

Corporate Sustainability Reporting in Public Healthcare Institutions: Relevance, Challenges, and Legal Perspectives

Kristaps Zariņš

*Faculty of Social Sciences
Rīga Stradiņš University
Riga, Latvia
kristaps@zarins.lv*

Emīls Georgs Siders

*Faculty of Social Sciences
Rīga Stradiņš University
Riga, Latvia
georgs.siders@rsu.edu.lv*

Abstract—Corporate sustainability reporting by public healthcare institutions is essential not only for addressing environmental and social issues but also for ensuring long-term economic stability. This study analyses the implementation requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) in the healthcare sector, with a particular focus on large hospitals. Furthermore, the study compares the transposition of the CSRD into the national laws of Latvia, France, and Germany, highlighting key differences, such as sanctioning mechanisms. The research employs comparative legal analysis, content analysis, and legal norm interpretation methods. The results indicate that, unlike Latvia, France and Germany have adopted strict penalties for companies and their managers for non-compliance with CSRD requirements to promote accurate and reliable sustainability reporting. The study finds that Latvian healthcare institutions meeting the CSRD criteria, such as Pauls Stradiņš Clinical University Hospital, will be required to establish sustainability reporting systems by 2026. Consequently, the study's findings are applicable to other CSRD member states when assessing the obligations of various companies or institutions to provide sustainability reports. In addition to challenges, the study emphasizes potential benefits for businesses, including enhanced reputation. These findings also provide valuable insights for policymakers working on the development of effective regulations and the implementation of sustainability reporting in the healthcare sector.

Keywords— *Corporate Sustainability Reporting, Environmental, Social, and Governance (ESG) Reporting, Healthcare Sector*

I. INTRODUCTION

Sustainable healthcare is crucial for safeguarding public health and mitigating climate change. This article

examines the requirements of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), with a particular focus on the obligation of Latvian hospitals to provide sustainability reports. The article explores the legal aspects, as well as the challenges and opportunities this process presents for the healthcare sector.

Although discussions about climate change and its consequences began as early as the previous century—for instance, Swedish scientist Svante Arrhenius published a study in 1896 on the impact of carbon dioxide in the atmosphere on Earth's temperature[1] — the issue of mitigating the effects of climate change has gained particular prominence in the past decade. Consequently, several international and European-level regulatory acts have been adopted, including documents related to the European Green Deal.

The Non-Financial Reporting Directive (NFRD), adopted in 2014, aimed to improve the transparency of non-financial indicators for large companies. This directive[2] required large entities with more than 500 employees to report on their impact on the environment, social issues, human rights, and corporate governance. However, the NFRD covered only a limited number of companies and was often criticized for being too general and insufficient to effectively address sustainability challenges. In contrast, the European Green Deal, introduced in 2019, set the goal for the European Union to become a climate-neutral continent by 2050, thereby demanding greater transparency and accountability from companies. Addressing the shortcomings of the NFRD, in April 2021, the European Commission proposed a new directive—the Corporate Sustainability Reporting Directive (CSRD)[3] — which expands reporting obligations and enhances the quality and

Online ISSN 2256-070X

<https://doi.org/10.17770/etr2025vol1.8664>

© 2025 The Author(s). Published by RTU PRESS.

This is an open-access article under the [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

accessibility of sustainability information, covering a broader range of companies, including certain small and medium-sized enterprises.

With growing interest in climate change and its consequences, as well as efforts to mitigate them, the issue of corporate sustainability reporting has also evolved, becoming increasingly significant in promoting transparency, accountability, and sustainability in business operations, particularly within the European Union. As society increasingly demands corporate responsibility for their impact on the environment and communities, several regulatory acts have been developed, the most notable being the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS).[4] These legal instruments aim to enhance companies' reporting on their impact regarding environmental, social, and governance (ESG) factors.

Thus, corporate sustainability reporting has become one of the key elements in advancing global sustainability. Since the European Green Deal was incorporated into the EU's framework, with its primary goal of achieving climate neutrality by 2050, EU member states have been subjected to stricter requirements regarding sustainability reporting. The CSRD, which also amends the Non-Financial Reporting Directive, introduces new and specific requirements for companies across all sectors, including healthcare institutions. At the same time, this directive not only mandates companies to report on their impact on the environment, society, and corporate governance, thereby increasing transparency, but it also requires companies to assess how environmental factors affect their own operations. This article will also compare the approaches of different EU member states in transposing the CSRD into their national laws, such as in France and Germany. It is observed that the varying approaches of these countries lead to differences in the application of the CSRD, reflecting each nation's unique national and social structures. The authors have chosen to compare the experiences of France, Germany, and Latvia in implementing the CSRD, as France and Germany have placed significant emphasis on penalizing companies for non-compliance with the CSRD and ESRS requirements. In contrast, Latvia has taken a more cautious approach, refraining from imposing direct sanctions for failure to meet reporting obligations. Germany and France were specifically selected for comparative analysis because these countries represent advanced economies within the EU, and they have established clear and stringent sanctioning mechanisms. Additionally, the availability of comprehensive legal documentation and their distinct legislative approaches provided a strong basis for comparison. A limitation of the methodology used is that it primarily relies on document-based legal analysis, potentially overlooking practical implementation challenges not captured in official documents.

According to Recital 13 of the CSRD preamble, there is substantial evidence that many companies fail to disclose significant information on key sustainability-related issues. This includes climate-related matters such as greenhouse

gas (GHG) emissions and factors impacting biodiversity. The report also highlights the problem of limited comparability and reliability of sustainability information. Furthermore, many companies from which users require such information are not obligated to make it public. This creates a clear need for a robust and cost-effective reporting framework, complemented by efficient audit practices to ensure data reliability and prevent greenwashing and double-counting.[3] As noted by KPMG in its report, the implementation of the CSRD in Europe significantly increases companies' obligations to report on their sustainability.[5]

The concept of corporate sustainability encompasses companies' efforts to reduce their negative impact on the environment and society while promoting transparency and responsible governance. Sustainability is essential in corporate operations to enhance accountability and trustworthiness.[6] In the European Union, including Latvia, this area is becoming increasingly significant, particularly in connection with the new EU regulatory framework.

