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Environmental CSR disclosure in the context of institutional change: The case of Severstal

Made by

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# Introduction

In the modern world, corporate social responsibility (CSR) plays a key role in the activities of companies and their interaction with society. CSR is a concept according to which companies take responsibility for their actions and their impact on the environment, society and the economy. This includes taking measures to protect the environment, improve working conditions, support community programs, etc. Companies that implement effective CSR policies often receive benefits in the form of increased reputation, increased customer and employee loyalty, and reduced business risks. Such interaction with society happens via the voluntary disclosure of the CSR information in the annual sustainability reports. Despite globalization, CSR disclosure practice is changing in each country under the influence of institutional factors, as a result of which it becomes little like the Western model and has different interpretations. These factors, also known as pressures, have 3 types: coercive, normative and mimetic. According to the framework, which was provided by DiMaggio and Powell (1983, 1991), coercive pressure o the case, when the source of influence comes from powerful actors, both formal and informal. These factors, often include governmental bodies, compel organizations to conform to certain behaviors or standards. On the other hand, mimetic pressure arises from uncertainty in the environment. When faced with ambiguity or lack of clear direction, organizations may imitate the actions of others in their field as a means of navigating complexity and reducing risk. Lastly, normative pressure encompasses the norms and values that dictate how actors within the institutional environment should behave. These forms and values survey as guiding principles for organizational conduct and shape expectations within the broader social context.

As institutional pressures differ from country to country, Russia was chosen for the study due to its unique context, which was formed by the historical and cultural background of both the Soviet Union and the post-Soviet transition period. Dramatic changes related to the geopolitical situation in the world have happened, which affected not only business, but also society and the economy. Therefore, the institutional field also changed. Moreover, Russia represents a country with an emerging economy, with more than 300 systemic companies, originated from the monocities. Most of systemic companies operate in the environmental sensitive industries. For the research the mining and metallurgical industry were chosen. The importance of metallurgy lies in the fact that it serves as a source of foreign exchange earnings to the country, as well as ensures Russia's entry into the world market, which is very important now. The main company in the metallurgy sector is Severstal systemic company, because of its leader position in profitability. Despite the fact that Severstal is the company, which operates in the sphere with high environmental risks, it manages to establish high environmental standards and follows these standards, which is captured in the sustainability reports that the company regularly posts on its website. All reports comply with the GRI system. International ratings stated that Severstal has a high level of integration of environmental management principles and high level of information disclosure.

At the same time, in Russia there is no legislation, which requires CSR disclosure. Moreover, in the country the pressure from society on corporations is low. Unlike in Western countries, where public pressure has become a driver of CSR, there is practically no such pressure in Russia. And nowadays, the outflow of foreign investors, who force managers to adopt CSR in order to receive the tangible assets. There is no clear driver for Severstal to possess with such a high standard of environmental sustainability practices and high level of disclosure information in sustainability reports.

Therefore, the goal of this paper is to answer the following questions:

1. What institutional factors serve as drivers of adoption of environmental CSR disclosure practice in systemic companies operating in Russia?
2. How have drivers changed in connection with the events of 2022 in Russia?

In this paper, the analysis will be based on the institutional theory, which helps to identify formal and informal pressures that influence the company. In-depth interviews with the representatives of Severstal company will be conducted in order to receive valuable information about the forces of legitimacy which are more important for the business under the condition of the Russian institutional field. A way to collect information through an interview is considered as the most suitable one to receive information from the first hand of people, who have appropriate experience and knowledge, and also have access to the hidden information from the internal stakeholders (O’Dwyer, Unerman, and Bradley 2005). Having done this, the analysis of the collected information will be conducted and the results will be interpreted. Finally, main factors will be identified and the following discussion will be provided.

The subject of the research is the factors influencing companies operating in the Russian market. The object of the research is Severstal company. The presented paper is a single case study. Such an approach was chosen due to the key feature of institutional theory-isomorphism. It is stated that due to isomorphism it can be predicted that companies within the same industry and national boundaries will commit a similar policy (DiMaggio and Powell,1983). Therefore, the thorough analysis of Severstal company, which is considered as one of the global leaders in the mining and metallurgical spheres, will allow us to identify the external institutional drivers influencing the company from the perspective of sustainability practices, including CSR disclosure. Thus, these factors can become the basis for improving the CSR policy in other companies engaged in the mining and metallurgical sector by taking into account pressures, which has not been considered yet. The source of information is secondary and primary data, including in-depth interviews with representatives of Severstal and who possesses information about sustainability initiatives.

