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EARLY EVIDENCE OF LATVIAN LARGE ORGANISATIONS' READINESS FOR REGULATORY SUSTAINABILITY REPORTING

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Abstract. In September 2024, the EU Corporate Sustainability Reporting Directive (CSRD) was transposed into the Latvian Sustainability Information Disclosure Law (Law). The law introduces new requirements for 296 large organisations to include a sustainability report (SR) prepared following European Sustainability Reporting Standards (ESRS) as a part of their management report in the annual report. The aim of this research is to understand the readiness of the Latvian market to ensure ESRS reporting. Thus, early in 2024, which is the first reporting year, the author performed the interpretive field study by conducting twelve semi-structured interviews with SR experts. The results revealed that data availability and quality are the main challenges when preparing the ESRS report. Experts suggested that ESRS reporting requires the introduction of regular sustainability accounting as an extension of conventional accounting and building enhanced sustainability data analytics for evidence-based decision-making. Conclusions show that to establish a transparent and cohesive approach to ESRS reporting, it is necessary to have an automated sustainability reporting system that embraces an assemblage of organisational sustainability and digitalisation. The recommendation for the management is to start early preparation and build robust internal big data analytics capability (BDAC) to guarantee a more cost-efficient approach to ESRS reporting.

Keywords*: Big data, digitalisation, sustainability accounting, sustainability reporting, iXBRL.*

JEL Classification: M14, M10, L21

INTRODUCTION

The introduction of the *Corporate Sustainability Reporting Directive (CSRD)* (CSRD, 2022) in the European Union (EU) that defines Sustainability Reporting (SR) following *European Sustainability Reporting Standards (ESRS)* (ESRS, 2023) is a crucial step in distilling expectations of the regulators, investors, and other stakeholders regarding sustainability, including environmental, social responsibility, and governance (ESG) matters (Schneider et al., 2024). The author's research focuses on the CSRD regulatory framework's dimension for large EU organisations that, according to the accounting directive (Amendment of the

Directive 2013/34/EU, 2023), fall under two out of the three criteria with the following thresholds:

- more than 250 employees;
- €50 million in turnover;
- €25 million in total assets.

Although new CSRD norms are already in the market for SR 2024, the challenges they bring to the market's accountability level are complex to embrace in a year or two without effective *digitalisation*. Those organisations that fall under new regulations are forced to embed real-time digitisation and control processes of the vast new sustainability ratios and implement novel reporting systems to move for more extensive reporting (Baumüller & Sopp, 2022).

Importantly, large organisations own big data capacity, which provides the necessary scope for *big data analytics capabilities* (BDAC) development potential and massive influence on business performance by overcoming information governance challenges. According to Mikalef et al. (2020) "BDAC has been defined as the ability of an organisation to capture and analyse data toward the generation of insights by effectively orchestrating and deploying its data, technology, and talent."

CSRD collectively drives change in how business reporting is perceived, what big data is treated as useful for the management decision-making process, and how newly available corporate qualitative traceable, transparent, and comparable sustainability information could open extensible insights to drive the potential of the business model change across European organisations.

Like other EU markets, Latvia was mandated to transpose CSRD in the legislative norms in 2024 to ensure the first official SRs are published in the 2025 reports. The Parliament of the Republic of Latvia adopted the Sustainability Information Disclosure Law (Law) on September 26, 2024. According to the information provided in the official annotation of the law it requires:

1) 9 public interest organisations with more than 500 employees to publish SR in 2025 for 2024;
2) 250 large organisations to publish SR in 2026 for 2025;
3) 10 small organisations, excluding micro-organisations and medium-sized organisations, whose transferable securities are listed on the regulated market in 2027 for 2026.

In total, according to the annotation, the law considers 269 organisations in Latvia in the upcoming three years to prepare SRs in compliance with ESRS.

The transposition was delayed by three months, causing an information gap for the organisations subject to regulatory SR. To obtain the early market readiness level for large Latvian organisations for SR in compliance with ESRS in the regulatory ambiguity situation, the author defined the large Latvian organisations as the object of this research.

1. LITERATURE REVIEW

Up to now there is absent field of scholarly research about the ESRS reporting readiness level of large organisations in Latvia. Thus, for the purpose of a literature review, the author expands the scope of it to the studies on Baltic countries. In addition to geographical proximity, Baltic countries have a similar business and cultural heritage. Thus, they tend to have tight economic links with many cross-border business groups. The economies of these countries are too small to be treated as self-sufficient; hence, often, investors perceive all three Baltic countries as one market. Therefore, Lithuania, Latvia, and Estonia could be treated and studied as homogeneous markets on a macroeconomic level (Rubčinskaitė & Urbšienė, 2024).