The aim of this article is to analyse these documents and legal acts, as well as to assess their impact on companies, particularly healthcare institutions in Latvia, by comparing the experiences of different EU countries in transposing the CSRD.

II. MATERIALS AND METHODS

This study examines how the Corporate Sustainability Reporting Directive (CSRD) has been integrated within the European Green Deal framework in Latvia and other European Union (EU) countries. The research involves a comparative legal analysis of the CSRD and European Sustainability Reporting Standards (ESRS) in relation to Latvian legislation. Additionally, the study contrasts the Latvian legal framework with that of other EU member states, specifically France and Germany, with a focus on the sanctions imposed for non-compliance with CSRD requirements. The research also incorporates an analysis of expert opinions provided by leading law firms on the implementation and compliance challenges associated with CSRD. Furthermore, the study identifies which Latvian healthcare institutions will be subject to mandatory sustainability reporting obligations.

A combination of qualitative and quantitative research methods was applied. The primary method used was a comparative legal analysis to evaluate the alignment of Latvian laws with CSRD and ESRS, as well as to identify differences between Latvia's approach and that of France and Germany. The study also employed content analysis to assess legal provisions, regulatory frameworks, and sustainability reports. To gain further insights, the research utilized legal norm interpretation methods to assess the applicability of CSRD provisions in national contexts, focusing on systemic, grammatical, and teleological interpretations. The findings contribute to understanding the legal and regulatory landscape of sustainability

reporting in the Latvian healthcare sector and provide a basis for assessing future policy developments.

III. RESULTS AND DISCUSSION

A. *The Legal Framework for Corporate Sustainability Reporting*

a) *The Concept of Sustainability in the Healthcare Sector*

The concept of "sustainability" has become a fundamental principle in today's world, applied across economic, environmental, and social contexts. From a legal perspective, sustainability signifies responsible actions that preserve resources and quality of life for future generations while balancing economic interests, social well-being, and environmental protection. In the healthcare sector, the concept of sustainability holds particular importance as it directly influences not only the operations of healthcare institutions but also public health as a whole. Sustainability is traditionally divided into three main pillars: environmental sustainability, social sustainability, and economic sustainability. These pillars are interconnected, and their balance is essential to ensure that the healthcare system can deliver quality services in the long term without causing negative consequences in the future.[7] In the context of healthcare, sustainability is especially critical as institutions must consider their impact on the environment, public health, and economic viability.

Similarly, another study highlights that the implementation of sustainable practices in the healthcare sector is based on three dimensions—environmental, social, and economic. It further emphasizes that the environmental dimension is the most critical, encompassing initiatives such as circular resource practices, waste reduction and recycling, and sustainable procurement policies. The integration of these initiatives into the operations of healthcare institutions reduces their environmental impact and enhances public health, particularly by lowering pollution and promoting efficient resource use. At the same time, these practices not only foster environmental sustainability but also deliver economic benefits, such as cost reduction and improved operational efficiency.[8]

The economic dimension places special emphasis on promoting research and innovation, as well as local production, with studies revealing these factors as key drivers influencing all other dimensions of sustainability. For instance, innovations in diagnostic and care models not only enhance the quality of services but also improve the accessibility and efficiency of healthcare. Additionally, employee and patient satisfaction, which forms part of the social dimension, is a critical aspect that impacts the overall sustainability of the healthcare system, creating a positive effect on service quality and the improvement of public health outcomes.[8]

Healthcare institutions must consider their environmental impact and comply with various regulatory acts that mandate measures to reduce harm to the

environment. Waste management is a critical issue, as hospitals are required to adhere to regulations on hazardous and medical waste management to ensure proper disposal and prevent threats to the environment and public health.[20] Similarly, healthcare institutions must ensure energy efficiency by utilizing energy-efficient technologies and reducing energy consumption, which not only lowers costs but also promotes environmental sustainability. Mitigating the effects of climate change is another essential aspect, requiring hospitals and other healthcare institutions to ensure their operations do not exacerbate climate change through carbon emissions or inefficient resource use. Sustainable infrastructure and energy management are vital tools for minimizing the negative environmental impact.[9]

Social sustainability in healthcare primarily pertains to equity, respect for human rights, and the promotion of public health. Healthcare institutions have a legal obligation to ensure good working conditions for their employees by complying with occupational safety standards and providing fair compensation. Employee health and well-being are critical factors that influence both staff satisfaction and their ability to deliver quality services to patients. Healthcare institutions must also ensure equal access to healthcare services, prohibiting discrimination based on gender, race, religion, or social status. Healthcare is a fundamental right, and sustainable healthcare means that services are accessible to all members of society, regardless of their personal or social circumstances. Sustainable healthcare systems also contribute to public health by not only treating illnesses but actively engaging in public education and preventive programs. Healthcare institutions must work to improve public health by providing information on healthy lifestyles and disease prevention, which, in the long term, helps reduce the burden on the healthcare system.[9]

Economic sustainability means that healthcare institutions must ensure long-term financial stability to continue providing high-quality services. Sustainable financing is a crucial element to enable hospitals and other healthcare institutions to operate efficiently while maintaining a high standard of service. Healthcare institutions also have a responsibility to carefully manage public funds if they receive state financing. Legally, hospitals are accountable for ensuring that public resources are used efficiently and responsibly to deliver the best possible services to society. At the same time, they must ensure that the healthcare system remains financially sustainable and capable of continuing its operations in the future.

EU legislation, such as the CSRD and ESRS, mandates that large healthcare institutions, including hospitals, provide detailed reports on their sustainability policies and practices. This means healthcare institutions have a legal obligation to report on how they ensure sustainability across all three dimensions: economic, social, and environmental. In addition to EU regulations, healthcare institutions must also comply with national legal frameworks governing areas such as waste management, labor rights, human rights, and public health protection.

