



# Innovative Finance Inclusion

## Sustaxo - taxonomy of sustainable financing

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**Author: Dr. Aleksandra Kekkonen**

**Affiliation: Estonian Business School**





## Abstract

The case of Sustaxo is an example of practical solution for sustainable finance implementation. The goal of the Sustaxo is to create a real-time economy dashboard application based on the taxonomy of European sustainable finance, which would simplify the preparation of analyses and reports required by financial institutions and large companies and would also be available to small companies. The creation of the solution is based on the principles of real-time economy, bringing together data from within the organization, from partners and from national information systems with the least administrative burden, so that the green transition creates a competitive advantage for Estonian companies instead of obstacles.

## Keywords

Taxonomy of Sustainable Activities, Real-Time Economy, Impact Meter, Sustainable Finance, Data Exchange Tool, Taxation





# 1 Sustaxo

Sustaxo (previously Environmental impact meter) is a project aimed at automated evaluation for the taxonomy of sustainable financing. The project is currently on the stage of development (first results in December 2021), performed in cooperation with Let's Do It Foundation<sup>1</sup> and Rohetiiger<sup>2</sup> (Green tiger).

## 2 The Challenge

EU introduced new Taxonomy for sustainable activities<sup>3</sup>, and it caused a lot of questions from small enterprises. There are still no clear guidelines from the public sector. Many large enterprises have already started assessing their environmental impact due to pressure from their sustainability-oriented business partners in Europe. However, smaller companies rarely do that due to lack of resources.

According to the United Nations Environment Program Finance Initiative (UNEPFI) report, there are no tools or databases today to assess climate change mitigation and adaptation<sup>4</sup>. The complexity of the challenge is the lack of clarity on how to aggregate and validate data from different standards to assess compliance with environmental and climate criteria in a way that is universal and independent of the audit service provider.

## 3 The Solution

Sustaxo is a data exchange platform which allows you to query relevant data from both state and private sector databases to calculate a measurable impact to the environment of a product/service/company with an agreed methodology.

1 Let's Do It Foundation was established in 2011 to support the growth of a civic movement of nation-wide cleanup<sup>1</sup> actions. Within its activities company works with civil society organizations aspiring to start sustainable waste management initiatives; social enterprises developing zero waste and circular economy approach in collaboration with local and/or national governments; foundations and corporations interested in investing in livelihoods, women empowerment, and circular waste management solutions, using tech for good; local authorities willing to go beyond awareness raising  
More details - <https://letsdoitfoundation.org/about-us/>

2 Green Tiger (Rohe Tiiger in Estonian) is a cross-sectoral collaboration platform which is creating a basis for a green<sup>2</sup> economy, just as the Tiger Leap project jump-started the development of Estonia's technology sector. Green Tiger's mission is to devise and implement environmentally friendly practices in all sectors, and to foster a green economy.  
<https://rohetiiger.ee/en/>

3 More info [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en)  
<https://accelerateestonia.ee/project/taxonomy-of-sustainable-financing/><sup>4</sup>



The platform collects environmental impact data and creates the prerequisite for dynamic taxation of goods and services according to their share of environmental factors in CO2. For the citizen, dynamic access to environmental information means a better choice when it comes to consuming environmentally friendly products and services, as the store can automatically track the environmental impact of one or another commodity.