As per the author's best knowledge, until now, there is only one thorough study conducted by Zumente and Lace (2023a) within the content comparative analyses of the SRs of the 34 organisations from the NASDAQ Baltic stock exchange prime list. Based on their conclusions, governance-related information has the highest disclosure percentage due to its mandatory regulatory nature, followed by social aspects. According to the authors, the disclosures on the environmental topic are nascent and blurry, needing more clear data. The authors raise the issue of data unavailability and the need for more information about guidance on environmental measurement practice. Zumente and Lace (2023a) find that organisations disclose easier-to-compile and straightforward information. The author of this research argues that this is an indirect identification of the fact that organisations in the Baltics are avoiding complex big data analytics, and their sustainability accounting needs to be in place or integrated into the financial accounting systems.

Additionally, Güldenkoh et al. (2024) conducted empirical research based on a survey of medium-sized and large organisations in Estonia early in 2023 to determine their readiness for SR. The authors identify low readiness to produce SR and underline the market's anxiety about the potential high associated costs to sustainability accounting and Inline XBRL (iXBRL) information systems. Where the iXBRL is a specific digital human and machine-readable data format (Study on Data Formats for text-based disclosures, 2024) that is required by CSRD for SR (CSRD, 2022). The authors highlight that large organisations agree that integrated SR brings a dimensional shift to conventional accounting practices. Güldenkoh et al. (2024) conclude that due to the high CSRD-related processes integration costs and mandatory iXBRL nature of SR, respondents expect to receive governmental support measures for the required transition. However, no clarity about such support from the Estonian state is available.

Both Zumente and Lāce (2023a) on the Baltic level and Güldenkoh et al. (2024) on the Estonian level argue that regulatory requirements are the key drivers for large organisations to disclose SR.

The empirical findings of Karbekova et al. (2023) state that integrating sustainability in the quality of Industry 4.0 products in the Estonian market would significantly increase medium and high-tech manufacturing value added and enhance by third its high-technology exports of manufactured exports. They argue that to achieve Industry 4.0 products' sustainability as a part of their quality aspect, in addition to integrating sustainability into the organisation, it is central to

implement effective management information systems, particularly automated AI-driven sustainability accounting to process big data. Karbekova et al. (2023) outline that this is true specifically within the countries with the emerging practices of SR, where the Baltics belong. Among key findings, they support a positive correlation between SR rates in the country and medium and high-tech manufacturing value-added and high-technology exports.

According to the recent analysis of the European Green Deal adoption on the country level by Streimikiene et al. (2024), Estonia has taken a leading position among Baltic countries. Thus, based on the reviewed literature and conclusions made by Güldenkoh et al. (2024) where Estonia is identified with a low readiness level for SR in compliance with CSRD, nevertheless having the highest European Green Deal ranking within the Baltic countries, it may be concluded that Latvia and Lithuania are not expected to have a higher readiness level.

2. METODS AND PROCEDURES

On the Baltic level, Güldenkoh et al. (2024) and Zumente and Lāce (2023b) argue that regulatory requirements are the key driver for large organisations for SR. However, no academic studies are available about the readiness level of large organisations in Latvia for ESRS reporting. Thus, to draw the picture for large Latvian organisations, the author made the interpretive field study by conducting semi-structured interviews with an incomplete script. The semi-structured interviews were conducted with nine Latvian organisations related to CSRD, represented by a total of twelve interviewees. The aim was to understand the readiness level of the large Latvian organisations for SR required by the new law and identify the main challenges faced during the preparation period.

A qualitative approach is consistent with the fast-changing environment of SR in which large organisations in real-time (those that have to report already for the year 2024) or in a short time frame (those who have to report for the year 2025) must adapt their BDAC, ensure sustainability and digitalisation readiness, and embed important information governance artefacts to ensure the right cost-benefit balance in the organisation. Thus, finding the right "fit" in a CSRD framework requires complex and multifaceted approaches. Hence, the qualitative content analysis method was chosen as it provides more flexibility and a multidimensional view with a larger spectre of nuances and peculiarities (Myers & Newman, 2007), which is essential in the nascent field of empirical study.

