

CORPORATE SOCIAL RESPONSIBILITY REPORTING AS AN IMPORTANT COMMUNICATION TOOL: SOME EVIDENCE FROM LATVIA

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Abstract

The relevance and importance of Corporate Social Responsibility (CSR) have long been recognised in the business sector. Firms, communities, and individuals must shift their perspectives on CSR from voluntary actions to almost obligatory initiatives, especially in terms of corporate communications. This study aims to review the corporate sustainability framework from the perspective of CSR reporting and communication with some evidence from Latvia. The study has used secondary qualitative research methods, reviewing previously published scholarly literature and studies on the selected topic. Environmental impact and measures, society benefits and economic gains are the most important parts of CSR reporting, internal and external communication. In light of the recently experienced environmental, societal and economic challenges, this study advocates concentrating on CSR reporting and increased inquiry into the role of building efficient communication with relevant stakeholder groups – selecting the right channels, frameworks and report verification tools, *to improve transparency and credibility*. Researchers and practitioners must consider the role of CSR communication in a broader context, given the difficulties connected with economic, environmental and societal challenges, as good communication is critical for mobilisation and deciding on goals through consensus.

Keywords: Latvia, corporate social responsibility, CSR reporting, sustainability, corporate communications.

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Introduction

CSR is no longer only a fashionable new concept that adds value to a company's reputation or competitive advantage. Companies in all industries all over the world have realised the importance of CSR initiatives and the impact these initiatives have on their reputation, performance, and result; paying additional attention to the environmental needs, societal concerns and economic benefits (Campbell, 2007). Due to the recent global changes, CSR policies and reporting are being reshaped and reviewed, to better suit the post-crisis or post-pandemic world requirements and realities. Latvia is not any exclusion from this paradigm and Latvian companies have to reshape their policies to the new realities. Some of the Latvian companies haven't adopted any social responsibility policies; it might be a good focal point for them to integrate the policies, reporting and restructure business operations accordingly. All companies are expected by the public to bear responsibility for their acts on a global scale. With shifting socio-political situations, the expectations for the obligations that businesses are supposed to take on have shifted. In any instance, CSR has evolved into more than a section on a company's website or a public relations exercise; it is now an essential component of businesses' attempts to assure long-term success (Latapí Agudelo et al., 2019).

Despite the challenging economic climate in Latvia, businesses in the region are stepping up their efforts in the area of social responsibility. This might be explained in part due to the fact that many of Latvia's bigger enterprises are subsidiaries of foreign corporations that simply are adapting CSR policy to the local market, although smaller local companies are also expressing interest and willingness to be more socially responsive and responsible. According to the Cross-Sectoral Coordination Centre (CSCC) of the Republic of Latvia in their report "Implementation of the Sustainable Development Goals", *"a good political foundation and social consciousness for sustainable development have evolved since Latvia restored national independence, providing momentum to the implementation of the global agenda and goals. Latvia's Sustainable Development Strategy to 2030, the hierarchically highest national long-term planning document, sets the priorities for sustainable development of the country"* (CSCC, 2018). Political foundation, initiatives, and support are crucial for the private sector to recognise the importance of CSR programmes and raise awareness and consciousness for sustainable business development. A company's value system and a principles-based approach to doing business are the foundations of corporate sustainability. This entails functioning in a manner that satisfies core duties in the areas of human rights, labour, the environment, and anti-corruption, at the very least (United Nations, 2022). The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human

Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

This study reviews the CSR framework development, CSR reports' structure and content changes, as well as CSR and sustainability reporting evidence from Latvia. The study starts with the historical foundations of social responsibility, then moves on to the early phases of formal frameworks of businesses' social duties, and finally to the most recent iterations of CSR – CSR 1.0 to CSR 2.0 to CSR 3.0. Given the review of CSR origins and frameworks, it is important to note that this article focuses on publications that have offered an interesting viewpoint and knowledge in the area of CSR, as well as CSR reporting guidelines, dissemination and report verification. The history of sustainable corporate governance and CSR is long and vast, so it is not possible to cover all facets of it in one study. The study considers articles that have a good number of citations and can be regarded as important contributors to the topic development, as well as publications of Latvian and international governmental organizations, associations, regulatory bodies, private and public bodies.