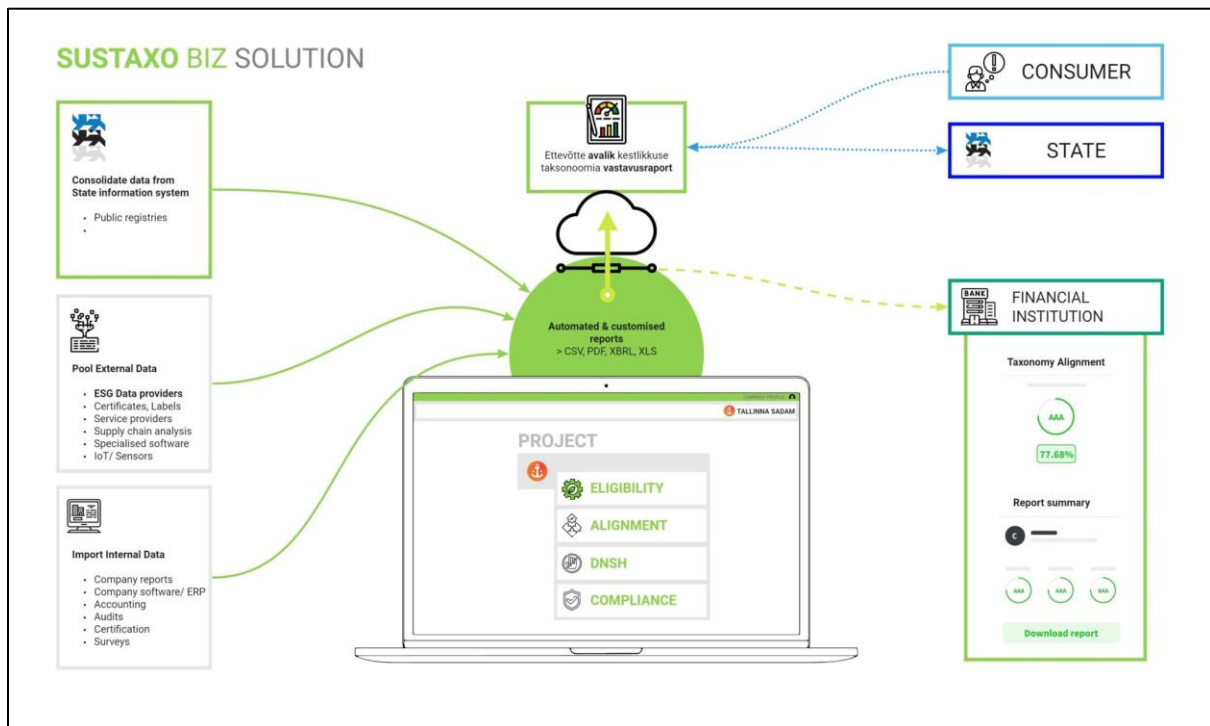


Figure 1. Schematic concept of the project. Figure source:

<https://accelerateestonia.ee/project/taxonomy-of-sustainable-financing/>

## 4 Accessibility

Important part of project realization is a political will and support from authorities for the practical implementation. Possibilities were already discussed with ministries and agencies during the Accelerate Estonia program<sup>5</sup>. Data availability will likely also be improved

<sup>5</sup> Accelerate Estonia is a test bed for moonshot ideas. It combines the urgency of startups and the power of the public sector to test, validate and build solutions to global wicked problems.

AccelerateEstonia (aEstonia) is a program initiated by the Ministry of Economic Affairs and Communications together with Science Park Technopol to bring together the private and public sectors to collaboratively develop the business and regulatory environment. It provides an opportunity to create new business models, products, and services more efficiently.

<https://accelerateestonia.ee>



by the ongoing Internet of Business project<sup>6</sup>, which is part of the national real-time economy program<sup>7</sup> and works to facilitate an automated real-time exchange of standardized data between businesses and state agencies.

Therefore, ideally, anyone who needs to assess the environmental impact of a company should be able access the relevant data in a standard format through the national data exchange layer. Furthermore, if made open, the data could inform a comprehensive understanding of how the activities of Estonian businesses affect the natural environment.

6 The goal of Internet of Business (IoB) project is to develop a secure and standardised network based on real-time<sup>6</sup> economy concept, where all business transactions are in digital format, generated largely automatically and completed in real time. <https://telema.com/internet-of-business-iob/>

7 The goal of the real-time economy (RTE) pursued by Estonian entrepreneurs and the state is to show that today's<sup>7</sup> entrepreneurs, state and citizens can save time and money by replacing paper-based business and administrative transactions with automated data exchange. The very goal of RTE is to carry out a structural change in the business environment and relations with the state, so that business administration and management activities could occur automatically in the background and significantly reduce the administrative burden on entrepreneurs. <https://www.mkm.ee/en/objectives-activities/real-time-economy>



## 5 References

### 5.1 Relevant publications

*Accelerate Estonia platform*

<https://accelerateestonia.ee/project/taxonomy-of-sustainable-financing/>

*Let's Do It Foundation*

<https://letsdoitfoundation.org/2021/09/14/sustaxo-measuring-compliance-with-sustainable-taxonomy/>

*More details on project infrastructure and vision*

[https://estonianworld.com/knowledge/a-green-revolution-in-the-economy-is-possible-thanks-to-data/?fbclid=IwAR1MQqCht5oTosfzN1NeioFvj4CYXu93jjTC5\\_o4qaMMeJxPq6dGhDvnj0U](https://estonianworld.com/knowledge/a-green-revolution-in-the-economy-is-possible-thanks-to-data/?fbclid=IwAR1MQqCht5oTosfzN1NeioFvj4CYXu93jjTC5_o4qaMMeJxPq6dGhDvnj0U)

*EU taxonomy for sustainable activities*

[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities\\_en#what](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/eu-taxonomy-sustainable-activities_en#what)

### 5.2 Video presentation

*SUSTAXO: Sustainable Finance Taxonomy for Businesses. Presentation at the conference Real-Time Economy: From Plan to Practice!*

<https://www.youtube.com/watch?v=kpDT670RG34>