The paper is structured in the next order. First, the theoretical framework will be built based on the literature review. In the theoretical background part the discussion about coercive, normative and mimetic isomorphism will be held. Moreover, the peculiarities of the Russian context are considered. After, based on the collected information, the framework will be created, which will be the basis for the in-depth interview questions, as theoretical framework will it will clearly demonstrate some questions, which are the base of this study. Then, the in-depth interview will be conducted and the results will be presented. Finally, the last section of the paper will be dedicated to the discussion of the results.

# 1. Theoretical background

With growing concerns about climate change, resource depletion, and social inequality, companies around the world increasingly view sustainable development as a moral imperative and strategic necessity. Organizations are implementing the principles of sustainable development in their core activities, from renewable energy initiatives and waste reduction measures to ethical supply chain management and public engagement. In addition to altruism, this shift towards sustainable development is driven by the recognition of the relationship between respect for the environment, social justice and long-term profitability.

Sustainable development is a multifaceted concept characterized by many interpretations and controversial meanings. It involves meeting the needs of the current generation without compromising the ability of future generations to meet their own needs, as indicated in the classic definition proposed in the Brundtland report (WCED 1987, p43). It represents a holistic approach to achieving a higher quality of life for all people while preserving and improving the environment for future generations. This entails the harmonious integration of economic progress, social justice and respect for the environment, recognizing the interdependence and mutual reinforcement of these aspects.

## 1.1The difference between CSR, CSRD and corporate sustainability concepts

Over time, the concept of sustainable development has become an integral part of the strategies and practices of many companies. Through efforts to reduce environmental impacts, maintain social responsibility and ensure long-term economic sustainability, these companies have gained a reputation for sustainable or 'green' enterprises. The concept of corporate sustainability refers to the companies which make an effective contribution to the sustainable development (EU, 2002). Implementing CSR initiatives is one way for companies to contribute to sustainable development. Corporate sustainability (CR) and corporate social responsibility (CSR) are closely interrelated concepts aimed at ensuring that a business functions are aimed to reach sustainable development. While corporate responsibility can be seen as an end goal encompassing economic, environmental and social aspects, CSR serves as an intermediate stage in achieving this goal. Traditionally, CS has been focused on environmental policy, but there is a growing interest in integrating social aspects into the CS framework. The 2002 Corporate Sustainability Conference at Erasmus University of Rotterdam highlighted this shift by emphasizing the importance of balancing three main factors - economic, environmental and social (Fig. 1). CSR plays a crucial role in this balancing act, acting as a tool for companies to solve social and environmental problems while maintaining profitability.

Изображение выглядит как текст, Шрифт, диаграмма, число

Автоматически созданное описание

Figure 1 Source: Erasmus University, Wempe& Kaptein

CSR encompasses a wide range of activities aimed at minimizing negative environmental impacts, promoting social welfare, and ensuring ethical business practices. Despite the fact that CSR refers more to the desire of an organization to comply with ethical standards in its activities and improve the standard of living of its employees and their families, including improving the situation of the local community as a whole, the environmental aspect also plays a very important role in this concept. Marrewijk (2003; Nikolaou and Evangelinos, 2008) claims that CSR includes three different aspects: economic, environmental and social sustainability. All three aspects are directly interrelated with each other. The concept of sustainable development highlights the complex interaction between society, the economy and the environment. Although they are often viewed as separate areas, they are inextricably linked, and each has a profound impact on the others (Giddings B, 2002). In modern conditions, CSR and CS are often considered synonymous, reflecting their convergence over time. However, there is a critical difference between them, which is expressed in the fact that CS is more in line with the agency principle, focusing on value creation, environmental management, human capital management and other aspects of sustainable business practices. On the other hand, CSR can be associated with the aspect of interaction between people and organizations focused on transparency, dialogue with stakeholders and accountability in the field of sustainable development via sustainability reports (Marrewijk, 2003). While sustainability reports are an important tool for communicating a company's sustainability performance and initiatives, they do not fully demonstrate the holistic and integrated approach to sustainability which is typical for corporate sustainability. Corporate sustainability extends beyond reporting to encompass broader considerations such as integration, long-term perspective, stakeholder engagement, and value creation (Ankit Duttagupta, 2021). According to Holder-Webb et al. (2009), who stated that “it is not enough for corporations to simply engage in CSR activities but it is also important and desirable to make information about these activities available to stakeholders”. Corporate social responsibility disclosure (CSRD) does not lose its relevance, but on the contrary, in recent years it has only begun to gain popularity. The CSRD is important in reducing the information assimilation that exists between management and key stakeholders. Also CSRD provides investors with detailed information on various important aspects of a company's operations, so they can make more informed decisions. Corporate performance should be evaluated not just on financial results, but also on how the company impacts society and the environment. This approach promotes a more holistic and responsible understanding of a company's overall success and its contributions to the broader community (Huang and Watson, 2015). Therefore, that is why we will focus on the concept of CSR, mainly on the CSRD , which allows us to dig deeper into the true reasons of the company’s desire to voluntarily publish sustainability reports.