CSR Evolution, Communication and Verification

Responsible businesses had existed for over a century previously, American economist H. Bowen originated the term *Corporate Social Responsibility* in his publication "Social Responsibilities of the Businessman" in 1953 and since has been referred to as the "Father of CSR" (Bowen et al., 2013). The discretionary obligations of a company, according to Carroll's (1979) CSR definition, are those areas of voluntary social interaction that are not forbidden or expected of firms due to their economic, legal, or ethical responsibilities. The concept of CSR has started to become more universally accepted during the early 1990s, when Donna J. Wood released *Corporate Social Performance Revisited*, which provided a framework for analysing the impacts and results of CSR initiatives, expanding and improving on early CSR models (Wood, 1991). Carroll (1991) identified three ethical approaches to management: *immoral, amoral, and moral*; each orientation is closely related to individual moral philosophies, defined as management; in the case of amoral and immoral approaches, business operations are separated from private life ethical considerations, and thus such considerations have no role in the business environment; and in the case of moral approaches, business operations are separated from private life ethical considerations, and thus such considerations have no role in the business environment. The notion of the *Triple Bottom Line* (TBL) made a significant contribution to the debate about corporate conduct. TBL, which was first coined by Elkington in

1994, is a sustainability framework that balances the company's social, environmental, and economic effects. Later in 1998, Elkington highlighted that successful and long-term partnerships between the commercial and governmental sectors and stakeholders are necessary to achieve great triple bottom line performance (social, environmental, and economic) (Elkington, 2018). Rapid population expansion, pollution, and resource depletion were some of society's key worries during that time (Du Pisani, 2006), and they were accompanied by social movements focused on the environment, as well as human and labour rights. The hierarchy of CSR components has been presented by the same author: economic ("earn money"), legal ("follow the law"), ethical ("be ethical"), and philanthropic ("be a good corporate citizen") – see Figure 1.

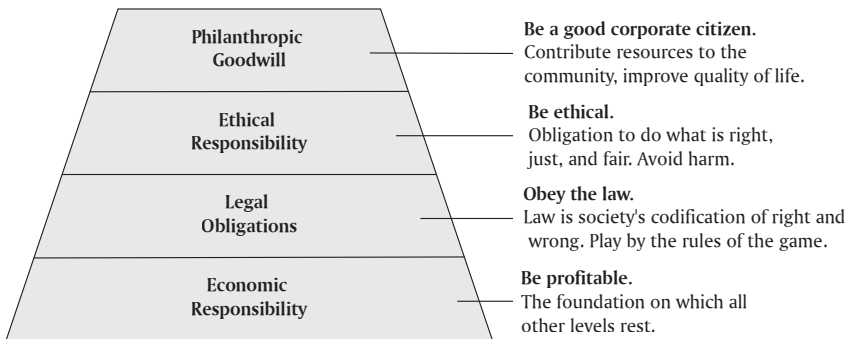


Figure 1. Four Pillars of CSR

Source: Carroll, 1991

CSR is described as a company's commitment to long-term development that not only benefits stakeholders, generates economic benefits, and provides a competitive advantage, but also meets social and environmental demands (OECD, 2001). Corporate responsibility necessitates a change away from the goal of "profit solely" and toward the construction of a broader system of social interactions. The fact that a firm is socially responsible has an impact on customer perceptions of it and their purchasing decisions. It is critical that businesses use proper communication platforms to tell customers about their CSR operations (Campbell, 2007). According to the International Labour Organization (ILO), "CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law." The norms contained in CSR codes are directly inspired by public (international) law. CSR is one of the most significant methods for businesses to express their ideas and values today, both inside their

processes and operations and in their interactions with other players (ILO, n. d.).

Certainly, the countless corporate crises roiling the business world have played a role, specifically, the novel Coronavirus (COVID-19) pandemic that has negatively affected all the business sectors globally, cementing that CSR policies and CSR reporting, as well as sustainability reporting, are here to stay and perhaps to develop into something new. An ethical perspective of business CSR and the COVID-19 pandemic has also become of higher interest for researchers in recent years, as the COVID-19 pandemic has had serious health, social and economic consequences. The majority of the companies have to review their policies and CSR initiatives to address new social issues, environmental and economic challenges (Bapuji et al., 2020). Some findings demonstrate that CSR is an excellent strategy to assist the most vulnerable. In this context, firms should include CSR in their corporate plans during pandemics or other emergencies. In truth, this situation not only ensures assistance for society and vulnerable persons, but it also has the potential to provide significant benefits to businesses, such as a stronger corporate reputation (Raimo et al., 2021).

