It was a necessary starting point, for everyone to speak the same language, Dudoiu says. "To have some definitions and concepts to operate with. But the regulations are still complicated – and banks might be overwhelmed with all sorts of regulations. But the process will settle in, and I suspect the banks will start building departments specializing in green financing. They will become more and more familiar with the issues, and things will start to flow." And the same can be said for the advisors as well, in his opinion: "the first green loan might be harder, but once you've done ten, you're a natural. There's still some effort to digest ongoing."

For Kopilovic, the Taxonomy is a great classification tool, "to allow all participants to reach a standardized form of reporting. And it's good for the government and the regulator to provide these participants with the right way in developing and investing funds – to encourage a sustainable circular economy."

> ***The driver for the green transition, in theory, should be the goal of having a sustainable circular economy. But that's not the reality. The major driver is still the better green financing terms available.***

What do you assume the impact of ESG is on the role of lawyers?

"As external advisors, we are exposed to multiple projects from multiple clients," Dudoiu notes. "So, we have the chance to, and must, educate ourselves. We then pass on whatever legal information and insight, and we can help of course, by doing research and looking into specific future legislation, as things are being implemented. To give clients time to adapt, in an ideal world."

"Legal advisors are also participants in the system," Kopilovic highlights. First of all, "lawyers should be the ones educating and providing any assistance to the client, when required, on ESG compliance. And they should also take care that clients are aware of their obligations to have non-financial reporting and any benefits that may apply."

Name one wish list item that would help promote ESG in financing.

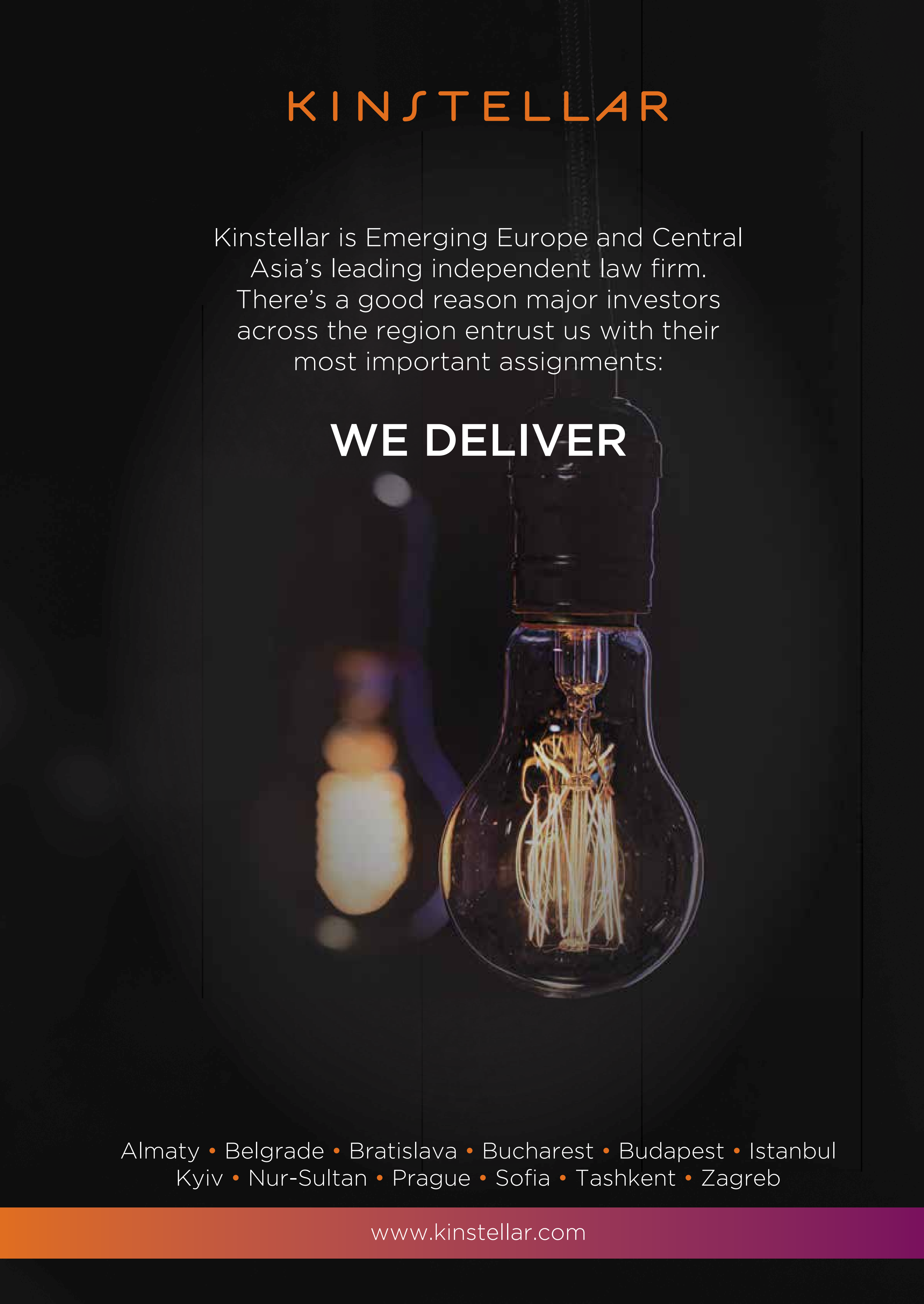
Lapinskaite notes that the "progress at the EU level is very welcome," and she looks forward to seeing "better recognition of investments for intermediary steps on the path towards sustainability. This is necessary since usually financing for the transition is needed in most economies."

"We should reshape our thinking about the world and environment," Motyl says. "To believe that this legislation has a wider goal: taking care of our economy and our world. Green financing and products are making our world better – so implementing them not because of the requirements, but because it's the right thing to do."

"We need balance between things being forced on people and those people believing in what they do," Dudoiu says. "Too much regulation may become counterproductive – but left to the free market, the system doesn't have enough energy to make things move as far as they need to." So, the regulations side is doing well, he concludes, "those should not be overcooked. And then it's up to society and the system to put in the effort and digest. There will slowly be more incentives as well as requirements, and the system will develop and amplify the movement. I'm quite interested to work on these projects – not just for the fees, but because we all need it."

For Kopilovic, the top wish is also for people to start "reshaping their thinking in terms of the positive impacts of a sustainable economy and green financing." And on the legal side, what's needed is "for companies and other undertakings active on the market to have some level of compliance with ESG requirements. And then stricter rules for financing and clear criteria that must be met in order to access funds."

"It's no good to push people or companies to go green. We should rather incentivize them into changing their way of doing business, by using the available legal framework and tools," he concludes. ■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EXPERTS REVIEW: ESG

This issue's Experts Review section focuses on ESG. The articles are presented ranked by the Gender Gap Index – examining the gap between women and men in Economic Participation and Opportunity, Educational Attainment, Health and Survival, and Political Empowerment – according to 2021 World Bank data. The highest possible score is 100 (full equality) and the lowest possible score is 0. Any ties were ranked alphabetically.

The article from Lithuania leads the section, with 80 points, followed by the articles from Austria and Latvia, tied with 78 points each. The articles from Romania, Hungary, and Turkey wrap up the issue, scoring 70 or fewer points in the Gender Gap Index.