To ensure greater discretion in judgments, anonymity was ensured for the interviewees. Organisations delegated for the interviews of SR representatives with the following positions:

- sustainability managers – 4,
- communication managers – 2,
- finance of investor relations – 2,
- directors – 3,
- ESG risk expert – 1.

The scattered list of professional niches that the organisations' representatives responsible for SR belong to indicates that there is no common understanding in the market regarding the subject's leadership on the operational level.

Three organisations are listed, thus having the practice of publishing their financial reports in European Single Electronic Format (ESEF), technically iXBRL, a format that the framework also is required in the new law in Latvia. To maintain anonymity, the list of the interviewees and represented industries by the organisations is available in Table 1.

Table 1. Interviewees of Semi-Structured Interviews
(Source: created by the author)

#	**Interviewee identifier**	**Industry**	**Number of interviewees**	**Position(s) in the organisation**
1.	Interviewee 1	Fuel trade	1	Sustainability project manager
2.	Interviewees 2–5	Financial and insurance services	4	Sustainability officer Head of Communication and Sustainability Head of Investor Relations and ESG ESG risk expert
3.	Interviewee 6	Manufacturing	1	Communication and CSR manager
4.	Interviewee 7	Retail	1	Corporate Social Responsibility Manager, LV & EE
5.	Interviewees 8–9	Energy	2	Business planning and control function project manager, Sustainability reporting Financing and Investor Relations Manager
6.	Interviewee 10	Consumer loans	1	Head of administrative department, Strategy and sustainability management
7.	Interviewees 11–12	NGO	2	Chairman of the Board Director, Manager of the Forest program

The organisations listed in Table 1 include:

- three large organisations obliged to report for 2024;
- four large organisations obliged to report for 2025; and
- two NGOs representing the interests of organisations in the dimension of sustainability reporting and biodiversity and environment. Not preparing SR themselves.

Importantly, two NGOs were included among nine organisations to provide non-biased experts' opinions on the SR topic to ensure evidence triangulation. The semi-structured interviews were organised in cooperation with the Ministry of Finance of the Republic of Latvia (Ministry of Finance) Accounting and Audit Policy Department representatives who are responsible for the supervision of SR audit bodies, thus controlling the quality of the limited assurance for SR.

The semi-structured interview consisted of twenty-three preliminary questions created by the author and validated by the Ministry of Finance representatives. These questions were adjusted during the interview based on the interviewee's competencies and specifics of the organisation. Eight out of nine interviews were performed from late January to February 2024, and one was conducted in late April 2024. The timing was picked on purpose, as interviews were taken immediately after European Sustainability Reporting Standards (ESRS) were published in the EU Official Journal which is the backbone for sustainability reporting in the frame of CSRD; and a year before the first SR deadline, to ensure the existence of the regulative frame of the interviews and capture the early phase of preparation within organisations.

Intentionally, the organisations that participated in the interviews were picked based on their existent activity on sustainability in the social environment to derive insights from their experience and knowledge. All interviewed organisations have previously published voluntary sustainability reports or participated in group SRs. It was decided that large organisations without sustainability reporting experience would not bring value to the study to identify the main challenges, pitfalls, and opportunities faced by the organisations within the new regulatory framework as they would lack minimal expertise in the field to make any judgments.

Before the interviews, a list of questions was sent to the interviewees. The interviews lasted from forty to ninety-five minutes, resulting in final decoded documents ranging from 11 to 22 theses. After the interview, based on the explicit notes (the interviews were not recorded), the author wrote down the main theses of the interview. In the next step, those were agreed upon with the co-interviewers from the Ministry of Finance and then adjusted and accepted by the interviewees. In total, 156 approved theses were collected from the interviews for further content analyses. In the first stage, interviews were grouped according to reporting year or NGO status. Then, analyses involved reading interviews theses multiple times. Later main themes and patterns were identified and clustered in relevance to the BDAC elements, information governance artefacts, digitalisation and sustainability. Further comparison and contrasting analyses of the systematic relations were performed. For triangulation purposes, the obtained information from the interviews was compared with the available SRs and publicly available information on the official websites of the organisations. Finally, the main trends and challenges were listed.

In the following part, the author analyses and discusses the findings to understand the potential readiness level of organisations to navigate towards the "fit" within the new SR market reality through internal transformation and overcoming potential issues. The author tries to understand early trends of the practices developing in organisations for SR in Latvia.