## 1.2 CSRD in developing and developed countries

Globalization in a sense pushes companies to make a decision to implement CSRD practices and commit a sustainability disclosure (Campbell, 2007; Muthuri, Moon, & Idemudia, 2012), especially considering the fact that large companies are more focused on international practices and standards in order not to lose their position and avoid a large number of risks. (Börzel and Risse, 2010; Kostova and Zaheer, 1999) Moreover, companies are strongly integrated into global economic processes and in order to maintain market leadership positions and have access to resources, which is also an incentive to increase corporate transparency and social responsibility (Бицуева И.В, 2020).

At the same time, despite the pressure of globalization, practice of CSRD is undergoing metamorphosis due to various influences on it, for example, due to the cultural peculiarities of the country, its legal field and market environment (Dana Brown, 2015).

National institutions make CSR unique within a certain institutional environment, and not similar to the Western model. (El Ghoul et al., 2017). The institutional context significantly affects CSR disclosure practices within a given field. This context includes governmental regulations, civil society groups, industrial norms, NGOs, and societal expectations. The connection of these factors within each institutional field creates a distinctive environment in which actors must navigate and respond. As a result, CSR disclosure initiatives may vary widely across different fields, reflecting the specific challenges and opportunities presented by their respective institutional landscapes(Campbell, 2007).

A review of the literature demonstrates that the level of disclosure varies between developed and developing countries(Barakat, Pérez, and Ariza 2015; Elmagrhi et al. 2019; Gerged, Cowton, and Beddewela 2018). This may be a consequence of the fact that developed countries apply practical actions and established procedures. Thus encouraging companies to disclose information about CSR. France, which has passed a law requiring firms with more than 300 employees to compile non-financial reports on sustainable development, can serve as vivid examples (Luetkenhorst 2004). The UK has appointed an individual Minister for CSR in Industry and Trade. However, such initiatives are very rare in developing countries and do not arouse much interest. The reason is underdeveloped institutions, slow economic development and standards that promote development of CSRD (Barakat, Peres and Ariza, 2015).

The widespread use of managerial practices around the world does not guarantee their application in its original form. There is a strong trend toward the growing popularity of CSR on the global scale. Such a trend also gains hold in emerging countries. As it was stated by Kuznetsov et al. (2009, p. 37) that “Russia, the largest post communist economy in the world, has not stayed immune to this trend either.” Western approaches to CSR may have limited applicability in non-Western contexts, especially in transition countries. These regions, which were formerly part of or influenced by the Soviet Union or transitioning away from communist command economies, possess unique socio-economic and political landscapes. As a result, the traditional Western CSR frameworks and practices may not effectively address the specific challenges and priorities faced by businesses and societies in these contexts. Adapting CSR disclosure strategies to align with the local culture, institutional structures, and developmental stage is essential for their successful implementation in transition countries (Barkemeyer, 2009).

## 1.3 Context of Russia

Emerging economies are identified by the following common characteristics, which are appropriate to represent a separate group of countries. These characteristics are: “a lack of norms, values of business standards caused by turbulent socio-economic and political conditions and with a weak legal system” (Peters et al., 2011, p.43). The heterogeneity of pressure from institutions allows businesses to find ways to ignore institutional requirements. (Soundararajan et al., 2018). As emerging markets, to which Russia is referred, can be characterized as markets with weak institutional environment, underdeveloped infrastructure and most importantly, lack of expertise and competences in the field of CSR and sustainability disclosure (De Abreu et al. 2012; Ghinoi, Silvestri, and Bodo 2020; Jabbour et al. 2020; Lam 2011; Silvestre 2015).