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LITHUANIA: ESG REQUIREMENTS FOR COMPANIES NOT OPERATING AS FINANCIAL MARKET PARTICIPANTS OR FINANCIAL ADVISERS

By Lauras Butkevicius, Partner, and Evelina Nedzinskaite, Associate, EY Law

Constantly expanding and becoming increasingly diverse, complex, and risk-laden, the environmental, social, and governance landscape affects and challenges most businesses. New laws and regulations are having broad implications for organizations. According to EY Global Law Leader Cornelius Grossmann, "*we are seeing a major pivot from a world in which sustainability was about messaging and voluntary commitments, to a world in which implementation is key and reputational risks are becoming more acute*." Nowadays, society no longer expects companies to simply do no harm, but also expects them to appropriately address environmental and social matters. In order for those matters to be properly addressed, it is crucial to focus on legal requirements for compliance in terms of ESG.

According to the laws currently in force in Lithuania, companies, in addition to annual financial reports, must also prepare an annual publication that must include an analysis of non-financial performance, *inter alia* information related to environmental protection, personnel, etc. These requirements are mandatorily applicable for those entities which fall under the definition of large companies, public interest companies, and state or municipal companies.

A company is considered to be large if at least two of the following indicators are confirmed on the last day of the financial year: (1) the value of assets indicated in the balance sheet exceeds EUR 20 million; (2) the net sales revenue during the reporting financial year exceeds EUR 40 million; (3) the average annual number of employees during the reporting financial year exceeds 250 employees.

A public interest company is defined as a company whose activities are important to the public, in terms of scale or nature, due to the number of its customers. Public interest companies are those whose securities are traded on the regulated market, commercial banks and the Central Credit Union, financial brokerage companies, collective investment undertakings, pension funds, occupational pension funds, and management companies that manage at least one aforementioned entity, as well as associations of participants of occupational pension funds, insurance companies, and reinsurance companies. State and municipal companies may qualify as public interest companies under certain conditions established by the law.

Large public interest companies, whose average annual number of employees during the reporting financial year exceeds 500 on the last day of that year, shall include in the annual report a social responsibility report containing the information specified in Article 8 of *EU Regulation 2020/852* (*Taxonomy Regulation*): in particular, information on the proportion of the turnover, capital expenditure, or operating expenditure of such large non-financial companies that is associated with environmentally sustainable economic activities. Social responsibility reports must also include the following information: a brief description of the company's business model, a description of the company's policy including the control over the implementation of this policy, the results of the company's policy, information on the main risks related to the company's activities and how the company manages those risks, and non-financial key performance indicators related to specific activities.

While it would be disproportionately burdensome to extend such a requirement to smaller companies, those companies may voluntarily decide to publish such information.

The CEO and members of the management and supervisory bodies are responsible for the preparation and publication of the company's annual report and separate social responsibility report, in accordance with the procedure established by law. CEOs and members of the management and supervisory bodies who do not perform their duties according to the competence assigned by law, or perform them improperly, must compensate the company and/or other persons for all the damage caused.

Under the *Taxonomy Regulation*, the European Commission had to come up with the actual list of environmentally sustainable activities by defining technical screening criteria for each environmental objective through delegated acts. As long as those are not issued yet, many large companies in Lithuania prepare their reports on non-financial activity by following alternative soft law rules such as guidelines, recommendations, or standards – for instance, the *GHG protocol*, *GRI standard*, etc. Implying that, despite ambiguous guidance from regulators, stakeholder pressure and competing goals within the business itself put a huge amount of pressure on organizations in relation to ESG compliance. ■

AUSTRIA: (STILL) A LONG WAY TO A GREEN BOND STANDARD

By Christoph Moser, Partner, and Angelika Fischer, Attorney at Law, Schoenherr

Even though the Austrian green bond market has not been very active, issuers like Uniqa, Hypo Noe, Verbund, and the Republic of Austria have taken the first steps toward the new asset class. The main feature of such bonds is the intention and/or commitment to invest the proceeds of the issue in green projects. Most issuers initially established stand-alone green bond frameworks based on voluntarily applied market standards. An *Austrian* green bond standard has not yet been developed. Frameworks used in Austria are usually based on published guidelines, like the International Capital Market Association's (ICMA) *Green Bond Principles*. Issuers do consider the upcoming standards of the European Union, too – particularly, the *EU Green Bond Standards* (EUGBS) and the so-called *EU Taxonomy*.

In a challenging market environment following the Russian invasion of Ukraine, the development of a European green bond standard – also providing for clear guidance for Austrian issuers – could be slowed down. This important element of the EU's intention to support the development of green bonds has marginally slipped out of the focus of investors. On the one hand, green bonds have already become a relevant investment class and are playing an increasingly important role in financing assets needed for the low-carbon transition. On the other hand, recent negative trends in capital markets have also affected the marketability of green instruments. As with other bonds, fewer green bond offerings were conducted. For now, the green trend has come to an unexpected halt, also given the focus on securing energy supply irrespective of a green cause. However, the political developments will most likely boost the mid- and long-term pace of the energy transition in Europe. Green bonds will play an important part in financing such a transition.

The current outlook is that the EUGBS will follow the same path as existing market standards, such as the ICMA's *Green Bond Principles*. The Commission's proposal for the EUGBS provides for voluntary applicability. Issuers will decide whether to commit themselves to the EUGBS to use the EU Green Bond designation. The *EU Green Bond* designation will only be available if they comply with the designated minimum standards. This includes aligning the allocation of net proceeds of EU Green Bonds to *EU Taxonomy*-compliant use cases and providing a high level of transparency on the use of funds.

The voluntary application of the EUGBS should be considered one of the main elements. Mandatory application of the EUGBS, which was subject to intense discussions in late 2021 and early 2022, seems to be off the table. However, labeling a bond as a "sustainable bond", "sustainability-linked bond", or "environmentally sustainable" will most likely trigger additional disclosure requirements for issuers in the future. Such changes are expected to be implemented into the *EU Prospectus Regulation* framework, which also applies in Austria, thereby setting new standards in terms of ESG disclosure. As it stands, ESG disclosure in an Austrian issuer's prospectus is often limited, even in the case of sustainable or green bonds.

EU member states are currently negotiating the main elements of the EUGBS. Austria supports the *EU Sustainable Finance Strategy* and the *EU Taxonomy Regulation* and has published its commitment to ensuring that they will not be diluted. Nevertheless, the Austrian Federal Ministry for Climate Action, Environment, Energy, Mobility, Innovation, and Technology has expressed its position that technologies such as nuclear energy and fossil gas cannot be classified as green.

Codifying a European standard for green bonds will be a relevant tool for increasing transparency in relation to a product class that has seen numerous individual configurations in recent years, and not only in Austria. At present, investors cannot compare the different types of instruments in a meaningful way, due to the diverse levels of disclosure and presentation. Whether the EUGBS will in fact be the green market standard in Austria is difficult to assess, as the green finance market is still in its developmental phase. In the current political environment, the legislative proposals – which exclude the financing of gas and nuclear power generation – already seem outdated given the current short-term sentiment and the pressure to secure the European gas and power supply. Ultimately, it will be the investors deciding on the success of the EU and, consequently, the Austrian green bond story. ■

LATVIA: GREEN PUBLIC PROCUREMENT

By Liene Cakare, Partner, EY Law

Green Public Procurement (GPP) is a process whereby public authorities seek to procure goods, services, and works with a reduced environmental impact throughout their life cycle, to achieve environmental policy goals relating to climate change, sustainable consumption, etc., ensuring that tenderers abide with a minimum level of compliance with environmental legislation.