Hospitals are responsible for operating in accordance with these legal requirements and ensuring that their activities align with sustainability principles. Sustainability in healthcare legally encompasses responsible resource management, social equity, respect for human rights, and long-term economic viability. Hospitals and other healthcare institutions play a critical role in promoting sustainability, not only by providing treatment but also by contributing to public health, environmental protection, and economic stability. The sustainability of healthcare systems is essential to ensure they can continue delivering quality services and positively impacting society over the long term.

TABLE 1 OVERVIEW OF REGULATORY FRAMEWORK FOR CORPORATE SUSTAINABILITY REPORTING IN THE HEALTHCARE SECTOR

Source	Information
Corporate Sustainability Reporting Directive (CSRD)	Information on legal requirements for sustainability reporting applicable to large companies and healthcare institutions
European Sustainability Reporting Standards (ESRS)	Information on specific sustainability reporting standards applicable to various sectors, including healthcare
European Union and National Legislation	General principles on environmental protection, labor rights, human rights, and public health protection
Documentation in Healthcare and Sustainability Sectors	General information on the implementation of sustainability principles in healthcare, including waste management, energy efficiency, and resource management

b) Analysis of the Corporate Sustainability Reporting Directive

The CSRD is considered a crucial element in achieving the goals of the European Green Deal and climate neutrality by 2050. This directive replaced the Non-Financial Reporting Directive (2014/95/EU) and introduced stricter requirements for sustainability reporting in companies, while also expanding the range of entities obligated to report. Under the CSRD, companies are required to provide detailed information about their impact on the environment, society, and governance.[5]

The CSRD mandates the application of a double materiality perspective, requiring companies to report both on their impact on the environment and society and on how these factors affect the company's operations.[3] This approach ensures that businesses provide an accurate and truthful account of their sustainability performance, reflecting the actual situation.

The implementation of the CSRD will occur gradually, starting with large undertakings in 2025 and extending to small and medium-sized enterprises by 2027 (and in certain cases, until 2029). The CSRD aims to enhance corporate transparency and accountability, which benefits not only society as a whole but also the businesses themselves. Article 1(4) of the CSRD defines the scope of sustainability reporting, stipulating that the report must include

information necessary to understand the company's impact on sustainability issues, as well as information needed to understand how sustainability issues affect the company's development, performance, and financial position.[3]

The report must include a concise description of the company's business model and strategy, as well as information on the sustainability-related targets set by the company to be achieved within a specific timeframe. This includes, where applicable, absolute greenhouse gas emission reduction targets for at least 2030 and 2050. The company must also provide a description of its progress toward achieving these targets and a statement on whether the environmental targets are based on robust scientific evidence.[3]

The report must also include a description of the role of the administrative management and supervisory structures in managing sustainability issues, the company's policies regarding sustainability matters, and whether there are any incentive schemes related to sustainability. Additionally, the company must provide an overview of the due diligence processes implemented for sustainability issues, key actual or potential adverse impacts related to its operations and value chain, and any measures taken to prevent, mitigate, or eliminate these impacts, along with the results of such actions. Furthermore, the company must describe the main risks associated with sustainability issues that could jeopardize its operations.[3]

Article 19a(6) of Directive 2013/34/EU, as amended by Article 1(4) of the CSRD, now stipulates that, by way of derogation from paragraphs 2 to 4 of this article, small and medium-sized enterprises (SMEs) and small and non-complex entities may limit their sustainability reporting to the following information: a brief description of the company's business model and strategy; a description of the company's policies related to sustainability matters; the main actual or potential adverse impacts of the company on sustainability matters and the actions taken to identify, monitor, prevent, mitigate, or remedy such adverse impacts; the principal risks related to sustainability matters that the company faces and their management; and the key indicators necessary to disclose the aforementioned information.[3]

In essence, the CSRD mandates that companies comply with the ESRS, which provides detailed guidelines on the content of reporting, such as climate change, human rights, and governance structures. Meanwhile, the CSRD broadly outlines the key components of the report and defines the scope of companies for which reporting is mandatory.

Particular attention must be paid to the provisions of Article 3 of the CSRD regarding the assurance of the accuracy and reliability of annual and consolidated sustainability reports. This assurance must be carried out by an independent, professional, and trained third party, thereby ensuring the precision and credibility of the data. Studies indicate that while the implementation of the CSRD will significantly enhance the reporting system, additional training and support are also necessary,

particularly for small and medium-sized enterprises (SMEs), to enable them to meet the new requirements.[10]

It is important to emphasize that the goal of corporate sustainability reporting is not to require businesses to disclose information about intellectual capital, intellectual property, know-how, or innovation outcomes that would qualify as trade secrets.[3]

The international business law firm "Sorainen" (hereinafter referred to as Sorainen) has pointed out that the CSRD significantly expands exceptional reporting obligations. The directive not only sets requirements for reporting on environmental and social issues but also emphasizes the double materiality approach, which requires companies to report both on their impact on the environment and national sustainability and on how environmental and social issues may affect their operations or financial position. This approach ensures that companies are fully accountable for their impact on the environment and society. Additionally, it provides a comprehensive overview of a company's sustainability strategy and its potential impact on the long-term development of the business.[11]

In addition, Sorainen emphasizes that the implementation of the CSRD requires not only a narrow report on a company's impact on environmental factors but also on how its operations affect society, such as respecting human rights and ensuring fair working conditions for employees.[11] Applied to healthcare institutions, such as hospitals, this means they will also need to report on social factors, including employee health and safety, patient rights and access to healthcare, as well as the institution's contributions to strengthening the community.