CSR initiatives, in particular, might provide corporations with an increase in reputation and financial success, in addition to being a sort of socially responsible management targeted at shielding the weakest subjects during the COVID-19 epidemic (Guan et al., 2020). The legal and social environment in which firms operate may be jeopardized if they do not adapt, companies must also be aware of and adapt to changes in the environment, or they risk losing customers, suppliers, and other stakeholders (He and Harris, 2020). In reaction to the epidemic, businesses have experienced an upsurge in demand for CSR initiatives. Employees' perceptions of the company are of increased importance, as employees and customers can be considered as main stakeholder groups. The cultural factor of long-term orientation has the biggest effect on CSR practice, and the firm's reputation is a key mediator of the CSR practice and corporate performance link (Kucharska & Kowalczyk, 2018).

CSR like every other framework evolves with time, whereas CSR's early years were focused on marketing and public relations, later CSR will no longer be a separate department, but will instead be incorporated into all aspects of the company. CSR is no longer viewed as a risk-reduction tool, but rather as a strategy for creating and protecting value for the firm and society. CSR has evolved from a simply selected, single-issue participation (sponsorship and donations) and legal compliance measure to explicit responsibility management in a company's core operation, taking into consideration the three pillars *of the economy, social concerns, and ecological* (Schmidpeter, 2013). that would denote the transition from CSR 1.0 to CSR 2.0.

Some studies suggest that the next evolutionary phase of CSR is CSR 3.0, it is basically efficiency and waste reduction, which all businesses should undertake anyhow, and it is inextricably linked to *creating shared value* – CSV. But there are some differences as well, CSR is the process of changing the relationship between a firm's results and inputs to produce social value, while CSV is the process of changing the relationship between a firm's outputs and inputs to social value. In other words, it all boils down to producing economic value through the development of social value (Wojcik, 2016). While CSR 1.0 is all about *damage management*, CSR 2.0 is about *damage prevention* and the main transitions that have happened have in the following facets: *philanthropic to collaborative; image-driven to performance-driven; risk-based to reward-based; specialized to integrated; standardized to diversified; marginal to scalable; westernized to globalized* (Visser, 2012). CSR is about doing something separate from the business, but CSV is about incorporating social and environmental effects within the business and exploiting that integration to produce economic benefit (Lapina et al., 2012). Shared value creation is a method of re-connecting a firm with the society in which it operates by discovering and developing the linkages between societal and economic success (Porter & Kramer, 2011). While it is necessary to mention CSV as an evolutionary form of CSR, it is not going to be studied within the framework of this article.

Communication about CSR and sustainability has generally been previously narrowly thought of in terms of public relations, marketing, public affairs, and crisis management strategies. Most often communication was seen as a way to improve a corporate actor's reputation and legitimacy (Signitzer & Prexl, 2008). Increasingly scholars are talking about the idea of corporate social responsiveness versus corporate social responsibility. Responsiveness emphasises "*how organizational processes and structures need to react to the social needs and values of a wide range of individuals and groups who have an interest in the organization*" (Allen & Craig, 2016). Companies that engage in CSR efforts should report on their actions to target groups so that society may learn about their social involvement (Heemskerk, 2002). CSR reports are described as "*the notification process of social and environmental impacts caused by company economic activity to certain interest groups and the company as a whole*" (Gray, 2007). CSR reports may assist firms in developing a systematic approach to the management of socially responsible operations, identifying future risks and possibilities, and thereby contributing to the company's competitiveness and long-term commercial endeavour. The information included within is not just for the benefit of the firm. It may be used to perform the decision-making process for various sorts of stakeholders in part (Moravčíkova et al., 2015).

As many studies note, the quality of the CSR or sustainability report depends on many facets, but the main ones could be the following: *credibility, completeness, significance and appropriateness*. Several aspects affect reporting, the size of the company is one of them. Small and medium-sized businesses, which often operate locally, have a closer relationship with their stakeholders than large, multinational corporations. They have the power to use more direct methods to communicate the execution of their responsibilities against them. Due to a diverse set of stakeholders, large corporations must also employ impersonal means of communication such as CSR reports (Van Wensen et al., 2011). According to KPMG's findings, sustainability reporting continues worldwide growth, Sustainability reporting has seen a particularly strong increase in three countries: Kazakhstan (+ 34 percentage points); Slovakia (+21 percentage points) and Germany (+19 percentage points) (KPMG, 2021). Effective CSR communication provides the following benefits to the company – enhanced awareness, transparency, better supervision of the sustainability initiatives, stakeholder involvement, cross-sector collaboration opportunities. Communication permits a comparison of a company's publicly disclosed CSR responsibilities with reality and highlights flaws in the CSR corporate strategy increases the status of stakeholders and their participation in corporate decisions, encourages cross-sector collaboration between enterprises, government agencies, and non-profits (Moravčíkova et al., 2015). Communication occurs at the *intrapersonal, interpersonal, group, organizational, inter-organizational, and macro-environmental levels*. Theories and studies exist to assist communicators at all levels in developing SMART (strategic, memorable, accurate, relevant, and trustworthy) CSR or sustainability-related communications and spreading them throughout a company, a supply chain, and within inter-organisational partnerships (Allen & Craig, 2016).