The field of public procurement (PP) is one of the most important sectors of the single market, as government expenditure is around 15% of the Latvian GDP and PP opens public markets and increases competition between private parties. As a result, PP is highly linked to competition law.

GPP differs from ordinary procurement with a needs assessment, resulting in reduced sizes of procurements and savings for the budget, with a life-cycle cost analysis. That is why one fundamental principle of GPP is the creation of *reasonable requirements* to obtain not only a mandatory result but also an additional determined desired result by choosing the most economically advantageous tender. Therefore, there is an urgent need to create rational criteria of green requirements, based on specific circumstances and/or priorities of the institutions developing them, as the strict introduction of broad green requirements beyond institutions' possibilities can distort the competitiveness of the market.

EU legislation provides mandatory requirements for the procurement of specific goods and services, hence the GPP action plans of EU member states also include changes reflecting the specific circumstances or priorities of the institutions developing them. Still, Latvia has taken over only seven mandatory GPP standards, although the EU proposes way more. As a result, the use of GPP in the country is very low – in only 15% of instances.

The reasons why procurement specialists in Latvia rarely include environmentally friendly criteria in PPs are their lack of knowledge and experience to establish specific requirements and identify problems. Besides, in Latvia, the culture is dominated by a conservative predisposition and there is low awareness of the benefits of environmentally friendly products and services. As a result, the government must work carefully and gradually on the implementation of *criteria for action plans* drawn up for a particular product, as it may distort equivalent competition of companies in GPP. Therefore, there is a need for safeguards.

Firstly, it is necessary to ensure that the *technical specifications* relate to the requirements of the work, supply, or service being purchased instead of the general capacities or qualities of the operator, to prohibit unjustified obstacles to competition. The procurement directives do not allow for insistence upon a production process that is only available to one supplier – or to suppliers in one country or region.

Secondly, it is necessary to ensure that a *functional specification* describes the desired result and outputs expected. The tenderer is free to propose the most appropriate solution which meets the certain minimum requirements identified.

Thirdly, it is necessary to ensure that predetermined *award criteria* allow deciding which tender is the best – and must never confer an unrestricted freedom of choice on contracting authorities – to provide an objective basis for distinguishing between tenders and be specific to ensure effective competition.

In 2020, Latvia registered a failure of tenderers to meet 45% of requirements, which significantly reduces the competition and increases the purchase price. Consequently, so that the introduction of extensive green requirements does not distort the competitiveness of the market, it is useful to have knowledge of that market. But, in Latvia, wide-ranging market research has not been carried out.

The objective of competition law rules is to protect competition in the market and to assess anti-competitive effects and benefits made within this market. In the preparation phase, the Latvian government needs to analyze the demand and conduct a preliminary market consultation to avoid restricting competition and have more tenderers in the procedures to be conducted because of progressive greening.

GPP, viewed from a competition point of view, is legitimate until the general principles of non-discrimination, proportionality of requirements, equal treatment, and transparency have been violated. Consequently, to achieve a successful GPP, the Latvian government must ensure equal access to the tender by operators from all EU countries and from countries with equivalent rights; tender opportunities must ensure competition; and the procurement decision-making process must be transparent. At the same time, the government must speak publicly about the positive contribution of GPP, promote a new culture of work that would encourage innovative thinking, and organize wide-ranging market research to establish appropriate and proportionate requirements for tenderers prior to the GPP – so that the introduction of green criteria would happen gradually and would not distort a market that is not yet ready for the introduction of extensive green requirements. ■

BULGARIA: ESG? WHAT IS THAT?

By Svetlin Adrianov, Partner and EY Law Leader for Bulgaria, Albania, and North Macedonia

This seems like a relevant question in Bulgaria in the summer of 2022. While the chatter has been intensifying lately, it has been mostly taking place in specialized business-oriented media and, by far, not as much in any mainstream source of information for the general public.

Indeed, the concept of non-financial reporting is not completely foreign to Bulgarian business. Listed companies have been required by the *Public Offering of Securities Act* (POSA) to report on compliance with internationally recognized good corporate governance standards ever since 2007. This obligation transformed, in 2016, into an obligation to publish a statement of corporate governance, which is essentially a declaration of conformity by the issuer with a chosen publicly available *Code of Corporate Governance*, or otherwise, an explanation for the failure to apply one and the reasons for that. As of the same year, the *Accountancy Act* (AA) extended by reference to POSA this obligation to certain Public Interest Entities (PIEs), including undertakings whose transferable securities were admitted to trading on a regulated market in any EU member state, credit institutions, insurers, and re-insurers.

As of 2017, in line with the *Non-Financial Reporting Directive* (NFRD), all PIEs which are also large undertakings pursuant to the AA and whose number of employees exceeds 500 have also been required to include in their activity reports a non-financial statement, including the information necessary to understand the development, results, condition of the enterprise, and the impact of its activities, as a minimum relating to environmental and social and employee issues, respect for human rights, and the fight against corruption and bribery.

While it may seem like quite a large circle of mandated entities because the definition list of PIEs includes – besides the above-mentioned EU-listed companies, credit institutions, and insurance companies – pension insurance companies, investment intermediaries, collective investment schemes, financial institutions qualifying as large undertakings pursuant to AA, energy trading companies qualifying as large undertakings, etc., the threshold of 500 employees along with the PIE scope limits the mandated companies to a very small number indeed and, therefore, renders the direct exposure of businesses to non-financial reporting practically insignificant.

Obviously, the introduction of the rules of the forthcoming *Corporate Sustainability Reporting Directive* (CSRD) will significantly enlarge the cohort of affected entities by putting in scope all large companies and listed companies (except for listed micro-enterprises), while also pushing for mandatory audits, and the business world is generally aware of that. However, this is still perceived as yet another compliance requirement in an ever-growing line of such that businesses will have to endure. What escapes the attention of the average Bulgarian entrepreneur are the implications of such reporting and disclosures beyond the immediate cost and administrative burden of compliance.

For once, the disclosures may have an impact on the financing opportunities of the companies. Some banks are already signaling that their financing decisions going forward would be strongly based on sustainability considerations. The EU policies are geared towards sustainable finance as a means of promoting and supporting the achievement of the goals of the *Green Deal* and EU climate and sustainability objectives, meaning that, through enforcement of the policy, the ESG criteria would be having a decisive role in private financing decisions too.

While the CSRD will only affect a few large businesses, it will indirectly affect their smaller suppliers, service providers, and all kinds of business partners, the interactions with whom might have an impact on the disclosures of the reporting companies.

Finally, because of the *Green Deal* and climate-related considerations used most often when talking about sustainability, the general perception is that ESG is mostly environment-related, *green* compliance. This could lead to underestimating the other two pillars and especially social considerations, which could present no smaller of a challenge, especially in an economy that has been facing a lot of challenges for years.