Regarding third-party audits and verification of corporate sustainability reports, Sorainen emphasizes that one of the primary requirements for corporate sustainability reporting is the need for third-party audits. These audits ensure that the submitted reports accurately reflect the company's actual practices and are reliable. This is particularly relevant for large companies facing complex sustainability reporting requirements. Independent and certified auditors review whether the company's reported data complies with the CSRD and ESRS standards. The verification of reports by certified auditors helps mitigate various risks, such as greenwashing—where companies may provide misleading information about their sustainability efforts to enhance their reputation without making genuine efforts to promote sustainability.[11]

Thus, third-party auditing is considered a crucial element to ensure that corporate sustainability reports provided by companies are truthful and reliable. As noted by Sorainen, the quality of sustainability reporting improves only when such reports are verified and certified with the involvement of independent auditors. This process compels companies to provide more detailed and accurate information, which can then serve as a trustworthy resource for investors and society as a whole.

c) Analysis of the European Sustainability Reporting Standards (ESRS)

To assist companies in meeting the requirements of the CSRD, the European Commission has developed the European Sustainability Reporting Standards (ESRS), outlined in Commission Delegated Regulation (EU) 2023/2772. These standards ensure that companies systematically reflect their impact on environmental, social, and governance (ESG) factors. The ESRS covers areas such as climate change, pollution, biodiversity, and human rights.[4]

The ESRS aims to clarify the sustainability-related information that companies must disclose under the CSRD. In essence, the ESRS specifies the details companies must provide about their material impacts, risks, and opportunities concerning environmental, social, and governance (ESG) sustainability issues.[4]

An important aspect of the ESRS framework is that it encourages companies to analyse and report not only on their direct impact on the environment and society but also on their value chain, requiring an assessment of the sustainability practices of suppliers and other partners. This approach helps companies manage risks and mitigate negative impacts. As noted by Sigurt Vitols in his research, such an approach is crucial for establishing an integrated and comprehensive reporting system that prevents the weakening of sustainability reporting due to corporate lobbying.[12]

The ESRS establishes specific indicators and targets, including those related to greenhouse gas emissions and their reduction. This is a critical element in achieving the EU's Green Deal objective of ensuring climate neutrality by 2050.

d) The Unified Electronic Format for Sustainability Reporting: iXBRL

Sorainen has also emphasized the significance of iXBRL (inline eXtensible Business Reporting Language) technology for enabling companies to meet the CSRD requirements for corporate sustainability reporting. This technology allows companies to prepare financial and sustainability reports in a machine-readable format that complies with the ESRS. The primary objectives of iXBRL are to enhance data comparability, ensure corporate transparency, and provide organizations, governments, and investors with the tools to analyse these reports effectively.[11]

Sorainen has also noted that the iXBRL format enables detailed reporting on key sustainability indicators such as carbon emissions, water consumption, waste management, and respect for human rights. Furthermore, this technology facilitates the availability of accurate and comparable information. In addition, iXBRL addresses issues associated with manual reporting methods, which previously could lead to erroneous or incomplete data interpretation.[11]

The use of the iXBRL format significantly improves the organization and processing of corporate sustainability reports by enabling the automation of data processing and analysis. Sorainen has emphasized that this technology allows organizations to submit data electronically while adhering to the ESRS. Additionally, it helps reduce the likelihood of errors associated with manual data entry, as iXBRL ensures that data is input and validated in a structured and standardized format.^[11]

iXBRL provides various benefits to companies, including healthcare institutions, by simplifying compliance with EU regulatory frameworks, ensuring adherence to the CSRD and ESRS, and enhancing transparency and data accuracy. The use of iXBRL improves the quality of reporting and strengthens public trust in the company.

B. The Impact of Sustainability Reporting and Consequences of Non-Reporting

Corporate sustainability reports enhance transparency and accountability in business operations, particularly concerning environmental and social issues. Such reports strengthen a company's reputation and increase trust among the public and investors.^[6]

Sustainable business practices that comply with ESRS requirements are essential not only for the long-term sustainability of the company itself but also for society as a whole, as such reports help assess corporate progress in addressing climate change challenges. At the same time, potential investors receive verified information about companies, enabling them to make environmentally friendly and socially responsible decisions.

Corporate sustainability reporting is a significant tool for promoting transparency in business operations. A study has indicated that companies reporting on their impact on the environment and society gain greater public trust and are better equipped to manage risks related to environmental and social factors.^[13] Such a reporting system also helps companies better understand their obligations and responsibilities toward society and the environment. It enhances their reputation and attractiveness in the eyes of investors.

Given that the CSRD mandates specific companies to report on their corporate sustainability, it is essential to understand the consequences of non-compliance with these reporting requirements. Article 5(1) of the CSRD stipulates that member states must enact the necessary legislative and administrative measures to comply with Articles 1 to 3 of the directive by July 6, 2024.^[3] In Latvia, this directive has been implemented through the Sustainability Information Disclosure Law. However, an analysis of this law reveals that Latvia has not established specific sanctions for failing to fulfil reporting obligations.^[22]

Thus, at first glance, companies failing to fulfil their obligation to report on corporate sustainability may not face traditional sanctions, such as fines. However, their operations are likely to be adversely affected. Specifically, companies that do not report on sustainability aspects may

lose investor trust, be excluded from access to certain markets, or fail to attract funding from sustainable investment streams. This, in turn, could negatively impact their market value. At the same time, it must be acknowledged that the number of companies in Latvia obligated under the CSRD to provide corporate sustainability reports is relatively small. Consequently, this legal issue is not as pressing in Latvia as it is in countries like France or Germany, where the number of such companies is significantly higher.

The CSRD itself does not directly specify the types or amounts of penalties for non-compliance with reporting obligations. However, it amends existing directives, such as the Accounting Directive (2013/34/EU), which requires member states to establish effective, proportionate, and dissuasive penalties. This obligation arises from Article 51 of the Accounting Directive, which stipulates that "Member States shall provide for penalties applicable to infringements of the national provisions adopted in accordance with this Directive and shall take all the measures necessary to ensure that those penalties are enforced. The penalties provided for shall be effective, proportionate and dissuasive".^[2] Therefore, it can be concluded that each member state has the discretion to determine the types of penalties (e.g., fines, administrative sanctions, or other measures) to ensure compliance with the CSRD requirements. However, these penalties must be sufficiently stringent to ensure compliance and reduce violations.