Despite the fact that Western countries have been familiar with the CSR concept for a long time and have successfully implemented it throughout the company, for Russia it is a relatively new concept (Tatiana Garanina, 2021). The adoption of CSR practices by Russian companies has been influenced by their increased global integration. In developed countries CSR has become a standard tool for legitimization, with some countries mandating specific CSR elements for companies (Marano, Tashman, and Kostova 2017; Pant and Ramachandran 2017; Tashman, Marano, and Kostova 2019). Furthermore, CSR performance has become a significant criterion for evaluating companies by credit rating agencies (Attig et al. 2013;Cheng, Ioannou, and Serafeim 2014). The study of CSR practices in Russian systemic companies, particularly those originating in monocities, offers unique insights into how these companies navigate international and domestic institutional pressures. Thus, Russia provides a useful context for the researcher to focus on how corporations practice CSR disclosure in what looks like a weak environment.

## 1.3.1 History of Russia

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In order to deeply delve into the context of the Russian institutional field we need to refer to history. As the chosen company for the study appeared on the Russian market in 1993, it is considered the best approach to start the contextual analysis from the late 1990s.

With the collapse of the Soviet Union, Russia embarked on a journey to establish a market-based economy from scratch (Gel’man, 2003). Instead of a well-functioning market economy, the country found itself faced with what was described as "chaotic" capitalism (Lane, 2000), characterized by uncontrollable corruption and a lack of effective legal oversight (Holmes, 1997). This chaotic system led to the erosion of state authority in various areas (Sil & Chen, 2004), with monetary policy being replaced by barter systems (Woodruff, 1999) and power devolving from the central government to regional authorities (StonerWeiss, 1999). Corruption, tax evasion, and organized crime became widespread (Holmes, 2008; Yakovlev, 2001), further weakening institutional frameworks (Puffer & McCarthy, 2011). Oligarchs, wealthy individuals with significant political influence (Hellman, 1998), exerted control over regulatory processes and even influenced the composition of legislative bodies (Frye, 2002; Gustafson, 2000). As a result, the governance of the Russian Federation was effectively shared between oligarchs and established ruling elites (Hanson & Teague, 2005). Therefore, we suppose that at that time for any company it was the question of survival in such a chaotic and unpredictable environment. When Vladimir Putin became president of Russia in 2000, he wanted to make Russia more open to trade with other countries. Vladimir Putin embarked on a determined effort to revitalize the state's capacity, reinforce the rule of law, and integrate Russia's economy into global trade networks. This marked a departure from the closed economic policies of the Soviet era and the institutional weaknesses of Boris Yeltsin's presidency, which hindered international trade. Putin's agenda aimed to fortify regulatory structures to facilitate trade abroad, particularly in industries such as extractives and heavy manufacturing. To achieve these objectives, Putin's administration bolstered institutions, banned alternative forms of currency, and undertook comprehensive reforms of the fiscal and judicial systems to combat corruption, uphold property rights, and boost tax revenues. Additionally, Putin redefined the relationship between the state and the oligarchs, compelling some to flee the country while others faced imprisonment. Strategic industries, including defense, oil, and gas, were brought back under state control. These measures transformed the dynamics of business-state relations. Initially transitioning from a phase of "state capture" to "elite exchange," where firms received preferential treatment in exchange for benefits provided to state officials, the landscape evolved into a phase of "business capture." Under this arrangement, the state wielded significant control over businesses by imposing a multitude of regulations. Compliance became imperative for firms, as the proliferation of rules meant that even the most law-abiding companies risked violating regulations. Consequently, businesses acquiesced to state authority to avoid punitive measures, effectively granting the state unparalleled dominance over the business landscape. Russia is often called a "managed democracy" because the government has so much control. Also, in a "managed democracy" where the government controls a lot, businesses might not know what the public wants in terms of CSR, so they might decide for themselves. However, Putin's focus on international trade has made it easier for Western companies to do business in Russia, and vice versa. Interesting to note, that nowadays the government still can be considered as a main driver of CSR in Russia, and also the government is not only the stakeholder of the company in CSR, but also takes role of the main decision-maker and even customer(Polishchuk 2009; Zhao 2012).One more peculiarity about the background of the CSR in Russia is that during the Soviet Union, companies not only provided jobs but also gave workers benefits like housing and healthcare. Even after the Soviet Union ended, companies still acted in a similar way, preferring to keep workers even if they couldn't pay them well. This history affects how companies think about social responsibility today.