With all the above, it is time for Bulgarian businesses to raise their awareness and to address ESG as the complex matter that it is, rather than as the next level of compliance. It would also help a lot if the government invested some time and effort in communicating all the relevant aspects and helping businesses find their way through the variety of mostly vague and inconsequential messages from various experts and consultants in the online space. ■

SLOVENIA: A SHORT HITCHHIKER'S GUIDE THROUGH THE ESG GALAXY

By Ales Lunder, Partner, Senica

ESG is undoubtedly one of the hottest topics not only in the compliance community but also in the legal one.

Last month, I participated in a round table organized by the European Institute of Compliance and Ethics on the future and challenges of sustainable business, exclusively attended by compliance and business ethics professionals from Slovenia. The initial main topic was the proposed *Directive on Corporate Sustainability Due Diligence* and how to prepare for it, however, the discussion soon moved to more current ESG-related topics, due to the early stage of the directive legislative process and its expected date of implementation at the earliest in 2026.

According to one of the lecturers, currently both the *Regulation on the establishment of a framework to facilitate sustainable investments* (the *Taxonomy Regulation*) and the *Sustainable Finance Disclosure Regulation* (SFDR) are causing significant problems in practice in Slovenia, as both are, to some extent, still works-in-progress with quite a few open questions, whereas, from a practical point of view, the main problems are the technical standards of both regulations and the determination of key performance indicators for the Taxonomy Regulation.

One of the lecturers at the round table coined the phrase "green regulatory reporting tsunami," as, apart from the above-mentioned regulations and directives, in April 2021, the EU Commission has adopted additional relevant regulations, where the practical implementation is a moving target.

From a Slovenian bank compliance manager's point of view, the whole situation is reminiscent of a Hitchhiker's Guide through the ESG galaxy.

Fortunately, we also spoke about positive developments, almost all based on voluntary actions and commitments. As laudable as voluntary commitments are, they are not risk-free. Companies should be very careful when formulating targets and commitments toward climate actions (specifically net-zero strategies and climate pledges) through advertisements, internal policies, or otherwise. At a minimum, they should review, on a regular basis, what steps have been taken to achieve those goals. Our observation in Slovenia is that large multinational companies where the shareholders (mainly family-owned) and management support ESG and are prepared to invest in it and small companies are seriously engaging with ESG, while mid-sized companies and a lot of state-owned or controlled companies have not yet started to do so.

We also increasingly see the use of ESG-related clauses in share purchase and facility agreements, mainly driven by foreign investors and lenders, as well as, to a limited extent, in some public procurement procedures, where the tendering body is far from fully exploiting the ESG potential at its disposal.

While there are some positive developments and efforts in the private sector, the Slovenian legislator is not exactly excelling in implementing and actively supporting the further development of ESG.

Traditionally, the Slovenian legislator is not the fastest in implementing directives – which again proves to be true in relation to the *Whistleblower Directive*. To date, the directive has not been implemented and whistleblowers in Slovenia are protected by more than eight specific uncoordinated sectoral statutes, which limit the definition of irregularities to certain areas and only cover certain types of persons. It should be further noted that there are no penalties or other consequences for employers who fail to implement the reporting structure under current legislation.

Likewise, the legislator concentrated, in its recent overhaul of the *Construction Act*, rather on procedural changes and did not use the opportunity to implement any significant changes in relation to the sustainable use of natural resources. While on the one hand this goal was programmatically written into the law, nothing has been done on the ordinance level to enable that goal to be achieved.

Further, we observe advertising campaigns that are already very reminiscent of greenwashing, in terms of their content. So far, we are missing greenwashing court cases in Slovenia, like the *Alcantara* case in neighboring Italy, the *Dutch KLM* case, or the very recent *Rawson v. Aldi* case in the US, and, unfortunately, we do not expect that we will get any in near future.

In conclusion, there are many problems and challenges associated with an active ESG environment and policy but, while the road to get there might be long, there certainly is a drive in the right direction. ■

CROATIA: THE S IN ESG IN CONTEXT OF THE TECH TALENT WAR

By Mojmir Ostermann, Managing Partner, and Marta Jelakovic, Senior Associate, Ostermann

In the past decade, the tech industry in Croatia has been growing at four times the rate of the entire Croatian economy, according to research by the Croatian Chamber of Economy. Despite all the obvious positivity of its high growth, the Croatian tech scene has been facing a challenge of its own: talent gaps.

Due to rising demand for talent, individuals with specialized technology skillsets have become more selective when it comes to choosing employers. Given that employees can perform their jobs from anywhere in the world, Croatian tech employers face not only local but also global competition. Despite having a strong tech start-up scene and two unicorns, Croatia has not started producing enough highly educated tech experts, and retaining the existing ones is becoming ever more difficult. Croatia is one of the three EU member states that recently reported a decrease in the number of ICT experts. And this certainly enhances the risk of investments moving to other countries that do not have such a shortage. As even the most profitable Croatian tech employers often cannot compete with the financial benefits offered to employees in other jurisdictions, it might be time to focus on the non-material aspects.

To be clear, ping-pong tables and Mimosa Fridays are no longer enough to attract the best talent. A large part of the tech talent pool are Gen Z and care about nothing less than solving the world's problems. A recent survey from Deloitte showed that this generation is extremely concerned about sustainability issues, with as many as 28% of respondents claiming that saving the environment is their top concern.

Besides the obvious goal to go green, companies should now also strive to achieve social sustainability. The next generation of technology workers will consider an employer's social impact before coming on board and are more likely to work for employers that align with their social values.

According to Croatian software company Leapbit's recent report *What do Developers Want*, around 30% of software developers in Croatia have quit their jobs due to poor corporate culture and bad interpersonal relations. The same share of respondents found these factors to be among the top five reasons for choosing a new employer.

It should come as no surprise that positive social impact equates to higher job satisfaction, enhancing the chances of an employer attracting and retaining key talent. This requires strong and effective policies around work-life balance, as well as family-care policies, which is one of the most important job elements for over 20% of Croatian developers, according to above research.

Almost half of developers value health benefits and a flexible schedule as the most important job factors, as reported by Croatia-based online recruiting software company TalentLyft. This is a clear sign that Croatian tech companies aiming to develop knowledgeable and reliable teams should acknowledge these values and incorporate them in their business policies. Furthermore, recognizing the need for privacy can also enhance corporate reputation and boost the ESG rating. Corporations are socially and legally obligated to protect the personal information of their employees, whereas increasingly frequent data breaches have a substantial negative impact on a company's reputation.

The costs of attracting talent are significantly lower for employers with a strong brand image, as they attract targeted candidates more easily and quickly. Companies with a poor brand image have been known to pay their employees up to 20-30% more than their competitors, as candidates don't perceive them as desirable employers. This trend seems to be here to stay, as the post-pandemic priorities of employees are now set on social corporate responsibility and sustainable business, more than ever before.

According to some estimates, the IT industry might soon account for a larger share of Croatia's GDP than tourism. However, talent attraction and retention issues present a burden to this highly profitable sector of the Croatian economy. Considering the upcoming IPO of the first Croatian unicorn, Infobip, the rise of the first electric hypercar unicorn, Rimac, and the many rising start-ups in Croatia, the demand is likely to keep increasing. A sustainable approach and a healthy work environment can help employers stand out, create superior teams, and focus on their core business.