Examining how the CSRD has been transposed into French national legislation reveals that companies failing to submit corporate sustainability reports may face fines and restrictions on certain rights, such as being prohibited from participating in public procurement procedures. Moreover, French laws include penalties for any legal entity or organizational leader who fails to provide the necessary information for external auditors to certify reports in compliance with CSRD requirements or who obstructs the auditors' work. In such cases, penalties may include fines of up to €75,000 and prison sentences of up to five years.^[23]

Summaries indicate that the consequences of non-compliance with CSRD obligations can be legal, financial, and restrictive to a company's operations. For example, a company's reputation may be jeopardized, and future opportunities, such as the ability to participate in public procurement procedures, may be limited.^[14]

Examining Germany's approach reveals its legislative proposal for transposing the CSRD into national law. In Germany, penalties for non-compliance with CSRD requirements are explicitly outlined through amendments to the national Commercial Code.^[15] These amendments provide for both administrative and criminal sanctions for companies failing to meet CSRD obligations, thereby promoting compliance with corporate sustainability reporting requirements.^[15]

Administrative liability is specifically detailed in the amendments to the HGB, particularly in § 341n. If a

company fails to submit properly prepared or complete sustainability reports in accordance with the requirements of this law, it can be classified as an administrative offense. Penalties for such violations include fines, the amount of which depends on the severity of the violation and the economic impact of the company.[15]

In cases of more severe violations, such as the deliberate provision of false information, harsher penalties are stipulated under § 331a(1). These penalties can include imprisonment of up to five years or larger fines. Such sanctions are applied when violations directly undermine the credibility and transparency of the reports.[15]

In addition to these penalties, the legislative proposal includes measures to strengthen oversight and improve the quality of reports. The aim of the sanctions is not only to penalize non-compliance but also to encourage companies to prepare their reports responsibly and accurately, in alignment with the objectives and principles of EU legislation.[15]

Comparing the transposition of the CSRD into Latvian law with its implementation in other EU countries reveals that the Latvian legislature has not established specific sanctions for non-submission of reports. However, it is plausible that future regulations could introduce measures such as revoking certain rights or privileges for non-compliant companies. These could include bans on receiving subsidies, participating in public procurement procedures, accessing tax benefits, or similar penalties.

Penalizing companies for environmental violations serves both as a preventive mechanism and as a means to ensure compliance with laws. While the monetary value of fines is often relatively small compared to a company's income, they can cause significant reputational damage, thereby encouraging compliance with environmental requirements. Although financial penalties may frequently be insufficient to materially impact a company's financial performance, they can motivate the establishment of internal environmental compliance programs and the implementation of independent monitoring mechanisms. Furthermore, the reputational harm caused by public accusations often exceeds the economic impact of fines, making it a powerful incentive to adhere to environmental regulations.[16]

Comparing the experiences of Germany, France, and Latvia in transposing the CSRD into national legislation reveals significant differences in the approach to enforcing sanctions for non-compliance with the directive's requirements. Germany and France have already incorporated or plan to incorporate specific penalties into their national laws for companies that fail to meet CSRD obligations. In contrast, Latvia has not yet fully developed such mechanisms. The authors emphasize that sanctions are a crucial tool for ensuring the preparation of accurate and reliable corporate sustainability reports, as they incentivize companies to comply with the regulations and enhance the effectiveness of the CSRD. However, given that the CSRD was adopted relatively recently, member states have not yet had the opportunity to address practical

cases of non-compliance. It is likely that various sanctions will be introduced over time, based on identified violations and international experiences, thereby strengthening sustainability reporting practices and advancing the goals of the CSRD.

C. Application of Reporting Obligations in the Healthcare Sector

a) What and When Must Be Reported Under CSRD and ESRS

Under the CSRD, reporting requirements apply to a broad range of entities, including large undertakings with more than 500 employees and small and medium-sized enterprises (SMEs) that qualify as public interest entities. Large undertakings must begin reporting in 2025 for the 2024 financial year, while SMEs are required to start reporting in 2027 for the 2026 financial year. However, SMEs may postpone reporting until 2029 by providing specific reasons for the delay. Additionally, starting in 2026, corporate sustainability reporting will also be required from large undertakings that are not public interest entities but meet the criteria outlined in Article 3(4) of Directive 2013/34/EU.[3] Large undertakings are defined as entities exceeding at least two of the following three thresholds on the balance sheet date: a) Balance sheet total: EUR 20,000,000; b) Net turnover: EUR 40,000,000; c) Average number of employees during the financial year: 250.[2]

These reporting requirements encompass information on environmental, social, and governance (ESG) factors, as well as the company's strategy, risk management, and sustainability objectives. In the healthcare sector, this means that healthcare institutions meeting the CSRD criteria will be required to provide comprehensive reporting on their impact on the environment and society.

This section focuses specifically on Latvian healthcare institutions and their future obligation to provide corporate sustainability reports. However, the principles discussed here are applicable to all countries subject to the CSRD. Consequently, this article provides guidance on how to evaluate whether an entity is subject to the CSRD and required to submit a corporate sustainability report, with particular emphasis on large hospitals, which may be state-owned enterprises (SOEs) operating as state owned public limited companies or state joint-stock companies, and whose transferable securities are not traded on a regulated market in any member state. Thus, the Latvian case discussed in this article can serve as a model for other countries subject to the CSRD.

b) Latvian Healthcare Institutions and Their compliance with Reporting Requirements

To determine which Latvian healthcare institutions will be required to provide corporate sustainability reports, it is essential to understand the rationale and scope of the legal framework established by EU directives. As previously discussed, under Article 5(2) of the CSRD, corporate sustainability reporting will be mandatory for large, medium-sized, and small undertakings classified as public

interest entities. According to Article 2(1)(a) of Directive 2013/34/EU, public interest entities are defined as undertakings governed by a member state's laws whose transferable securities are permitted to trade on a regulated market in any member state.[2]

According to Article 2(1)(n) of Directive 2009/65/EC of the European Parliament and Council, "transferable securities" are defined as shares in companies and other securities equivalent to shares in companies (shares); bonds and other forms of securitised debt (debt securities); any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange.) The term "regulated" refers to an official rule or the act of controlling something.[17] From this, it follows that hospitals in Latvia do not meet the definition of public interest entities. However, it should be noted that there are companies in Latvia, specifically joint-stock companies, which are listed on the stock exchange and operate in the healthcare or pharmaceutical sectors. For example, the joint-stock company "Latvijas Jūras medicīnas centrs" and the joint-stock company "Grindeks". These companies, if they qualify as small, medium, or large undertakings, will be required to submit corporate sustainability reports in the future.