Verification and credibility of the CSR or sustainability reports remain the main concern. Lock and Seele in their study, based on a quantitative content analysis of 237 CSR reports from 11 European nations, have found that credibility is seen as a multi-layered construct that integrates CSR and communication theories, filling a gap in the field's theory (2016). Contextual (e.g., industry), format, and firm-level (e.g., size) variables all have an impact on reporting trustworthiness. The findings demonstrate that *European CSR reports do not have a high level of credibility*, concluding that standards and substance are the most important factors in determining reporting trustworthiness, with external impacts being secondary at best. CSR reports must first be understood by their readers to be regarded as credible; in addition, credibility requires truth, honesty, and stakeholder specificity. As a result, instead of encouraging interaction with stakeholders

and adding to corporate “*greenwashing*”, CSR reports are accused of widening the credibility gap and endangering corporations’ legitimacy in society (Seele & Gatti 2015).

Despite voluntary standardisation, CSR reports have been criticized for lacking credibility, being pseudo-transparent, and being of poor quality (Coombs & Holladay, 2013). Previous research has highlighted the diverse nature of voluntary assurance statements, which has been ascribed to the lack of norms and obligatory regulations. The number of firms that rely on external third parties to verify their sustainability reports has risen in recent years (Gurturk & Hahn, 2016; KPMG, 2021). To avoid “*greenwashing*” or inaccurate reporting, the financial institution should perform an independent audit (verification) of the investee or engage in a conversation with the company’s top management (Bennett et al., 1999). The findings of some studies suggest the number of verified CSR or sustainability reports is not high; also suggest that the quality of the reports under investigation is often not sufficient. In terms of its constituents, the relevance of the material presented in the evaluated reports is greater than its reliability. The studies have also found that having a legal need to disclose CSR data has a beneficial impact on the quality of CSR reports (Habek & Wolniak, 2016). Many academics question the framework’s usefulness, claiming that GRI-based reports might mislead sustainability-conscious decision-makers or even hide unsustainable behaviours, but very few researchers, on the other hand, have delved behind the surface of criticism to investigate how to improve the framework’s usefulness (Fonseca et al., 2014).

CSR Reporting Initiatives in Latvia

Since this study discusses some evidence of CSR evaluation and reporting in Latvia, it is important to notice the main **self-assessment initiatives** that “CSR Latvia” association promotes and utilizes, are – *UN Global Compact, Sustainability Index (SI) and Global Reporting Initiative (GRI)* (CSR Latvia, 2022). The **guidelines** that the “CSR Latvia” association adopts are the ones from ILO – International Labour organisation, OECD guidelines for multinational enterprises, and ISO 26000:2010 standard for guidance on social responsibility. As it was mentioned previously, SDGs contain no private-sector commitments and *are not obligatory*, it’s worth noting that EU law, via Directive 2014/95/EU, requires large public-interest companies (listed companies, banks, insurance companies, and other companies designated by national authorities as public-interest entities) to disclose non-financial and diversity information beginning with their 2018 reports and onwards (European Commission, 2014). Such companies are required to give a review of their business model, policies, outcomes, principal risks

and key performance indicators, including *environmental matters; social and employee aspects; respect for human rights; anti-corruption and bribery issues*. For the discretionary CSR reporting and self-assessment procedures, the companies might have to use their developed frameworks, the ten principles of the UN Global Compact and the guidelines, or the global Global Reporting Initiative (GRI) standards.