From the mid-1990s to 2002, there was an increase in social investment and the desire of business leaders to stabilize and optimize social infrastructure. At this time, non-financial reports also began to be published. In 2002, the Federal Securities Market Commission recommended the application of the Code of Corporate Conduct. In 2003-2009, the course was aimed at social stability, which contributed to the development of mutually beneficial relations between business and government, as well as improved social reporting practices. In 2007, Russia was included in international databases for the first time as a country where corporate structures began to issue social reports revealing their attitude to social activities. However, the global financial crisis since 2008 has led to a reduction in the practice of social responsibility (2010-2013), characterized by a reduction in funding for social programs and a decrease in the number of non-financial reports. The modern period since 2008 has been characterized by the desire to introduce international corporate governance practices into Russian companies. In 2014, the Corporate Governance Code was approved, which contains norms of socially responsible behavior of companies and recommendations on social and environmental reporting. This indicates the importance of socially responsible behavior of Russian companies and the attention paid to this issue by the Bank of Russia. Firms involved in corporate social responsibility (CSR) activities, which can be seen as traditional, voluntary, or going beyond what's legally required (Davis, 1973), mainly concentrated on implementing CSR policies and getting certified with the ISO 14001 environmental standard. These actions were taken primarily to enter export markets.

## 1.3.2 Systemic companies in Russia

During the transition to a market economy, Russian businesses found themselves increasingly responsible for addressing social and environmental challenges in the regions where they operated. This was particularly true for companies originating in Russian "monocities," where they served as major contributors to local tax revenues and employment. In these monocities, large companies faced significant challenges due to fluctuating demand for their products and uncertain investment prospects. These economic uncertainties led to various social and economic issues in the regions, such as labor outflows and income reductions. Regional governments, constrained by limited budgets, struggled to address these growing problems effectively, placing additional burdens on companies operating in these areas. As a result, companies in monocities took on additional responsibilities to fill the gaps left by government resources. These actions not only helped address pressing social and economic challenges but also provided companies with a level of protection and legitimacy during the turbulent privatization processes of the time (Filippov 2012; Kuznetsov, Kuznetsova, and Warren2009). Systemic companies play a crucial role in the economic and social order of a specific region or industry, as they provide essential products or services that sustain local communities. These companies, often identified by the Russian Ministry of Economic Development, typically originate from "monocities”. The uniqueness of the city-forming enterprises, of which there are more than 300 in Russia, is the fact that due to their deep integration into local environments, systemic companies bear significant responsibility for addressing societal needs and fulfilling state obligations. This heightened role often leads them to prioritize corporate social responsibility (CSR) initiatives (Garanina and Aray 2021). Additionally, systemic companies have faced criticism for environmental damage, partly stemming from mismanagement during Soviet times and neglect of environmental issues by federal and local authorities (Aray et al. 2021). In response to these global trends and domestic pressures, Russian systemic companies have implemented advanced CSR practices, such as establishing innovative ecosystems, engaging with diverse stakeholders including NGOs and local communities, supporting entrepreneurial projects, and undertaking such activity as CSR disclosure.

## 1.3.3 CSRD in Russian institutional environment

There are many theoretical and empirical works that are designed to explore the institutional context of CSR disclosure. For example, there is research about China, (Guo et al., 2018; Yin, 2017), South Korea, (Kim et al., 2013), Kenya (Muthuri and Gilbert, 2011), Nigeria and South Africa (Eweje, 2006), Vietnam (Nguyen et al., 2018), Malaysia (Lu and Castka, 2009), and Bangladesh (Belal et al., 2015). In Malaysia 84% of companies disclose CSR information (Ahmad, Sulaiman, and Siswantoro 2003). Likewise, in Thailand 75% of companies disclose information ( Ratanajongkol, Davey, and Low 2006). Ponnu and Okoth (2009) in their work provided results, which demonstrated around 78.7% of companies in the sample had made CSR disclosure in Kenya. Chapple and Moon (2005) demonstrated that India has the largest number of CSR reporting companies in all of Asia. Similarly, Roman (2006), in a study of 50 companies in India, showed that 95% of the companies in the sample disclosed some information about social responsibility (Makkar, 2019).