The next generation has already made it clear they want to work for organizations which contribute to the community. This is a chance for corporations to score some "S" points by showing they are going beyond the minimum legal requirements and creating a business that puts people first. ■

ESTONIA: ESG – A JOURNEY FROM A NICE-TO-HAVE TO A MUST-HAVE

By Mervet Kagu, Head of ESG, and Siim Vahtrus, Senior Associate, Cobalt

ESG has moved from conference halls to a daily function for many companies worldwide. In Estonia, stakeholder expectations for corporate ESG are still evolving, yet rising. Some companies are already incorporating ESG into their daily business, as they understand its value. Along with stakeholder expectations, regulatory scrutiny is also increasing, showing a dramatic increase in ESG reporting requirements worldwide.

The EU has taken a leading role in driving the *UN Sustainable Development Goals* (SDGs) throughout its member states. The SDGs are reflected in the *Estonia 2035* development plan, designed to power the sustainable development agenda in Estonia. Many NGOs, think tanks, and universities are helping to incorporate ESG in everyday public and private sector activities, with organizations such as the Responsible Business Forum Estonia sharing practical know-how.

From NFRD to CSRD: In Estonia, the *Non-Financial Reporting Directive* (NFRD) was transposed into law by the *Accounting Act*, which applies to public-interest entities with over 500 employees. Currently, only a handful of companies in Estonia fall within the scope of the NFRD. However, the proposed *Corporate Sustainability Reporting Directive* (CSRD) will bring significant changes, by extending the scope of the NFRD to large and regulated market-listed companies (except micro). According to the impact assessment, the CSRD will affect around 260 undertakings in Estonia. The CSRD requires audits and sets more detailed reporting requirements, including digital tagging, whereby information is machine-readable and feeds into a single European access point, as envisaged in the capital markets union action plan. Considering that 99.8% of firms in Estonia are SMEs, Estonia proposed to the EU that the CSRD should only apply to large companies that meet all three threshold criteria in the directive, to not overburden SMEs, and that listed SMEs should report voluntarily. The CSRD is expected to enter into force in 2024 for companies already subject to the NFRD, in 2025 for large companies not presently subject to the NFRD, and in 2026 for listed SMEs. Sanctions for non-compliance will depend on the member state, however, Estonia is unlikely to impose strict fines.

Regulatory Tsunami in the Financial Sector: The *Sustainable Finance Disclosure Regulation* (SFDR) lays down sustainability disclosure obligations for certain financial advisors and market participants who provide certain financial services and products. The aim is to reduce greenwashing and increase the comparability of investment products. The Estonian Financial Supervision and Resolution Authority (FSA) will supervise SFDR compliance. Although compliance with the SFDR in Estonia is sporadic and confusion abounds, this should improve as the FSA is currently boosting its ESG capabilities to monitor compliance. Furthermore, the EU introduced six delegated acts that add ESG-related responsibilities to *MiFID II*, *AIFMD*, *UCITS*, *Solvency II*, and *IDD*. The ECB, EBA, and EBRD have also introduced ESG requirements that mostly credit institutions need to comply with.

Taxonomy Regulation: The *Taxonomy Regulation* (TR) establishes a classification system, which provides companies with a common language to identify whether a given economic activity should be considered environmentally sustainable or not. While the TR is primarily a classification tool, it also requires NFRD/CSRD and SFDR-scoped entities to disclose information concerning the degree of alignment of their activities with the TR. For transparency and uniformity, the EU issued the TR together with delegated acts, detailing technical criteria for companies to classify their activities. Criteria for climate change adaptation and mitigation have been published, with criteria regarding water, the circular economy, pollution prevention, and biodiversity to follow. The TR uses EU-wide rules as a benchmark for classification, to ensure common language and substantive criteria. However, some localization is necessary as many of these rules are issued as EU directives requiring national transposition, and some technical criteria allow equivalent national rules as a benchmark. TR-scoped companies will need to examine their activities, including materials used and supply chains. Some cases require additional and more detailed data to categorize activities as sustainable. Striking a balance between data sufficiency and avoiding over-administration is a challenge for many companies.

Key Takeaways: ESG is here to stay – through regulatory and stakeholder scrutiny. Currently, financial market participants, large companies, and public interest entities are in the limelight – but the scope is widening – while compliance monitoring capabilities are also improving. However, a noticeable lack of awareness, leadership, resources, and know-how prevails. ESG is often delegated to PR/communications, legal, or compliance teams without properly focusing on the need to implement ESG throughout the whole company, while not abandoning responsibilities towards supply chain(s), as required by the proposed *Directive on Corporate Sustainability Due Diligence*. As the topic is novel, learning from peers, consulting relevant ESG professionals, plus hiring competence from abroad could help Estonian companies to catch up.

CZECH REPUBLIC: ESG FROM A CZECH POINT OF VIEW

By Marek Prochazka, Partner and Head of ESG, and Jaroslav Seborsky, Associate, PRK Partners

Over the past few years, the phenomenon of ESG has grown in importance at a breathtaking speed. Originally an instrument in the financial markets allowing investors to better assess the risks in their investments, ESG has further evolved into a major legislative effort of the European Union. In countries with significant financial markets, ESG has become the market standard in recent years. In Central Europe, where financial markets are less developed and where less emphasis is placed on sustainability by society and politics, the focus has lied elsewhere. In any case, this appears to be changing. Nowadays, we observe a substantially increased interest in ESG matters, be it from our clients, the public, newspapers, or social networks. ESG is *the new thing* everybody focuses on.

Why has Central Europe been lagging behind? There seems to be no simple answer to this complex question. In the case of the former *Eastern Bloc* countries with centrally planned economies and state-owned means of production, the adaptation to the so-called "capitalist" economy was certainly a challenge, as privatizations were often executed inefficiently. This single challenge may have put Central European countries behind in all of the ESG categories, perhaps with the exception of social matters – which may be the legacy of socialist labor codes. Other factors that may have delayed ESG development include the reliance on heavy industry, fossil fuels dependency, and inability to conduct reforms. These issues, however, appear to finally have been overcome.

As to the development of ESG in the Czech Republic, there is a significant increase in the number of companies and businesses focusing on the environment. The media coverage of ESG has also increased. Only in July 2022, dozens of ESG seminars and conferences took place. These conferences help explain to Czech businessmen that ESG is not just another piece of legislation. Czech people are generally very skeptical when it comes to change. EU legislation is often understood as a complication to businesses. In our practice, we often hear clients complain that legislation is too complicated and wonder who will benefit from it or how it is going to help them. This last question is the most important one in our view. In the case of ESG, the answer is: "ESG may save your business."

ESG is often misunderstood. We try to explain to our clients that it is not just a new piece of legislation. Companies do not understand that, in many ways, they already comply with ESG requirements. Industry is the backbone of the Czech economy. Many industrial producers have focused on the eastern markets for their exports. These markets have now collapsed due to the war in Ukraine and the growing skepticism towards China. These companies need to export to more developed countries, which in turn requires a product that is ESG-compatible. Without ESG compatibility in production and a high quality of their products, traditional Czech companies may face difficulties in their business undertakings. Such changes are beneficial and offer new opportunities. And this is particularly true for Czech companies.

Another argument often used in the Czech Republic is that ESG is just another expense to the company. This is simply not correct. Currently, we have seen several studies showing that ESG-compliant companies generate more profit, are healthier in the long term, and investors are keener on providing them with their funds and support. The European Commission also made it very clear that it would provide generous funds to support its carbon-neutral policies and industrial reform.