As an alternative, the organisations might utilise the ISO 26000:2010 standard for guidance on social responsibility, which is considered to be a voluntary guideline standard and provides CSR guidance for all organisations and was developed by the International Organisation for Standardisation (ISO) (ISO, 2010). It does not include obligations like those found in “certification” standards. ISO 26000:2010 standard is meant for organisations to utilize to satisfy specific needs for operations such as manufacturing, management, accounting, and reporting. There are some critiques of this standard offered by scholars, as the usefulness of ISO 26000 has been questioned; it only supplied a shared notion of social responsibility rather than also supporting management routines and behaviours that lead to social responsibility, it may be restricted. Despite its non-certifiability, some academics believe ISO 26000 has features of a management system standard (Hahn, 2012). The lack of certification, the potential to “decouple” from actual organisational performance and isolate CSR issues in an organisation (Schwarz & Tilling, 2009). The difficulty for smaller organisations to access the standard’s voluminous “textbook” form, and the fact that the standard’s best practices tend to age are among the criticisms (Henriques, 2012). The ISO 26000 standard is a voluntary offer as a guiding document that encourages companies to address their social responsibility concerns and potential actions with relevant stakeholders; it invites users to rethink an organisation’s CSR or “socially responsible behaviour”, and to select from its recommendations those areas where the company should engage in societal contributions, to report to their stakeholders and get feedback (ISO, 2022).

UN Global Compact and its ten principles have been mentioned previously in this study, see Table 1; it is the world’s largest CSR initiative to conduct business responsibly by aligning the strategies and operations with the Ten Principles on human rights, labour, the environment, and anti-corruption; and to take strategic actions to further broader societal goals, such as the United Nations Sustainable Development Goals (SDGs), with a focus on collaboration and innovation (UN Global Compact, 2022). The main objectives of the UN Global Compact are to ensure that the principles of the Global Compact are incorporated *into business strategy and activities*; encourage *cooperation between all stakeholders to encourage the development of an orderly and ethical business environment*. Latvia has

joined the Global Compact initiative in 2001, and in 2005 Employers' Confederation of Latvia (ECL) was assigned the task of coordinating this UN initiative, involving the member companies (ECL, n.d.). The UN Global Compact is not a regulatory instrument, but rather a debate forum and communication network that includes governments, corporations, and labour organisations whose activities it intends to influence, as well as civil society organisations that represent its stakeholders; the Global Compact does not acknowledge or issue certificates that these enterprises have fulfilled the Compact's principles. At the recent moment, 7 participating organisations from Latvia are listed, among them is Institute for Corporate Sustainability and Responsibility (CSR), which provides CSR support, education and assessment for Latvian enterprises and is reviewed in this study (UN Global Compact, 2022).

Table 1. The Ten Principles of the UN Global Compact

Human Rights	<p>Businesses should support and respect the protection of internationally proclaimed human rights. Businesses should make sure that they are not complicit in human rights abuses.</p>
Labour Rights	<p>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. Businesses should uphold the elimination of all forms of forced and compulsory labour. Businesses should uphold the effective abolition of child labour. Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>
Environment	<p>Businesses should support a precautionary approach to environmental challenges. Businesses should undertake initiatives to promote greater environmental responsibility. Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>
Anti-corruption	<p>Businesses should work against corruption in all its forms, including extortion and bribery.</p>

Source: authors' elaboration based on United Nations data, 2022

“CSR Europe” (The European Business Network for Corporate Social Responsibility) is Europe's largest business network dedicated to corporate social responsibility. It brings together over 10,000 enterprises through its network of 48 corporate members and 42 national CSR organisations – including the “CSR Latvia” association (CSR Europe, 2022). CSR Europe's objective is to advance the sustainability agenda, collaborate with CSR organisations in other parts of the world, incubating multi-stakeholder

ideas that address the UN 2030 Agenda for Sustainable Development. Five key aspects, commonly known as the 5P's, lie at the heart of the 2030 Agenda; they are *people, prosperity, planet, partnership, and peace* (United Nations General Assembly, 2015). "CSR Latvia" is an association that unites private, public and NGO sector organisations, as well as experts who promote the activities and development of Latvian entrepreneurs by implementing the principles of corporate social responsibility in the strategies of organisations (CSR Latvia, 2022). "CSR Latvia" utilises the following standards and guidelines – *the Ten Principles of the UN Global Compact, Memorandum on CSR principles in Latvia; EU Guidelines for CSR National Strategies; OECD Guidelines for Multinational Enterprises; the UN Sustainable Development Goals (SDGs)*, and other internationally accepted standards and guidelines (CSR Latvia, 2022). The UN Sustainable Development Goals (SDGs) do not reflect any private-sector obligations, but nations that embrace them will be required to develop particular rules and regulations that will put pressure on businesses to adopt new business practices or improve existing ones. Furthermore, the SDGs are interrelated, which implies that accomplishing one target may include resolving challenges from another (UNDP, 2018). The association aims to educate active entrepreneurs on the impact of CSR on the sustainability of businesses, involving entrepreneurs and their influence in a dialogue. The discretionary CSR principle is driven by a company's *voluntary desire* to have a positive impact on society, not mandated by economics, law, or ethics.

