

# Sustainability report – an integral part of the annual report 2/12/25



Senior Consultant, Tax Reporting,  
Accounting and Strategy, PwC Latvia  
Santa Klavina



Head of Sustainability Practice, PwC Latvia  
Maija Orbidane

On 17 October 2024, the Sustainability Disclosure Act (“ŠDA” or “Law”) came into force, which sets out the framework for sustainability reporting and adopts the provisions of the European Corporate Sustainability Reporting Directive (“CSRD”). The law aims to provide publicly available and comparable information on the impact of the activities of legal entities on sustainability aspects, including environmental protection, social rights, human rights and aspects of corporate governance, including anti-corruption and anti-bribery, as well as information on how these issues affect the development, performance and condition of legal entities. This information should be included in the sustainability report.

The sustainability report must be included as an integral part of the annual report in a separate section of the management report and submitted via the Electronic Declaration System (“EDS”) of the State Revenue Service (“SRS”) within the deadline specified in the law.

On 20 February 2025, the European Commission adopted an “Omnibus” package of measures to simplify EU rules, cut red tape and promote sustainable practices by focusing on sustainability reporting for large companies and easing requirements for smaller companies. These proposals will be submitted to the European Parliament and the Council for approval. It is expected that the legislative changes will also lead to changes in sustainability reporting.

## Companies subject to reporting requirements

The requirements set out in the Law will be implemented gradually and will apply to large companies registered in the Republic of Latvia (“RoL”), small and medium-sized listed companies (excluding micro-entities), subsidiaries and branches whose parent companies are registered in third countries, subject to fulfilling certain criteria.

The companies subject to the reporting requirements will expand annually in future. Large public interest entities<sup>1</sup> are required to prepare a sustainability report starting with the 2024 reporting year.

The Law applies to the following institutions registered in the RoL:

Companies	Criteria	Start of submitting sustainability report	
		Submission for	Reporting period
Large corporations and large group parent companies	If they are public-interest entities (financial institutions and commercial companies whose transferable securities are admitted to trading on the regulated market of the Member States) and the number of employees thereof exceeds 500%	2025	2024
Large companies and large group parent companies	that exceed two of the criteria of the average capital company <sup>1</sup>	2026	2025

		2027	2026
Small and medium-sized corporations <sup>2</sup> (except micro-corporations)	whose transferable securities are admitted to trading on a regulated market		* an option to draw up a sustainability report from the 2028 reference year, provided that the management report provides a short justification for the failure to provide sustainability information.
LR registered:			
- large subsidiaries;			
- small and medium-sized subsidiaries	to which the ultimate parent company is governed by the law of a third country	2029	2028
whose transferable securities are admitted to trading on a regulated market	- whose ultimate parent company is governed by the law of a third country;		
	- the net turnover of the branch in the previous reporting year exceeded EUR 40 million at the balance sheet date;	2029	2028
Branches registered in the RoL	- the net turnover of the parent company established in a third country at the group level over EUR 150 million (in two consecutive years).		
	As the branches are not obliged to prepare annual reports, they must prepare their sustainability report as a separate document and submit it to the SRS (via EDS) no later than 12 months after the balance sheet date of the reporting year.		

<sup>1</sup> When applying SDA, limit values for criteria laid down in the Annual Financial Statements and Consolidated Annual statements (GPKGPL) must be used for the determination of subjects

### Standardised electronic format of the report and the review thereof

Companies subject to the law must include information on sustainability in their annual reports. The sustainability report must be prepared in a standardised electronic reporting format (SERF) and it is necessary to commission an auditing firm or a sworn auditor to audit the report. This review will ensure that the report complies with the requirements of the Law, including EU sustainability reporting standards and reporting format requirements. The review of the sustainability report must take place at the same time as the audit of the consolidated annual report. The company may choose the same or different independent auditors for the audit of the annual financial statements and the review of the sustainability report.

As part of the amendments to the Law on Auditing Services, the Latvian Association of Sworn Auditors has made an entry in the public register of sworn auditors, which supplements the list of sworn auditors with information on the auditors who have been granted the right to issue an audit opinion on sustainability reports. The sworn auditors of PricewaterhouseCoopers are included in this list.

## The adoption of SDA prompts companies to assess the sustainability of their principles

The adoption of the SDA emphasises the need to pay close attention to sustainability issues by incorporating them into day-to-day business and strategic planning. The legislative changes mean that the process of preparing and auditing the annual report becomes more detailed by including sustainability reviews as an integral part, which contributes to transparency and accountability. These changes will help companies to better assess and mitigate their impact on the environment, society and human rights.

If you would like to learn more about sustainability issues and/or the preparation or audit of annual reports, please contact the PwC Latvija team, who will be happy to assist and advise you.

<sup>1</sup> **Public interest entities** are financial institutions and commercial companies whose transferable securities are traded on the regulated market of the Member States (Article 1(17) of the Law on Audit Services).