In contrast to developing countries, the level of disclosure of information on corporate social responsibility (CSR) in Russia, according to researchers, remains low. Baskin (2006) reported that Russia ranks last among the BRICS countries, with South Africa, Brazil and India leading the way. Li, Fetscherin, Alon, Lattemann, and Yeh (2010), in their study covering 105 largest companies from the BRIC countries, found that CSR in Russia is at an early stage of development. Based on data from the national register of Corporate non-financial reports (Российский союз промышленников и предпринимателей, 2024), at the time of 2023, 270 companies were registered in the register, which have issued 1,513 registered reports since 2001. Among them: environmental reports (EA) - 111, social reports (SO) – 388, sustainable development reports (ESD) – 614, integrated reports – 400. Only 30% of Russian companies undergo the procedure of independent verification of non-financial statements (Ассоциация банков России , 2023)

Kuznetsov, Kuznetsova and Warren (2009), in their study of 129 top managers of medium-sized and large Russian companies, documented that Russian managers have a very narrow view of CSR, believing that it is limited to paying taxes, complying with laws and providing jobs. The problem is that some entrepreneurs and managers have a low level of awareness in the field of sustainable development and CSR, as well as lack of the necessary qualifications and education in this area. Crotty and Rogers (2012) also gave a negative assessment, noting that Russian managers lack motivation to implement environmental initiatives other than those required by environmental regulations. The only factor encouraging companies to engage in environmental protection was the avoidance of environmental litigation. Russia has quite strict environmental legislation. Non-compliance with norms and standards can have very serious negative consequences for companies. Some entrepreneurs believe that it is not necessary to adopt a sustainable development agenda and disclose non-financial information of the company in order to meet trends. The regulatory framework helps businesses indirectly follow ESG principles. This may explain such a low percentage of companies that disclose non-financial information. According to Transparency International Corruption Perception Index (Transparency International , 2023), Russia stood at a rank 141 in the Corruption Perception Index out of 180 countries, ranking the highest in corruption relative to its peers among BRICS nations. But due to the fact that some institutions are weak and corruption is present, many large companies allow themselves to violate state-established norms on environmental management and simply pay money for it. The logic is simple - it is cheaper to pay a bribe than to implement modern cleaning systems or other environmental management practices to meet the requirements of environmental legislation. There is also a concealment of facts that prevent an objective assessment of the impact of the company's actions on the environment. In addition, the country has a very well-developed informal relationship among people and the so-called phenomenon of “come to an agreement" or simply connections. Representatives of companies have connections in, for example, companies providing environmental audit services, which allows companies to avoid fines or sanctions from government organizations, since due to connections some facts are kept silent and not made public.

During the III Annual National Forum on Sustainable Development, held by Vedomosti newspaper on May 19, 2021 in Moscow the following data, collected during the analysis of the involvement of Russian companies in the sustainable development agenda conducted by the National Rating Agency was stated: 60% of companies publish non-financial reports on a regular basis, and no more than 10% of companies disclose data on the integration of the ESG agenda at the board level. 25% of companies disclose financial information related to climate change. 57 companies out of 106 fall within the range of the average disclosure level (30%-80%). Only 20% of companies disclose the required amount of information in full. This is an indicator that is not suitable for a full impact assessment. These data include companies from the first and second listings of the Moscow Stock Exchange, many of which are associated with environmentally sensitive industries, such as the oil and gas sector, energy, and mining (Четвериков, 2021).

At the same time, in a survey conducted in 2023 as part of the "ESG Course in the New Reality" study, among 115 Russian companies that are members of the Association of Managers, more than a third of the surveyed entrepreneurs, which is 38%, actively implement the ESG agenda in their business strategies, 17% said they use the principles of sustainable development in all key areas of activity. 34% of respondents stated that they are just starting to get acquainted with this agenda. The data is also interesting, which shows that only 17% of respondents have been publishing non-financial statements for more than five years, and another 32% of respondents have been doing this for a year to four years. A third (31%) plan to start maintaining non-financial reporting, and a fifth of respondents believe that this is not relevant for their companies now. Therefore, it can be claimed that Russia has a relatively low level among other developing countries in the CSR disclosure (Коновалова, 2023).

In recent years, active regulation of the ESG agenda has begun in Russia. Several important documents were approved, including the "Strategy for Socio-economic development with low greenhouse Gas emissions until 2050", federal laws on limiting greenhouse gas emissions and conducting an experiment to limit emissions in certain regions, as well as a government decree on the list of greenhouse gases for state accounting and cadastre. Additionally, there are regulations related to taxonomy and support for sustainable development. These are government orders and resolutions setting goals and directions for sustainable development, criteria for sustainable development projects and requirements for their verification, as well as instructions from the Bank of Russia on securities issuance standards. In 2014, the Board of Directors of the Bank of Russia approved the Corporate Governance Code recommended for use by joint-stock companies whose securities are admitted to trading. According to the "Concept for the Development of Public Non-Financial Reporting", Russian businesses should disclose information about sustainable development taking into account international standards such as GRI and the Corporate Governance Code of the Central Bank of Russia. In 2021, the Bank of Russia issued recommendations on the disclosure of non-financial information for public joint-stock companies. Despite the criticism, the preparation of these recommendations can be considered as an initiative project against the background of inaction by federal executive authorities. In 2020, the Ministry of Economic Development of Russia was appointed responsible for the implementation of the Concept of Development of public Non-financial Reporting, but in practice many aspects remain unresolved. In Russia, there is also regulation of non-financial reporting, represented mainly by the recommendations of the Central Bank. In 2012, the Russian Union of Industrialists and Entrepreneurs and GRI signed an information partnership agreement, and the RSPP has a national register of non-financial reports integrated into the GRI international reporting system.