3. RESULTS

To draw a comprehensive perception of the essential topics covered by the interviewees and to visualise the main trends and challenges discussed, the author generated the unified word cloud, as demonstrated in Fig. 1. For this purpose, the Voyant – a cloud-based digital text analysis tool, was used (Harlung, 2023). The word cloud is analysed based on the number of mentions of the word in the text presented from the biggest to the smallest.

Fig. 1. Word cloud of the interviews' content.
(Source: created by the author using the Voyant tool)

As seen in Fig. 1, all interviewees have primarily highlighted that the largest problem during the preparation for reporting, according to ESRS, is data availability (Fig. 2) and quality. The *data* was the second most popular word in the interviews' theses after *sustainability*. Additionally, Fig. 1 shows the importance of the term *information*.

To analyse the relations between the main trends in the interviews, the author created a visual representation of the correlating links for the most frequent words used in the interview theses: *sustainability* – 153 times, *data* – 84 times, and *report* – 72 times. It was considered logical to add context-wise a word similar to *data* – *information* – 38 times. The visualisation of the links is reflected in Fig. 2.

As can be seen from Fig. 2, *information* directly relates to the *data,* which logically links with the *sustainability report*. It is also proved in the context of the interviews' texts narrative that *information* and *data* are often used interchangeably,

which enhances the holistic position of their leadership from the perspective of the challenges faced by the interviewees. Thus, for the transparency and comparability purpose of further dimensional content analyses in relation to *data-related* and *information-related* challenges, these terms in the following parts of the article will be unified by the umbrella of *data*.

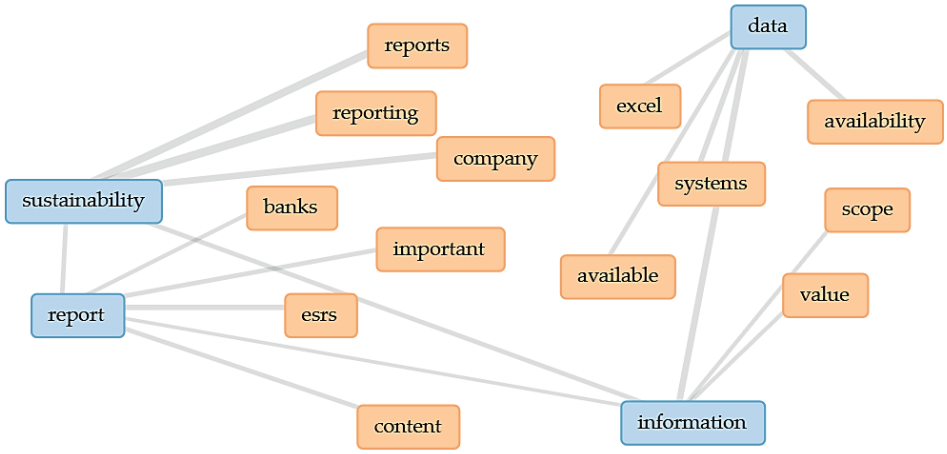

Fig. 2. Correlating links for words in the interviews' theses: sustainability (153), data (84), report (72), and information (38). (Source: created by the author using the Voyant tool)

From the analysis of Figs. 1 and 2, as well as content analyses of the interviews' theses, the author identifies that the data challenge is especially highlighted in relation to the value chain, double materiality, and Scope 3 carbon emissions calculation. Partially, it is due to the absence of statistical data for the Baltic region on certain dimensions of the reporting matters, partially since value chain participants need to account for sustainability data or be motivated and share the required data, which is practically not the case. The issue is that in the first half of 2024, the CSRD transposition has not happened yet on the local level in many EU countries, including Latvia, and thus, market participants from the value chain were not informed about the new requirements for SR.