The Global Reporting Initiative (GRI) is the leading organisation in the field of sustainability that encourages organisations to use sustainability reports or CSR reports as a tool to become more sustainable and accountable and to promote the popularity of sustainable business development. In Latvia, large state capital companies use the GRI guidelines for reporting in their long-term statements. It is recommended that the GRI guidelines be used by the Cross-Sectoral Coordination Centre Republic of Latvia, which supervises the management of public-sector capital companies (CSR Latvia, n.d.). Corporate players all over the world have been issuing increasingly consistent reports in recent years, frequently utilising the Global Reporting Initiative (GRI) comprehensive sustainability reporting framework. The rules of the Global Reporting Initiative (GRI), the most widely used CSR reporting methodology in the world, and its implementation by a renowned sustainability reporter (Garcia-Torea et al., 2019). The GRI reporting framework is one of the most widely used; however, some researchers have suggested that the reports are merely marketing tools and there are difficulties in understanding the proposed GRI guidelines – they are complex, ambiguous, and too flexible, undermining both the standardisation of reports and the ability to

compare them (Quilice et al., 2018). The 2020 KPMG Survey of Sustainability Reporting found almost all (96 %) of the world's largest 250 companies (the G250) report on their sustainability performance. Of the N100 – 5,200 companies comprising the largest 100 firms in 52 countries – 80 % do so (KPMG, 2021). Across all companies surveyed, the GRI Standards is the only sustainability reporting framework that can demonstrate widespread global adoption. Around three-quarters (73 %) of the G250 and two-thirds (67 %) of the N100 now use GRI reporting standards. The GRI framework is designed to allow third parties to examine the company's and its supplier chain's environmental effects (Willis, 2003). *GRI Universal Standards* incorporate reporting on human rights and environmental due diligence, in line with intergovernmental expectations, and apply to all organisations. *GRI Sector Standards* enable more consistent reporting on sector-specific impacts. *GRI Topic Standards* – adapted to be used with the revised Universal Standards – then list disclosures relevant to a particular topic (GRI, 2022). Sustainability reporting strives to standardize and quantify the costs and benefits gained from the reporting firms' actions in terms of the environment, society, and governance. Quantified outcomes of CO2 emissions, working and payment conditions, financial transparency, and similar are some examples of reporting measures to be applied (Brown et al., 2009). The same authors have visualized the GRI reporting cycle (See Figure 2). GRI criteria were developed by international labour practices and an independent audit was conducted to examine the reporting organisation's social effect and environmental impact. ISO 14010, ISO 14011, ISO 14012, and ISO 26000 are environmental impact assessment standards, whereas OHSAS 18001 is a health and safety risk management system.

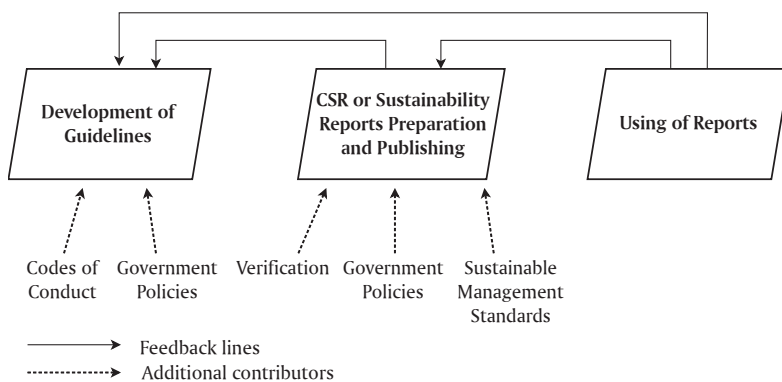


Figure 2. GRI Reporting Lifecycle

Source: adapted by the authors from Brown et al., 2009

Reports from Latvian organisations, which have been completed in 2021 according to the GRI standards, are four, but in general, reports that do not meet the standard, but are registered in their database are eight (CSR Latvia, 2022). The GRI Standards, unlike previous reporting systems, have a modular structure that makes them easy to maintain and modify and are a *free public good*, although the GRI framework has also received some criticism. Findings from some studies show that GRI guidelines have substantial flaws that make it difficult to produce reports that account for CSR; there are difficulties in understanding the proposed GRI guidelines – they are complex, ambiguous, and too flexible, undermining both the standardisation of reports and the ability to compare them (Garcia-Torea et al., 2019).