To conclude, our current experience proves that ESG has arrived in the Czech Republic. The business judgment rule requires decision makers in the companies to base their decisions on all information available and to always decide and act for the benefit of the company. Decisions that do not take ESG into account do not comply with the business judgment rule. ESG is part of the duty of care of a manager towards their company. ESG is already implemented in several pieces of legislation (e.g., the *Accounting Act*, the *Act on Public Procurement*). ESG is here to stay – and we are ready for it. ■

POLAND: ESG REPORTING AND SUSTAINABLE INVESTMENT

By Ewa Rutkowska-Subocz, Partner and Europe Head of Public Law & Regulatory, Dentons

Although the term ESG (Environmental, Social, and Governance) has been around for years, its full application is still quite daunting. Companies face the challenge of integrating ESG values into their strategy, operations, and decision-making processes in order to respond to the increasingly influential voice of stakeholders: citizens, consumers, NGOs, governments, and investors.

ESG is not a *pret-a-porter* solution that can be applied uniformly to any company. It must be a tailored risk-management strategy that considers the global outlook, industry sector, and company specifics. Country matters, too: the war in Ukraine and around 1.2 million Ukrainian refugees are on the top of Polish minds, with the energy transition and women's rights galloping behind.

The common element of any ESG program is a non-financial report, which outlines the company's long-term sustainability goals as well as achievements to date. Investors have a great interest in the public disclosure of ESG data, which they analyze when making financial investment decisions. The impact ESG rankings and reports have on investors' perception of company value and investment potential is rapidly increasing. In Poland, almost 90% of investors have reported that ESG factors are becoming increasingly significant in their decision-making process.

While transparency is at the core of the ESG concept, there are yet no universal standards of sustainable reporting. This makes it difficult to create reliable ratings and comparisons, which investors need to assess the sustainability of their investment.

The European Commission is taking steps to remedy the situation. It has set out the ambitious *EU Sustainable Finance Strategy*, composed of the *Sustainable Finance Disclosure Regulation* (SFDR), the *EU Taxonomy Regulation* (EUT), and the proposed *Corporate Sustainability Reporting Directive* (CSRD), which shall replace the *Non-Financial Reporting Directive* (NFRD).

A chain is created: the NFRD (to be replaced by CSRD) compels large companies and listed companies to disclose (in sustainability reports) the current and future percentage of their revenues derived from activities aligned with the EUT. The EUT is a classification system of activities that make a significant contribution to environmental objectives, according to science-based criteria. Once published, the sustainability reports are made available to the public and to financial market participants (including financial advisors, insurers, investment funds, etc.). From the perspective of investors, EUT-aligned activities constitute sustainable investments that contribute to environmental or social objectives while doing no significant harm.

To measure this positive contribution (or lack of harm), companies disclose key resource efficiency indicators on factors such as the use of renewable energy and raw materials, greenhouse gas emissions, and labor relations – to name just a few. Obviously, data varies depending on the sector in which the company operates – for example, while chemical manufacturers may provide data on land and water contamination or industrial accidents, such data is not relevant to gaming companies. If a financial product includes shares in sustainable investments, the issuing financial institution should provide taxonomy key performance indicators of the investee companies in its own disclosures. Moreover, market participants must inform how their investments may impact the environment and society by considering the principal adverse impact of sustainability risks in their due diligence process. In other words, they must report on what percentage of their investment portfolio aligns with the EUT.

This chain is being gradually implemented in Poland, but the legislation is in no way harmonized and coherent. Progress is slow, as the government is rather reluctant to introduce any ESG-aligned legal changes, even with the business community rambling on sustainability. Optimism sparked in 2019, with the introduction of the WIG-ESG stock market index of the 40 largest companies on the Warsaw Stock Exchange, weighed against the reports prepared by Sustainalytics. Today, roughly 300 listed companies are required to publish non-financial data under the NFRD and, with the introduction of the SFRD, this number will increase tenfold. There are, however, no unified reporting criteria: the Warsaw Stock Exchange has issued an ESG-reporting guideline just in May 2021, in which adherence to standards made by the Global Reporting Initiative or Value Reporting Foundation was advised. Still, the sustainability reports of the biggest Polish players vary in their approach – some are diligent, while others barely touch on the topic. Most place greater focus on ESG challenges in day-to-day management than on reporting.

Poland is at a turning point, in which a better balance between profit and socio-ecological goals must be stricken. Companies must shift towards more EUT-aligned activities and implement ESG strategies to stay attractive to Polish investors, staying ahead of the government's actions. ■

SLOVAKIA: ESG TRANSFORMING THE MARKET

By Sona Hankova, Partner, CMS

The Slovak market is undergoing an ESG transformation. As in most CEE countries, ESG is not yet regulated by a specific law in the Slovak Republic. Nevertheless, the trend toward considering ESG issues has appreciably increased in the last two years.

ESG is the new *GDPR*. ESG requirements force Slovak companies to rethink their strategies, internal processes, and manner of reporting and collecting data, just like it was a few years ago when the topic of the *GDPR* popped up. When we, as lawyers, spoke with our clients about the *GDPR* for the first time, it was a major unknown for them and introduced many new obligations on their day-to-day agenda. Today, the *GDPR* is their common agenda and history is circling back wearing ESG clothes.

It is now time to raise awareness of ESG-related topics in Slovakia. The business community is creating various platforms to network, share know-how, and learn from each other on matters of ESG disclosures and reporting regulations. The financial sector is playing an important role in these endeavors, as businesses must take into account sustainability if they want to obtain external financing from banks.

Those who are still hesitant toward ESG might be caught unprepared by the planned new EU laws. The European Commission launched its proposals for a *Corporate Sustainability Reporting Directive* as well as a *Corporate Sustainability Due Diligence Directive*. After the completion of the legislative process, new sustainability obligations will affect not only large companies but also their suppliers – small and medium-sized companies. As a part of value chains, smaller market players will also have to comply, as much as possible, with the defined sustainability standards. Otherwise, they may not be able to exploit all business opportunities in the future.

The directives will impose many new reporting obligations, wherein compliance with them will require an extensive collection of data, monitoring, and change of the internal processes. It is expected that, under the new rules, by 2024, approximately 50,000 companies in Europe will have to file non-financial reports, in line with the mandatory *EU Sustainability Reporting Standards*. Some of the obligations will also apply to non-EU companies.

The laws under preparation will introduce mandatory corporate sustainability due diligence requirements, such as the obligation to integrate due diligence into policies, update it annually, and publicly communicate on due diligence. The planned concept of *direct Director's liability* will put strong pressure on organizations. Therefore, many companies in Slovakia are already considering how they would be able to comply with the new requirements, if implemented. Many of them have discovered that they do have data available – but not in a comprehensive digital format and their collection might be time-consuming and complicated. Therefore, companies are currently putting even more emphasis on implementing adequate systems to collect data, digitalization, and automatization of processes.