Further content analyses demonstrated that the banks in Latvia are the main stakeholders that try to change the level of awareness and actively perform educational activities about the CSRD framework and ESRS. The role of banks in relation to SR is additionally visualised in Figs. 1 and 2. Hence, the situation gradually improved regarding the basic understanding level. However, Interviewees 1, 7, 8, and 9 consider that the largest challenge is getting data from the value chain outside the EU, especially from Africa or central Asia. Specifically, Interviewee 7 mentioned that even when the data is obtained from the partners in these regions, it could be challenging to identify the level of data reliability, thus increasing the risk of greenwashing. The quote below shows that this may remain

a problem in the long term as, in certain cases, it is difficult to influence the change in data availability:

> "It is noted that the *organisation* will request all necessary information from the value chain, but there is great scepticism about the possibility of obtaining information in the necessary volume and quality. Since an *organisation* has a lot of specific equipment and unique cooperation partners in its operation, the further the level of the value chain is being studied, the more questions arise. Due to some cooperation partners' high specificity and irreplaceability, it is difficult to influence the process of receiving data from such partners." (Interviewees 8–9)

Interviewee 1 illuminated that the process of studying the value chain, understanding the scale and scope of the required data, and obtaining it is extremely time-consuming. For example:

> "Scope 3 data is a challenge. The organisation tried putting some products through a full life cycle analysis, which took a few months." (Interviewee 1)

Thus, it is important to understand that success depends on multiple independent factors and is not guaranteed even when heavily trying to receive data from the value chain. The quote illustrates that the challenge lies not only in getting the data but in knowledge sufficiency to define the right value chain framework and find internal human and time resources to deal with the data-obtaining process.

Additionally, Interviewee 12 reveals that official statistics for the scope of the required data in the environmental dimension for Latvia are scarce and difficult to obtain to ensure reliable SR information. It is stressed that receiving data outside direct value chain channels may be extremely costly. Thus, finding the right cost-benefit balance for organisations to stay competitive in the market is vital. These factors support the environmental and relationship uncertainty organisations face when required to comply with CSRD and their need for the right "fit" in BDAC and business performance relationships.

Alongside all organisations, there were marked challenges in the frame of the universalism of the analytical systems. That is also seen in the direct relations of *report* and *systems* in Fig. 2. The data for sustainability reporting remains silo-based, split among departments in the organisations. As is reflected in Fig. 2, in the correlating link of *Excel* to *data*, the majority has accepted that they use Excel to gather information and merge data, leading to low sustainability information transparency and weakening the BDAC level of the organisation. Large data sets being handled in Excel also significantly diminish control over data input, processing, and output, thus leading to a low flexibility level of big data analytics. The author argues that the nascent level of BDAC points to the risks related to such information governance artefacts as informational protection, availability, and reliability. That leads to the decreased ability of the organisation to evidence-based decisions related to sustainability. Interviewees have also identified that as a problem for SR quality, highlighting that there is no universal solution or easy way to change the status quo. For instance, Interviewee 10 revealed that the organisation

is putting together Excel with several separate "bolt-on" solutions. Interviewees 4, 5, 8, and 9 shared that they are starting or planning to start building a new big data architecture for SR using existent internal IT resources:

> "The company's ESG data from various departmental systems is compiled into a unified Excel. In the future, the possibility of purchasing a more convenient unified technical solution for working with ESG data is not excluded. However, this issue is common to the whole group, and the choice of such a system for the whole group is likely to be made by the parent company. Currently, cooperation with a consulting company is happening to assess the situation at the group level." (Interviewee 6)

Quote diversifies the independence level for decision-making and problem-solving of local capital organisations and those that are part of the global group's policies.

Interviewees 8 and 9 also disclosed the crucial difference between GRI and ESRS reporting approaches and granularity level. Stating that:

> "… the transition to reporting under the ESRS is a significant step that requires a qualitatively different approach to preparation, data collection, and reporting. The *organisation's* representatives have assessed the differences between the GRI and ESRS reporting standards. It is noted that reporting according to GRI was possible with data coordination in manual mode, but it is no longer sufficient for ESRS, as the amount of data and information required for reporting is much larger. Therefore, it is necessary to introduce/build new automatic data and information processing technical systems."

Therefore, the quote provides field evidence that ESRS has substantially more complex requirements that are harder to comply with than GRI, which, according to publicly available information, is Latvia's most popular voluntary SR standard. SR requires a new notion of sustainability big data analytics that calls for resilient, coherent, and holistic sustainability accounting to ensure robust data information governance artefacts for data integrity, transparency, and availability.

Practitioners accepted the development of sustainability accounting as a common independent trend from conventional accounting. Even though ESRS requires reporting to follow the double materiality paradigm, few accepted that they are working on the partial integration of "green" activities accounting within their existing financial reporting systems. Interviewees 1, 4, and 10 mention it in the shortlist of the most crucial projects to be completed during the current year. The current stage reveals that sustainability accounting, as a part of digitainability, is on the embryonic level of development.