At the same time, it is necessary to consider the provisions of Article 5(2)(b)(i) of the CSRD, which specifies that for financial years beginning on or after January 1, 2025, corporate sustainability reports must be submitted by large undertakings that are not public interest entities but meet the criteria outlined in Article 3(4) of Directive 2013/34/EU.[3]

The CSRD applies to large undertakings and organizations with a significant public role. To determine whether a hospital is subject to the CSRD requirements, the following criteria are considered:

- Is the hospital a large organization? (Defined as an organization with more than 250 employees, more than €40 million in revenue, or more than €20 million in total assets)
- Is the hospital a publicly listed company or operates in a state-controlled sector (e.g., state-managed hospitals)?
- Is the hospital part of a larger healthcare network that meets these criteria?

If the hospital or healthcare institution meets these criteria, it will be subject to the reporting requirements.[3]

Examining hospitals under Article 5 of the CSRD, it can be concluded that hospitals such as the Pauls Stradiņš Clinical University Hospital will be required to submit corporate sustainability reports starting in 2026. According to its annual report for 2023, the balance sheet of VSIA Pauls Stradiņš Clinical University Hospital amounts to €272,783,196, with a net turnover of €179,307,436.[18] Additionally, it is stated that approximately 3,000 employees work at the hospital.[19] It can be concluded that Pauls Stradiņš Clinical University Hospital meets all three criteria of the directive. Using this approach, other

Latvian hospitals can also be assessed. If a hospital meets two out of the three criteria, it will be required to submit a corporate sustainability report starting in 2026.

Specifically, under the CSRD, only large hospitals in Latvia (those meeting at least two of three criteria: more than 250 employees, net turnover exceeding €40 million, or total assets exceeding €20 million) must provide comprehensive sustainability reports including full disclosure on environmental impact, social responsibility practices, governance, and supply-chain management. Small and medium-sized hospitals that do not meet these thresholds are not obligated to comply with the CSRD and thus face no changes to their existing sustainability reporting practices. Adopting corporate sustainability reporting for large hospitals implies significant changes, including increased transparency, potential resource allocation to data management systems, staff training for compliance, and establishment of internal governance mechanisms to ensure adherence to the new reporting standards. However, these changes may also lead to enhanced reputation, greater public trust, improved access to sustainable financing, and overall operational efficiencies in the long run.

c) Corporate Sustainability Reporting in Hospitals

1. Hospitals subject to CSRD requirements must report on the following sustainability aspects:
 - Environmental Impact: Hospitals must report on their impact on the environment, such as energy consumption, carbon dioxide emissions, water usage, and waste management. This may also include measures taken by hospitals to reduce their environmental impact and promote environmental protection.
 - Social Impact: Hospitals must report on social factors, including employee working conditions, employee health and safety, patient rights and data protection, as well as their contribution to society.
 - Governance: Sustainability reports must include information on governance structures, risk management policies, ethical standards, and internal control mechanisms.
2. The ESRS outlines how hospitals and other healthcare institutions must structure and present sustainability data. This includes:
 - Compliance with Industry-Specific Standards: Hospitals may need to adhere to specific standards within the healthcare sector, which may require reporting on particular healthcare aspects, such as resource efficiency or patient safety.
 - Data Transparency and Reliability: Hospitals must provide reliable and verifiable sustainability data, similar to the requirements for other undertakings, and this data may be subject to third-party verification (auditing).
3. Sustainability Impact of Supply Chains:

- The CSRD and ESRS stipulate that organizations, including hospitals, must report not only on the impact of their direct operations but also on the impact related to their supply chains. This means hospitals will need to provide information about their suppliers, manufacturers of medical equipment and pharmaceuticals, and whether these supply chains comply with sustainability standards (such as responsible resource sourcing, respect for human rights, etc.).

4. Audit and Verification Obligations:

- Similar to other organizations, hospitals subject to the CSRD will be required to undergo third-party verification and audits of the sustainability information provided. This means that sustainability reports must be certified, similar to financial statements, to ensure that the data is transparent and accurate.

5. Publication and Accountability to the Public:

- Hospitals subject to the CSRD will be required to make their sustainability reports publicly available. This can enhance transparency regarding the hospitals' impact on the environment and society, as well as promote trust with patients and the public in general.

6. CSRD Articles Applicable to Hospitals:

- Article 19a of the CSRD: This pertains to management reports, which must include information on environmental, social, and governance (ESG) aspects. For hospitals, this means they will need to prepare detailed reports on their operational impact in these areas.
- Article 29a of the CSRD: This sets out consolidated reporting requirements for larger hospital groups that are part of healthcare networks.[3]

d) Challenges in Corporate Sustainability Reporting in Public Healthcare Institutions

Data Collection and Management: Companies will need to establish or improve systems for collecting and analysing data on sustainability indicators. Many companies, especially small and medium-sized enterprises, may not be prepared for such data management.

Acquiring high-quality, verifiable, and comparable data: Especially in complex areas such as climate impact or human rights in the supply chain, obtaining data will be a challenge.

Lack of capacity and resources: Smaller organizations may have limited access to resources and expertise to meet the detailed reporting requirements. Additionally, companies will need to invest in capacity building,

ensuring appropriate human resources and IT infrastructure.

Interpretation and adaptation of sustainability standards: Although the ESRS standards provide certainty, their interpretation and adaptation to different business models and sectors can be challenging. Different companies may interpret the standards differently, which can create confusion and inequality in report comparisons.