Companies for which ESG has not been at the forefront of corporate thinking so far are surprised as to how complex the ESG agenda is and how many activities fall within the ESG umbrella. There are practical questions to be answered: Should implementing ESG require organizational changes in the company? Should it be the role of compliance departments, financial departments, HR departments, or lawyers? There are more ways to approach the issue. According to recent commercial surveys, there already are companies that have created a special ESG position, which is solely dedicated to the area of sustainability and ESG projects. So far, more than half of the companies only have a cumulative ESG manager function or do not have a special position. To avoid reputational damage, many companies at least created ESG task forces focusing on developing a corporate ESG due diligence checklist and procedures on how to report on sustainability claims and prevent greenwashing.

During the last few years, an increasing number of Slovak companies have changed their strategies to outperform competitors and to show that the topic of sustainability is the crucial driver at the heart of their business. The popularity of ESG is further enhanced by the generational shift of wealth to millennials, who are much more concerned about climate change and social issues. They are increasing the pressure on the business community to reflect their values.

However, there is still a high demand for educating the business community about all the benefits of ESG implementation as a tool for increasing financial returns, protecting investments, and as a part of a broader approach to risk management. ■

ROMANIA: A BIRD'S EYE VIEW ON ESG – IS THE REAL ESTATE SECTOR ESG-READY?

By Dan Borbely, Partner, and Raluca Chelaru, Managing Associate, Tuca Zbarcea & Asociatii

Sustainability is no longer the responsibility of legal, public affairs, and corporate governance departments, but has become a top management priority and a central element of business strategy. One hundred years ago, Henry Ford said that the two most important assets of society – reputation and people – do not appear on the balance sheet of a company. Today, ESG standards come to measure precisely these two intangible assets.

Since 2017, at a European level and later at a national level, ESG-related legislation has been adopted, such as the regulation on taxonomy, or the regulation for financial market players on the disclosure of information on sustainable financing. Moreover, the European Commission adopted a proposal for a *Corporate Sustainability Reporting Directive* (CSRD), which would amend the existing reporting requirements of the *NFRD Directive 2014/95/EU*. The projected CSRD brings two extremely important elements of novelty: the expansion of companies required to submit a non-financial statement and the audit on ESG criteria.

ESG Framework in Romania

The ESG landscape is rapidly evolving. Fortunately, the Romanian business environment has also begun to consider ESG issues more and more, realizing that they can play a major role in the long-term success of the organization. According to a survey conducted by PwC Romania, only 30% of respondent companies said they have implemented ESG sustainability standards, and two-thirds (63%) said they are not that familiar with them. Asked if the organizations they work for will include standards related to fiscal policies in the ESG strategy, 26% of respondents answered in the affirmative, 5% said no, and 68% said that this is not the case / they do not have or are not aware of the implementation of such of strategies.

Some of the requirements imposed by the European Union have already been implemented at the national level by the recent amendments brought to *Order 1802/2014*. The non-financial statement must contain, according to this legislative act, details of the current and foreseeable impact on the environment, health and safety, use of renewable and non-renewable energy, greenhouse gas emissions, water use, and air pollution. With regard to social and personnel issues – actions taken to ensure gender equality, implementation of the core conventions of the International Labor Organization, working conditions, respect for workers' rights to be informed and consulted, health and safety at work, actions taken to ensure the protection and development of the communities. The non-financial statement may also include information on the prevention of human rights abuses, instruments for combating corruption and bribery, the fight against food waste, and the fight against discrimination.

In addition, a national level novelty is the project of the Romanian *Sustainability Code*, to be adopted in the near future. This is one of the objectives of the project *Sustainable Romania – Development of the strategic and institutional framework for the implementation of the National Strategy for Sustainable Development of Romania 2030*. The reporting will be conducted through an interactive platform, and all forms of organization, which are not subject to the reporting obligation, will be able to apply the *Sustainability Code*, voluntarily.

Moreover, the Bucharest Stock Exchange has recently published its first ESG reporting guidelines for listed companies, developed with the technical assistance of the European Bank for Reconstruction and Development.

ESG in the Romanian Real Estate Sector

Construction, urban planning, public contracts, and real estate investments fall under the scope of ESG requirements. More and more investors and public authorities are aware of the sustainability requirements in real estate but, without a clear legislative framework, the implementation of the ultimate goals of ESG is rather unpredictable. Environment-related matters are more clearly determined (e.g., requests in the process of authorizing construction works, for example within the urban planning certificates). Moreover, Romanian public authorities request declarations – prior to an investor being granted a public contract – of the observance of environmental, social, health, and employment norms.

Only multidisciplinary teams will have the ability to depict full real estate and corporate strategies since ESG is broadening its scope to cover all sectors – from energy, finance, and urbanism to tax. Both multinationals and start-ups demonstrate an increased appetite for better-quality non-financial disclosures and a clearer regulatory landscape. ■

HUNGARY: ESG IN THE SUPPLY CHAIN – WHY DOES IT MATTER?

By Veronika Kovacs, Senior Counsel and Head of CEE Public Procurement, CMS

The importance of ESG in business has become clearer as the moral and ecological reasons are now obvious to everyone. In theory, all companies support the idea of doing business in a more sustainable and climate-friendly way. However, in practice, companies usually only do something when they have to. In Hungary, there isn't any binding ESG supply chain act in place yet, which could wrongly lead to the conclusion that the topic is unimportant. Yet considerations about ESG in the supply chain are no longer *nice-to-have* but have become a *must-have* globally, and Hungary is no exception. There are various locally relevant reasons for which companies must start prioritizing the management of ESG risks in their supply chain.

As an example, failing to meet ESG criteria at the manufacturing site by using unacceptable working conditions puts the whole company at high exposure for reputational and other risks. This is relevant to all suppliers in the chain, particularly given that, according to recent studies, approximately two-thirds of the average company's ESG footprint is generated by its suppliers. For a number of international companies, Hungary is the seat of either their direct or indirect supplier, whilst for several investors also the seat of their own production facility. Hungarian companies cover each part of the *ESG puzzle* and neither of these entities can afford to exclude the wider ESG picture any longer.

There have been a few examples recently that highlight the importance of ESG across all elements of the supply chain. A scandal related to the horrible working conditions at a luxury brand owner's facility in India surfaced, and the company suffered serious damage to its brand, although the company itself did not breach any laws. Similarly, a tech giant attracted close scrutiny when many suicides were recorded at one of its Chinese factories. Subsequent investigations uncovered mandatory overtime, overcrowding, etc. The aftermath of the findings wiped almost USD 30 billion off the company's value in a single day.

All these cases highlight that not managing ESG risks throughout the supply chain can cause major financial and reputational losses, even if the company itself does not breach any laws. In case of a similar scandal, not breaching any Hungarian law wouldn't save the Hungarian company from the indirect losses of the company group. Dealing with supply chain risks in advance can help minimize environmental and social impacts while protecting the company's brand. All the companies in the examples above have since introduced robust supply chain sustainability programs, which are now mandatory for all of their suppliers.

Further pressure on ESG considerations comes from regulators and other stakeholders. ESG issues are at the center of both business and political agendas globally. Investors, business partners, the media, and consumers urge companies to conduct their businesses in a way that cares more about ESG issues. The above examples also show that these goals cannot be achieved if we look at the company as a standalone entity. Hungarian companies – wherever they stand in the supply chain – must look closely at their value chains to foster sustainable and responsible corporate behavior, by monitoring their every aspect and taking appropriate actions to meet ESG requirements.