All sought to integrate iXBRL reporting as a "bolt-on" solution. The average level of knowledge about the format itself is evaluated by the author of this thesis as low, except for two organisations that were already tagging their financial reports for ESEF reporting and one organisation that was outsourcing this task as a service. However, even interviewees from these organisations working with SR accepted

that they have little knowledge of the subject, as until now, it was not relevant to the scope of their responsibilities. For instance:

> "The reporting in XBRL format internally is not fully understood. It is thought that the iXBRL sustainability specialist will not deal with the tagging of the sustainability report due to the existent scope of work, but the task will be performed by someone else." (Interviewee 6)

Interviewee 11, who represents the organisation's opinion as an expert in the field, also supports this view.

The results of the word cloud in Fig. 1 demonstrate that the role of *management* in building an SR framework within organisations is crucial. All interviewees claimed that executive management receives and analyses sustainability reports. However, only representatives of four organisations revealed that their management already looks at internal sustainability data more regularly than once a year. Furthermore, another organisation plans to switch to a more frequent schedule. None of the practitioners demonstrated the existence of regular formalised and documented policies for reviewing SRs by the management on the same level as it is executed for financial reporting. For instance:

> "The management analyses the annual sustainability reports at a general level. Management increasingly involves the prism of sustainability in its investment and development decisions. However, the economic dimension remains to be primary." (Interviewee 1)

The quote demonstrates the common position of management's perception of SR. They ultimately prioritise the economic part of the triple bottom line, treating the environment and social responsibility dimensions based on the "nice-to-have" perspective, that is not strongly determining the decision-making result. The word cloud analysis in Fig. 1 also supports the uncertainty related to integrating the importance of *business* and *financial* aspects of the organisation's operations in the emerging SR framework. Many interviewees outline the challenge of understanding the financial materiality methodology prescribed by ESRS and its alignment with the conventional financial reports (ESRS, 2023).

Contrary to the trend, Interviewee 6 argued that sustainability is embedded in its DNA and is considered a crucial aspect of management decision-making, which is also supported by publicly available information about the organisation. However, the interview has revealed that the sustainability-friendly policy of the organisation is rather intuitively-driven, while sustainability accounting practice is nascent and stays independent from conventional accounting with plans for some future step-by-step integration.

Only Interviewees 8 and 9 identified that their organisation moved higher-level responsibility for SR to chief financial officer (CFO) early in 2024. Interviewee 1 stated that the CFO will likely overtake responsibility for SR in the future. The author argues that the abovementioned arguments reflect two important trends of the status quo situation. First, equating SR and financial reports information on the

management interest level is far from reality. Secondly, the common perception of sustainability on the management level is limited to the silo-based dimensions of environment and social responsibility, not connecting it to the economic value it could bring to enhance business performance. Still, many treat SR as an external communication exercise rather than an impulse for internal transformation.

To support this finding, the author stresses that none of the organisations has yet integrated the sustainability risk management system into the conventional risk management system. However, three organisations have started to work on the integration. Practitioners disclose that currently sustainability risks exist separately from the business risk level, often for purely compliance purposes driven by a different methodology than conventional risk management systems. The expert from the NGO, representing the broader spectre of the large organisations in Latvia subject to CSRD, identified an even larger problem, by stating:

> "Many currently do not have risk management systems at all. Managers of the organisations do not yet understand why and how to integrate ESG aspects and risks into management processes." (Interviewee 11)

The quote provides evidence of the author's conclusions. Additionally, one organisation provided evidence of the recent launch of a sustainability committee on the management level and highly evaluated the results of its work. Interviewees 6 and 7 recognised that they have sustainability working groups on a non-executive level that regularly meet to coordinate work among departments.

According to the preliminary field evidence, early in 2024, the market lacks the dynamic capability on the management level to ensure enough knowledge and execute robust big data analytics management required for SR in compliance with ESRS.

Four organisations acknowledge that additional human resources are required to prepare SRs in compliance with ESRS due to the broad scope of work.

> "Due to ESRS requirements, closer cooperation between the sustainability specialist and the financial and IT departments will be formed in the company. Although it is noted that ESRS will affect all departments. Additional manpower is required to fulfil ESRS requirements." (Interviewee 10)

The quote demonstrates that SR significantly embraces tighter cooperation among departments than it was before, understanding each other's functions and data interlinkage. The professionals clearly identified structured and unstructured big data available across the organisation, thus pointing to the problem related to its coherent aggregation and universalism for ensuring reliable BDA.