## 1.3.4 Changes in institutional field in Russia after geopolitical crises in 2022

In 2022, Russia faced unprecedented sanctions pressure, which is an instrument of international diplomacy as a method of exerting pressure on countries that violate international norms by their actions. In 2022, Russia found itself in a difficult situation due to the growing problems associated with ESG and the continued imposition of sanctions by the United States and other countries. The introduction of a huge number of sanctions forced businesses to completely rebuild established processes to adapt to new conditions. This has caused a shift in attention from ESG to other more important issues. Russia, a country with huge natural resources and significant geopolitical influence, is under increasing pressure from both ESG issues and international sanctions. In addition, the Russian market was abandoned by Western investors who set the trends of the sustainable development agenda (В. А. Тихонов, 2022). Considering the international situation, it becomes almost impossible for Russian companies to enter international ESG ratings and attract foreign investment. For domestic businesses, it is more important to earn money, gain a foothold in the market and increase capitalization rather than to focus on the green agenda. These multifaceted factors have created significant problems for Russia's economic development and international relations.

But despite all the difficulties, business eventually finds ways to adapt to changing conditions. Thanks to this, the draft law on public non-financial reporting, which was debugged more than a year ago in the face of growing sanctions pressure, is returning to the government agenda. Currently, data on ESG indicators indicated in financial statements are published in different formats, with different frequency and with disparate standards voluntarily by several hundred Russian companies (Интерфакс, 2023)

This happens due to the fact that there is no legislation, formal rules and requirements that will force companies to be engaged in the CSR and disclose sustainability information(Aray et al. 2021). Due to the lack of a unified system, many influential organizations, regulators, such as the Central Bank, issue methodologies and recommendation letters on reports. Companies highly appreciate the Central Bank's contribution to the formation of recommendations (Логинова Е. В., 2023). The Russian Union of Industrialists and Entrepreneurs is posting a guide on non-financial puffiness, as well as making a summary of sustainability reports. These guidelines use the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting system. And the Ministry of Economic Development of the Russian Federation has approved a document on methodological recommendations for the preparation of reports on sustainable development (МИНЭКОНОМРАЗВИТИЯ РОССИИ, 2023).

In light of the current geopolitical changes, Russian business is increasingly reorienting from Europe to the East, Southeast Asia and friendly countries of the Asia-Pacific region, rebuilding logistics chains. This shift does not mean abandoning the ESG agenda. As Valery Fetisov, a lecturer at the Department of Financial and Investment Management at the Financial University under the Government of the Russian Federation, explains, Russian companies will have to take into account the specifics of doing business in new markets where their own national ESG agendas already exist and where regulatory requirements in the field of sustainable development may be stricter than in the West. For example, according to a report by the auditing and consulting firm Kept (formerly KPMG), 90% of the Hong Kong and Shanghai stock exchanges recommend companies to provide non-financial ESG reporting, and 50% have made it mandatory. But Russia remains a part of the global economy and continues to develop and improve its policy on sustainable development. As Sergey Goebel, a member of the General Council of Delovaya Rossiya, noted, this year there are likely to be changes in the drivers of sustainable development in Russia. If at the beginning of last year companies primarily took into account the requirements of foreign investors, by the summer the focus shifted to Russian legislation and the national agenda. In the next few years, the agenda will be determined by large companies that have already established themselves as leaders in this field. The internal regulation of certain issues, such as climate issues, will continue to develop, but there is a risk of softening the previously outlined goals of the state due to the adoption of various anti-sanctions measures. It is also possible to change the priorities of ESG factors (РБК, 2023).