Nevertheless, the legal framework for global supply chains continues to evolve. Soft law regulations are now being converted into hard law provisions. An example is the *German Supply Chain Act*, whose effects may extend to businesses headquartered outside Germany, such as to their Hungarian affiliates. At the EU level, the Proposal for the *Corporate Sustainability Reporting Directive* would introduce detailed reporting requirements, confirming the crucial role of value chains in measuring a company's carbon emissions and its complete environmental and product footprint. The Proposal for the *Corporate Sustainability Due Diligence Directive* would impose a due diligence obligation on companies to identify actual and potential adverse impacts on human rights and the environment, including regarding the company's value chain operations carried out by their established business relationships.

The reporting and DD obligations will be burdensome for Hungarian companies as well, and it is advisable to start preparations with plenty of time to spare. The implementation of extended risk analysis tools, preventive measures, and remedies against human rights and environmental violations in the supply chain is not only recommended, to prepare for upcoming laws, but is also required for the non-regulatory related reasons mentioned above. ■

TURKEY: RECENT DEVELOPMENTS AND A COMPARISON ON ESG

By Nigar Gokmen, Head of Energy, Mining, and Infrastructure, and Tugay Hanegelioglu, Associate, Esin Attorney Partnership

Sustainability has been defined by the United Nations as "meeting the needs of the present without compromising the ability of future generations to meet their own needs" and, in a corporate context, it refers to a company's overall approach to managing a wide range of environmental, social, and governance risks and issues. Sustainability and ESG are increasingly becoming part of companies' board agenda, understood by companies through a regulatory, compliance, and risk management lens, and seen as inextricably linked with a green light to operate. Companies engage in ESG not only to "do good," but also due to a growing recognition that taking a robust approach to managing these issues can mitigate risk and provide benefits such as enhanced consumer trust and loyalty, ability to attract talent, ability to meet stakeholder expectations and improve the company's resilience, and profitability over the long term.

Investing based on ESG principles is becoming very popular since they help investors prevent losses by eliminating companies that engage in risky or unethical practices that would likely cause investors to be held accountable. The criteria are also becoming crucial in the modern world as the negative effects of climate change, the necessity of managing environmental risks, and the increasing importance attached to human rights and ethical values are the most important issues lately.

In this respect, the *2030 Agenda for Sustainable Development*, adopted by all members of the United Nations in 2015, provides a plan for peace and prosperity for all people and the planet by submitting 17 sustainable development goals (SDG) that are an urgent call to action by all developed and developing countries. Accordingly, many companies take SDGs into account when creating their ESG principles. Turkey, as a developing country, submitted its nationally determined contributions in relation to the *Paris Agreement* on October 11, 2021, in which greenhouse gas emissions are envisaged to be reduced by up to 21% by 2030. It is important to note that the EU's commitment is to reduce emissions by at least 40% by 2030.

While developed countries made considerable progress in environmental accounting and environmental reporting, developing countries such as Turkey are still at an early stage. One of the main reasons for this is that, while sustainability reporting is compulsory in many countries, it is not mandatory in developing countries yet.

Having said that, ESG has started to play a more important role in Turkey since October 1, 2020, as the Capital Markets Board (CMB) amended the *Corporate Governance Communique* to ensure that public companies adopt the idea of sustainability and report their sustainability performance. With this regulation, the CMB also provided the *Sustainability Principles Compliance Framework*, which introduces the ESG principles. However, those principles are not compulsory for listed companies. They are, however, required to report the justification for their non-compliance with the principles and the effects thereof. Even if the principles are operated on a comply-or-explain basis, for the time being, this development is an important step for sustainability studies for Turkey and it certainly attracts investors who take ESG principles into account when selecting their investments. Furthermore, ESG principles are also one of the key consideration points in the country's *Eleventh Development Plan* (for the years 2019-2023).

In Turkey, it has been observed that many companies with foreign investments have certain business code of conduct practices in which ESG criteria are sought in their business with their stakeholders. These codes of conduct are typically aligned with the SDGs and seek to provide guidance to local companies and third-party suppliers. Companies in Turkey increasingly view diversity and inclusion as a business imperative that fosters innovation and competitiveness and are working to achieve inclusive workplaces and diversity in the boardroom, as well as supporting the wider community in combatting inequality, in pursuit of the SDGs.

All in all, for ESG efforts to work, aligned development needs to take place all around the world. Turkey needs to develop actions in line with international standards and further include those actions in the country's development plans. As for companies, they should prepare and improve their standards for a better, fairer, and more sustainable future and constantly follow up on developments in ESG. ■

THE CONFIDENT COUNSEL: WHAT'S UP WITH THOSE SLIDES?

By Aaron Muhly

When you get up to present at a conference, what is your goal? Since lawyers are addicted to billable hours, you are probably gambling some non-billable time with the hope of landing some legal work. To accomplish this, you want to sell yourself to potential clients as a competent, trustworthy, and mildly entertaining lawyer.

If that's the case, what's up with those slides? You know what I'm talking about. Those super-heavy slides filled wall-to-wall with dense legal citations that blow up the brains of your audience. (And no, sprinkling in some bullet points isn't saving the day.)

When lawyers smother their audiences with massive information dumps, they kill the sale. Not only do these burdensome slides distract clients from appreciating your brilliance, but they also send the terrible signal that you will do the exact same thing when managing their matters. In other words, they should expect that you will bombard them with excessively long emails that they don't have the patience to read.

If you would like to avoid wasting these valuable opportunities to generate business, you've got to simplify those slides. In this article, you will learn some helpful techniques for converting even the cruelest sets of slides into something that clients can handle, and more importantly, actually appreciate.

Step One: Preserving the Value

If you are like many of my students, you use your slides as a form of notes for your presentation. You are filling your slides with bullet points to help you identify all the pieces of information that you would like to convey during your presentation. If so, that's OK because those slides are not only valuable to you, clients like them too – just not during your presentation. When I talk to in-house lawyers about the slides of external lawyers, they oftentimes mention that they find the detailed slides useful as a learning tool after presentations.

So, take those slides and send them to the participants after your presentation. Actually, don't just send them the slides. Send them links to any additional resources that they might find helpful (e.g., related articles / reports prepared by your firm). With this approach, you are definitely starting to look trustworthy and competent.

Step Two: Highlight and Delete

Next, you can make your original slides a lot more accessible for your audience if you reduce each slide to one main concept. To accomplish this, just go through and highlight the key words on each slide. After highlighting, delete everything else. You should have left just a few key words – we're talking bullets, not sentences.

If you are concerned that you still have too much on a slide, just split up the information into multiple slides. Remember: no one is complaining about too many slides. We just want each slide to communicate a simple concept, a concept that you will expand upon as you speak.

Step Three: Go for Images

As a final step, it's time to use a much under-used skill of lawyers – creativity. If you can replace your words on a slide with a related image, you will create a much more powerful impact on your audience. You can use safer images like a timeline, graph, or pie chart. But, you can also unload a killer image by simply going to Google Images and searching for an interesting picture. Naturally, you won't be able to find image replacements for most of your slides, but even a couple of non-textual slides can greatly improve the experience for your audience.

Learn More

If you are looking for a book to help you deliver cooler-looking presentations, check out *Resonate* by Nancy Duarte. She is an expert in creating impactful presentations via visual storytelling. ■

Aaron Muhly is an American lawyer who has been training European professionals on clear writing and effective communication for over 15 years.

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