> "Data collection will be automated in the future, as all departments are involved in providing data for the creation of the sustainability report." (Interviewee 10)

The quote demonstrates that the practical understanding of the necessity for BDAC is growing not within a top-bottom approach but in a bottom-top direction. During the interviews, practitioners demonstrated readiness for staff cooperation among departments, which is, in many cases, already happening. When reaching that stage, people deliver practical insight to their managers for the necessity to automate dataflow since big data cannot be analysed using traditional methods, and it requires novel tools, technologies, and approaches to be introduced in the organisation.

Thus, according to the author, enhanced cooperation among the organisations' different functions, which are now heavily informed about the operational necessity to regularly cross-share big data, builds the foundation for stronger BDAC in the future. Thus, building human analytical capabilities across the whole organisation, not limiting it to the data analytics unit, is crucial to ensure the beneficial development of organisational BDAC and delivering reliable SR.

CONCLUSIONS

After examining the interview theses, the author finds that they illustrate the absence of a consistent approach to building SR practice in large Latvian organisations mainly due to the lack of understanding of the scope and form of information to be reported in accordance with ESRS. That signifies their low readiness for SR reporting. Based on the conducted analyses, the author argues that organisations with some practical experience in SR and a certain level of preliminary knowledge of ESRS indicate that coercive reporting and environmental uncertainty drive their actions of approaching BDAC, sustainability, and digitalisation.

Prominently, the lack of necessary data for SR is comprehensively outlined as a problem. An internal corporate understanding of the uncertainty scope is emerging and is not yet embraced by the organisations. Findings demonstrate the necessity to find the "fit" in the form of creating synergy between organisational sustainability and digitalisation, considering the practical hands-on experience of facing big data analytics challenges. That drives the bottom-up perspective for building sustainability reporting in the Latvian case. The results outline compliance-driven rather than business performance-driven management readiness to increase their knowledge capacity for embracing the organisation's triple-bottom-line and practical utilisation of the SR-presented information for decision-making purposes.

Within the early evidence, the author created the list of main challenges and pitfalls faced by the organisations while preparing to report in compliance with the CSRD framework:

1. Data availability and quality, specifically from the value chain that increases unintentional greenwashing risks.
2. Lack of the internal universalism of the analytical systems diminishing data transparency and traceability.
3. Low methodological understanding and competence readiness for ESRS reporting, specifically double materiality assessment.

4. Challenging transition processes from GRI to ESRS reporting.
5. Unclear route of embedding sustainability accounting into conventional accounting systems.

The obtained list has practical implications that provide important details to be timely approached by the managers responsible for building SR related processes in their organisation. Importantly, based on the performed descriptive analyses, the author argues that more organisations are starting to accept the need for internal digital transformation caused by regulatory SR. Thus, the author recommends that the management of large organisations begin early and invest in building reliable internal BDAC by ensuring proper control over sustainable data flows and ensuring the analytical competencies of the staff and management to deliver the required level of ESRS reporting as demanded by the law.

Summarising, it is stated that early market readiness for ESRS reporting in Latvia is at its nascent emerging level, even among organisations that have already started to prepare for SR. This research contributes to the nascent theoretical framework of SR in the literature and builds the foundation for future studies.

LIMITATIONS AND FUTURE RESEARCH

This study has a limited theoretical and empirical framework due to the nascent field of research as the regulatory SR phenomenon is new. The scope of the research is limited to the number of organisations represented in the interviews that do not reflect the representation of the Latvian market. Findings only indicate the directions of the trends and challenges for the organisations subject to the SR. All interviewees had previous experience with voluntary SR. Thus, they have a higher awareness of the subject in comparison to others in the market. When the interviews were performed, the CSRD was not yet transposed to Latvian legislation. Thus, the research could be replicated in 2025 when the law is already transposed. Future studies may examine the first SRs available in the market in 2025. Future studies may also conduct similar empirical studies to compare Latvian market CSRD readiness to other Baltic countries.

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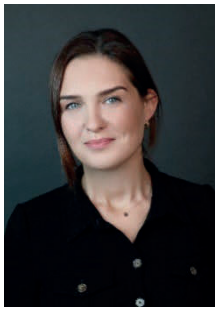

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