SI association (Institute for Corporate Sustainability and Responsibility) is the third self-assessment initiative in Latvia, that is listed by the “CSR Latvia” association (CSR Latvia, n.d.). SI initiative’s methodology is based on Dow Jones Sustainability Index and Business in the Community’s Corporate Responsibility Index (CRI), and it follows the criteria of corporate responsibility standard ISO 26000 and the Global Reporting Initiative (GRI). SI has been updated to provide a more accurate assessment of Latvian firms’ performance on economic, social, and environmental challenges while still taking into account worldwide corporate responsibility and sustainability standards (Lapina et al., 2012). It is strategic management developed by several Latvian experts to help Latvian enterprises establish a level of sustainability and corporate responsibility. At the same time, it provides objective criteria to society, state and non-governmental organisations to praise and support companies that help to strengthen Latvia’s economy in the long term, providing education, self-assessment, public acceptance, recognition of foreign partners/investors, CSR in company communication, comparison of performance with other companies in Latvia, Institute for Corporate Sustainability and Responsibility (InCSR, 2021). Participation in the SI is free of charge. According to experience and feedback, one of the main reasons why companies are participating in this assessment is the opportunity to acquire knowledge on how to boost business growth.

According to a Eurobarometer survey, 94 % of citizens in all EU Member States say that protecting the environment is important to them. In addition, 91 % of citizens stated that climate change is a serious problem in the EU. European legislation is necessary to protect the environment, according to 83 % of those surveyed (Eurobarometer, 2020). This means only one thing: companies that adhere to the principles of corporate sustainability and accountability in their daily work are future leaders. According to the results of the SI, in Latvia’s corporate environment, these leaders are becoming more and more – 24 % of this year’s members

participated in this assessment for the first time. This demonstrates that the global pandemic has contributed significantly to the commercial sector's understanding of the principles of responsible business. That sustainability is a lifestyle for organisations that have a very significant impact on both their growth and society and national and global developments as a whole (InCSR, 2021). According to SI gradation (Platinum, Gold, Silver, Bronze) in 2021, the minimum threshold for the sustainability index was reached by 67 participants, with an average score of 79.5 % in that estimate. 23 companies qualified for the highest Platinum category, five of which are “newcomers” – Development Finance Institution “ALTUM”, “Liepajas RAS”, “Maxima Latvia”, “Trellborg Wheel Systems Liepaja LSEZ” and “National Real Estate”. The proof of eligibility for the Gold category was received by 15 participants, for Silver category 19, and Bronze category 10. The overall performance of participating enterprises has increased in four out of a total of five sections of the SI – *strategies, market relations, the working environment and local communities*. The relatively highest growth is seen in the strategy section – 85.9 %, which is 4.4 % more than last year (InCSR, 2021). Sustainability motivators in companies have changed over five years; if both 2015 and 2020 the leading motivator was a “corporate image” then the next two in 2015 were staff and social responsibility, while in 2020 customers and the environment. As key challenges to sustainability, the respondents to the CSR Latvia study mention supply chain management, top and middle management, employees' involvement, and long-term integration in all areas of action (CSR Latvia, 2020). The results of the SI reveal that the understanding of Latvian companies and organisations on the principles of responsibility and sustainability is increasing. This year, the *performance of its members reached 75.4 %, almost 30 % more than in the first assessment conducted in 2010*. Environmental issues are particularly focused in Latvia's corporate environment, as it is in the environment section that the performance of its members has increased by 6.7 % this year, reaching 74.6 %. Meanwhile, the relatively highest performance rating participating companies have reported 82,6 % in the market relations section this year, as in previous years. It was 81.5 % in the strategy section and 76 % and 76.3 % in the working environment and local community sections, respectively (InCSR, 2021).