Reporting integrity and reliability: Ensuring that sustainability reports are objective and reliable will be a challenge. There is a risk that some companies may engage in "greenwashing" if they fail to adequately reflect their actual impact on the environment and society.

Supply chain transparency: Companies will also need to report on sustainability aspects within their supply chains, which can be challenging, especially if suppliers are located outside the EU. This may create additional difficulties in ensuring transparency and accountability.

e) Benefits and Prospects of Sustainability Reporting in Business Development

Promoting sustainability in business: The implementation of the CSRD and ESRS will help foster sustainable practices throughout business operations. Companies will be required to actively work on sustainability to improve their impact on the environment, social groups, and the economy.

Comparability and transparency: One of the biggest benefits will be unified and comparable sustainability reporting standards across the EU, which will allow investors, consumers, and other stakeholders to make informed decisions based on accurate data.

Climate governance and attracting investment: Greater transparency about a company's sustainability performance will help investors identify and invest in companies actively addressing climate and sustainability issues. Sustainable companies will be able to gain advantages in terms of investment, access to funding, and enhanced reputation.

Sustainability innovation and competitiveness: The CSRD can serve as an incentive for companies to develop new sustainability innovations, which could create competitive advantages in the long term. Companies that adapt to the new requirements earlier will be able to more effectively leverage the potential of the sustainability market.

Increasing consumer and investor trust: Increased transparency and accountability will foster greater trust in companies from consumers and investors. Companies that stand out for their openness and positive impact on sustainability will be more attractive.

IV. CONCLUSIONS

The implementation of the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS) is a significant

step towards promoting transparency and accountability in business operations within the EU. These requirements oblige companies to report on their impact on the environment, society, and governance, thereby helping society and investors make informed decisions. While Latvia currently does not have specific sanctions for non-compliance with these reporting obligations, regulations could be introduced in the future to revoke certain rights or privileges from companies, such as prohibiting participation in public procurement procedures or receiving subsidies.

The healthcare sector in Latvia plays a crucial role in the sustainability reporting process, as it contributes to the management of both environmental and social issues. For example, Pauls Stradiņš Clinical University Hospital, which meets all the criteria outlined in Article 3(4) of Directive 2013/34/EU, will be one of the first hospitals required to submit corporate sustainability reports starting in 2026. This process will help promote sustainable development and improve governance solutions in the healthcare sector.

In summary, the implementation of the CSRD and ESRS regulations is not only a regulatory step but also an opportunity for companies to enhance their reputation, increase trust, and gain access to sustainable investment flows. This is particularly relevant for those companies that successfully adapt to the new standards and promote transparency in their operations, thus ensuring long-term benefits for both society and investors who make environmentally friendly and socially responsible decisions.

In addition, the implementation of the CSRD and ESRS establishes new standards for public awareness and engagement in corporate sustainability issues. Public trust in companies and active participation in analysing and using the provided information is essential for promoting the integration of sustainability principles into business practices. Studies indicate that increased awareness motivates both the public and the private sector to collaborate in addressing climate change and social issues.

Furthermore, the integration of CSRD regulations into business operations fosters innovation and enhances competitiveness, particularly in sectors related to environmental protection and the improvement of public health. Companies that adopt the new standards early in their operations can gain strategic advantages by attracting investments and improving their market position.

The authors, while comparing the experiences of Latvia, France, and Germany, identified significant differences in the transposition of the CSRD into national legislation. While Germany and France have introduced or plan to introduce specific sanctions for non-compliance, such mechanisms are currently absent in Latvia. However, it is expected that future developments and international experience will promote the adoption of stricter regulations, strengthening sustainability reporting practices and supporting the achievement of long-term goals.

ACKNOWLEDGMENTS

Funding institution: Latvian Council of Science. Funding number: lzp-2023/1-0341. Acronym: lzp-2023/1. This research was funded by the Latvian Council of Science, project Socially responsible green transition: strengthening governance solutions to empower Homo Climaticus in the healthcare sector, project No. lzp-2023/1-0341.

REFERENCES

- [1] S. Arrhenius and E.S. Holden, "On the influence of carbonic acid in the air upon the temperature of the earth," Publications of the Astronomical Society of the Pacific, 9(54), 14–24, Feb. 1897. [Online]. Available: JSTOR, <http://www.jstor.org/stable/40670917> [Accessed: Oct. 17, 2024].
- [2] The European Parliament and the Council, "Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance," Official Journal of the European Union OJ L 330, p. 1–9., Nov. 2014. [Online]. Available: <https://eur-lex.europa.eu/eli/dir/2014/95/oj/eng>. [Accessed: Sep. 8, 2024].
- [3] The European Parliament and the Council, "Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting," Official Journal of the European Union OJ L 332, p. 15–80., Dec. 2022. [Online]. Available: <https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng>. [Accessed: Sep. 8, 2024].
- [4] The European Commission, "Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards," Official Journal of the European Union OJ L, 2023/2772, Dec. 2023. [Online]. Available: https://eur-lex.europa.eu/eli/reg_del/2023/2772/oj/eng. [Accessed: Sep. 8, 2024].
- [5] KPMG, "Panākta vienošanās par Korporatīvās ilgtspējas ziņošanas direktīvas ieviešanu (CSRD)," 2022. [Online]. Available: <https://kpmg.com/Lv/Lv/Home/Insights/2022/06/Panakta-Vienosanas-Par-Csr-d-Ieviesanu.Html>. [Accessed: Dec. 7, 2024].
- [6] K. Bodenstern Fouché and F. Polo-Garrido, "Corporate reporting by cooperatives: Mapping the landscape and identifying determinants," Journal of Contemporary Accounting & Economics, 20(3), 100436, Dec. 2024. [Online]. Available: Sciencedirect, <https://doi.org/10.1016/j.jcae.2024.100436>. [Accessed: Jan. 9, 2025].
- [7] B. Purvis, Y. Mao and D. Robinson, "Three pillars of sustainability: in search of conceptual origins," Sustainability Science, 14(3), 681–695, Sep. 2018. [Online]. Available: Springer Nature, <https://doi.org/10.1007/s11625-018-0627-5>. [Accessed: Oct. 19, 2024].
- [8] R. Mehra and M. K. Sharma, "Measures of Sustainability in Healthcare," Sustainability Analytics and Modeling, 1, 100001, Dec. 2021. [Online]. Available: Sciencedirect, <https://doi.org/10.1016/j.samod.2021.100001>. [Accessed: Dec. 9, 2024].
- [9] World Health Organization, "Strategies for sustainability management," 2020. [Online]. Available: <https://www.who.int/Publications/i/Item/>. [Accessed: Dec. 20, 2024].
- [10] S. Pizzi, G. Mastroleo, A. Venturelli and F. Caputo, "The digitalization of sustainability reporting processes: A conceptual framework," Business Strategy and the Environment, 33(2),