Discussion and Conclusion

The findings of this study cannot be interpreted as exhaustive or conclusive, but they provide a better insight into CSR concept evolution, the importance of corporate communications and CSR or sustainability reporting, reports' credibility and verification issues. This study also has

reviewed some evidence and CSR trends and reporting from Latvia. CSR 1.0 to CSR 2.0 to CSR 3.0 or CSV should be studied separately and extensively, as this was not the main focus of this study, although it is worth mentioning that transition and evolution of the framework are important to understand when assessing the quality of CSR or sustainability reports, as the goals and the concept behind the reports have changed drastically over the time. A good example of that would be a change from *damage management* to *damage prevention*; and also the following shifts in focus – from philanthropic to collaborative; from image-driven to performance-driven; from risk-based to reward-based; from specialized to integrated; from standardized to diversified; from marginal to scalable; from westernised to globalized. Although it can be argued, that the present-day CSR philosophy is not merely to prevent damage, it is more than that – in the current iteration of CSR, it is all about incorporating social and environmental impact into the business and then exploiting that integration to generate economic benefit, in other words – *creating a shared value* for all the stakeholders. Reporting comes to the forefront of corporate communication, which has also has undergone evolutionary changes – from public relations, marketing and public affairs tool to an indicating tool of socially responsible and sustainable operations, identifying future risks and possibilities, and thereby contributing to the company's competitiveness and long-term commercial endeavour. CSR or sustainability reporting is being viewed as a dual-channel communication tool, which engages all the stakeholder groups, that is intrapersonal, interpersonal, group, organisational, inter-organisational, or macroenvironmental.

Credibility and verification of CSR reports is another issue, as historically the quantity and quality of verified CSR report among the revealed CSR reports are low; hence some of the studies branded CSR as a “*greenwashing*” machine. The fact that the CSR report has been verified adds to its credibility. In Latvia, sustainable development and CSR initiatives are being supported on a national level, providing a good political foundation and social consciousness for sustainable development. CSR reporting remains a voluntary and discretionary initiative, except for listed companies, banks, insurance companies, and other companies designated by national authorities as public-interest entities, by European Union law via Directive 2014/95/EU.

The main promoter of CSR reporting in Latvia is “CSR Latvia”, which is a member of a bigger umbrella organisation “CSR Europe” (The European Business Network for Corporate Social Responsibility). “CSR Latvia” utilizes the following self-assessment initiatives – UN Global Compact, Sustainability Index (SI) and Global Reporting Initiative; and adopts the following guidelines – International Labour Organisation (ILO), OECD

guidelines for multinational enterprises, and ISO 26000:2010 standard for guidance on social responsibility. GRI remains the dominant global standard for sustainability reporting, although it has received some criticism – the guidelines have significant limitations that impede the production of reports that account for CSR impact, there are difficulties in understanding, they are complex, ambiguous, and too flexible, undermining both report standardization and comparison. The GRI reporting suggests the following cycle – development of reporting guidelines, preparation and dissemination of CSR reports, use of reports; where all of the components feedback each other and third-party verification is obligatory. The Sustainability Index association (SI) (Institute for Corporate Sustainability and Responsibility) is a strategic management tool developed by several Latvian experts to help Latvian enterprises to establish a level of sustainability and corporate responsibility. It is, perhaps, the most tool popular platform to be used for CSR or sustainability report consulting, assessment and education in Latvia. SI initiative's methodology is based on Dow Jones Sustainability Index and Business in the Community's Corporate Responsibility Index (CRI), and it follows the criteria of corporate responsibility standard ISO 26000 and the Global Reporting Initiative (GRI).

In 2021 the performance of the participants reached 75.4 %, almost 30 % more than in the first assessment conducted in 2010, also Latvia's corporate environment and its leaders are becoming more and more aware of the CSR importance – 24 % participated in this assessment for the first time, which is a substantial interest increase. SI results also have shown that the participating enterprises have increased in four out of a total of five sections of the SI – *strategies, market relations, the working environment and local communities*. The key challenges for the Latvian companies regarding CSR reporting are – *supply chain management, top and middle management, employees' involvement, and long-term integration in all areas of action*. The main limitation of this study is that the authors haven't performed empirical research or standalone CSR reporting analysis for the Latvian market. This study can serve as a basis or can be continued by the researchers, by first selecting and sampling the top Latvian companies of each sector and then investigating their sustainability reports, reporting methodology, as well as verification status. When the results of such a comprehensive study are synthesised, it is recommended to open the discussion about a *coherent (unified) national sustainability reporting framework and body*, as it would be the key component to ensure the success of such a venture. At the present moment, the variety of the guidelines, their complexity and the advisor-organisations role in it might be seen as confusing, *especially for smaller organisations that are not the branches of larger international enterprises*.

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