- 1040–1050, Aug. 2023. [Online]. Available: Wiley, <https://doi.org/10.1002/bse.3544>. [Accessed: Oct. 17, 2024].
- [11] Sorainen, “ESG sarunas 16: Ilgtspējas informācijas atklāšanas likums,” 2024. [Online]. Available: <https://www.sorainen.com/Lv/Pasakumi/Esg-Sarunas-16-Ilgtspējas-Informācijas-Atklāšanas-Likums/>. [Accessed: Dec. 3, 2024].
- [12] S. Vitols, “The emerging corporate sustainability reporting system: what role for workers’ representatives?” *Transfer: European Review of Labour and Research*, 29(2), 261–265, May 2023. [Online]. Available: Sage, <https://doi.org/10.1177/10242589231175607>. [Accessed: Nov. 3, 2024].
- [13] M. I. García-Rivas, F. J. Gálvez-Sánchez, J. M. Noguera-Vivo and V. Meseguer-Sánchez, “Corporate social responsibility reports: A review of the evolution, approaches and prospects,” *Heliyon*, 9(7), e18348, Jul. 2023. [Online]. Available: Heliyon, <https://doi.org/10.1016/j.heliyon.2023.e18348>. [Accessed: Dec. 16, 2024].
- [14] M. Michel, “In France, corporate directors can now go to jail for not complying with CSRD,” Jan. 2024. [Online]. Available: <https://www.csOfutures.com/News/in-France-Corporate-Directors-Can-Now-Go-to-Jail-for-Not-Complying-with-Csr/>. [Accessed: Nov. 9, 2024].
- [15] Bundesregierung, “Entwurf eines Gesetzes zur Umsetzung der Richtlinie (EU) 2022/2464 des Europäischen Parlaments und des Rates vom 14. Dezember 2022 zur Änderung der Verordnung (EU) Nr. 537/2014 und der Richtlinien 2004/109/EG, 2006/43/EG und 2013/34/EU hinsichtlich der Nachhaltigkeitsberichterstattung von Unternehmen,” 2024. [Online]. Available: https://www.bmj.de/SharedDocs/Downloads/DE/Gesetzgebung/RegE/RegE_CSRD.pdf?__blob=publicationFile&v=2. [Accessed: Dec. 13, 2024].
- [16] M. J. Greife and M. O. Maume, “Do companies pay the price for environmental crimes? Consequences of criminal penalties on corporate offenders,” *Crime, Law and Social Change*, 73(3), 337–356, Oct. 2019. [Online]. Available: Springer Nature, <https://doi.org/10.1007/s10611-019-09863-4>. [Accessed: Dec. 16, 2024].
- [17] Cambridge Dictionary, “Meaning of regulation in English,” N.d. [Online]. Available: https://dictionary.cambridge.org/dictionary/english/regulation#google_vignette. [Accessed: Oct. 13, 2024].
- [18] VSIA Paula Stradiņa klīniskā universitātes slimnīca, “Gada pārskats par 2023. Gadu, kurš sagatavots saskaņā ar Eiropas Savienībā pieņemtajiem Starptautiskajiem finanšu pārskatu standartiem, un neatkarīga revidenta ziņojums,” 2024. [Online]. Available: https://stradini.lv/sites/default/files/editor/Gada_p%C4%81rskats_2023_gads.pdf [Accessed: Dec. 20, 2024].
- [19] VSIA Paula Stradiņa klīniskā universitātes slimnīca, “Par slimnīcu,” N.d. [Online]. Available: <https://www.stradini.lv/lv/content/par-slimnicu>. [Accessed: Dec. 20, 2024].
- [20] The European Parliament and the Council, “Directive 2008/98/EC of the European Parliament and of the Council of 19 November 2008 on waste and repealing certain Directives,” *Official Journal of the European Union OJ L 312*, p. 3.-30., Nov. 2008. [Online]. Available: <https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng>. [Accessed: Sep. 8, 2024].
- [21] The European Parliament and the Council, “Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS),” *Official Journal of the European Union OJ L 302*, p. 32.-96., Nov. 2009. [Online]. Available: <https://eur-lex.europa.eu/eli/dir/2022/2464/oj/eng>. [Accessed: Sep. 8, 2024].
- [22] Latvijas Republikas Saeima, “Ilgtspējas informācijas atklāšanas likums,” *Latvijas Vēstnesis*, 193, Oct. 2024. [Online]. Available: <https://likumi.lv/ta/id/355381-ilgtspējas-informācijas-atklāšanas-likums>. [Accessed: Dec. 7, 2024].
- [23] Ministère De La Justice, “Ordonnance no 2023-1142 du 6 décembre 2023 relative à la publication et à la certification d’informations en matière de durabilité et aux obligations environnementales, sociales et de gouvernement d’entreprise des sociétés commerciales,” *Journal officiel de la république française*, 19 (156). Dec. 2023. [Online]. Available: <https://www.legifrance.gouv.fr/download/pdf?id=fOTM7ilGbcYwc159WYE-xxp0eSIBFgHonwOt6OlvQA%3D&ref=csOfutures.com>. [Accessed: Dec. 17, 2024].