Corporate social responsibility and ESG values remain relevant in our country, despite the difficult economic and geopolitical conditions. Domestic companies continue to follow the course of sustainable development. So, in 2022, 1.2 trillion rubles were spent on sustainable development goals. rubles, which indicates significant amounts of sustainable and "green" financing in Russia. Moreover, companies strive to take into account the demands made to them by stakeholders, actively participate in the struggle for leadership in sustainable development in general, and the ESG agenda in particular.

## 1.4  Neo-institutional theory framework/ institutional theory framework

As companies are aimed to be in harmony with the surrounded environment, they communicate (Coopers and Lybrand, 1993) via different methods such as advertising, employee newsletter, annual reports and so on to communicate with its’ stakeholders (Deegan, 2002; O’Dwyer, 2001; Deegan and Rankin, 1999). While annual reports are commonly accepted communication methods (Buhr, 2002). There are different types of reports, provided by the company, but we would like to emphasize on the sustainability reports, which can be considered as a part of the annual report. These reports are documents, which may affect the company 's agreements from a political and economic point of view and, moreover, affect the interests of the company itself. Important to mention that there is no legislation that obliges companies to publish sustainability reports. Such initiative is completely on a voluntary basis (CATHERINE A. RAMUS, 2005).

When studying the motivators behind companies' decisions to become sustainable, it is important to understand the underlying theories that provide the basis for these motivations. Theory such as institutional theory provides valuable information about why companies choose methods to ensure environmental sustainability (Deegan, 2014b; Deegan, 2002; Guthrie, J. and Parker, L. 1990). This theory is frequently used to interpret managerial motivation for publishing sustainability information (Deegan, 2014a). According to Gray et al. (1996), organizations are a part of a social system, consisting of various entities (e.g. state, individual, group); institutional theory can be utilized to shed light on the role of information and disclosure, in the relationships among organizations and the mentioned entities.

The importance of institutional theory in considering this topic is demonstrated in the articles made by authors such as : Ball and Craig (2010), Lounsbury (1997), Rivera (2004),who state that Institutional theory can be used in order to analyze how changes in social values and regulation affect the company’s decision about going green, implement sustainable practices thoroughly and motivation to disclose sustainability information. Moreover, from the perspective of CSR, main stakeholders and managers' motivations define how the company will be governed (DIRK MATTEN, 2008). It was found that institutional theory is a component theory, which in one form or another includes the theory of stakeholders and the theory of legitimacy. Additionally, Institutional theory can provide some insights of implementation of certain practices without obvious economic return([Berrone et al., 2010](https://www.sciencedirect.com/science/article/pii/S0925527313005860" \l "bib102); [Meyer and Rowan, 1977](https://www.sciencedirect.com/science/article/pii/S0925527313005860#bib62), [DiMaggio and Powell, 1983](https://www.sciencedirect.com/science/article/pii/S0925527313005860#bib25)). Therefore, Institutional theory allows us to see how these interconnections of different motives behave in the context of nation, culture and institutions.

Moreover, with the usage of the institutional theory it was illustrated that among different countries socially responsible practices vary and change (Matten and Moon , 2008). That is why for MNE it is essential to consider the institutional pressure which will affect subsidiaries of the mother company in the different countries, as some multinational enterprises in some cases shift socially irresponsible practices to other countries where their subsidies are located. The choice of the country is based on the level of the influence of institutional pressure from different parties. Such behavior can be named as “pollution haven” ([Surroca, Tribó, and Zahra ,2013)](https://journals.sagepub.com/doi/10.1177/1086026614526413" \l "bibr119-1086026614526413). Each impact on a company is unique in its environment and varies depending on the institutional environment. This happens because each country has its own long-standing and historically entrenched institutions. Thus, corporate social responsibility (CSR) differs in different countries, which is what managers of international companies use for their own benefit, while transferring practices where there will be less institutional pressure.

Institutional theory allows us to analyze and understand how organizations operate within their broader social, cultural, and economic contexts. It offers a "theoretical lens" through which it can examine various factors that influence the survival and legitimacy of organizational practices. The term of institutions includes both formal and informal parts. Under this theory the following factors are examined ([Baumol et al., 2009](https://www.sciencedirect.com/science/article/pii/S0925527313005860#bib7) and  [Brunton et al., 2010](https://www.sciencedirect.com/science/article/pii/S0925527313005860#bib11) ):

1. culture
2. social environment
3. regulation, including the legal environment
4. traditions and history
5. economic stimulus and resources

"Institutions" refers not only to formal organizations like governments and companies, but also to the norms, incentives, and rules that shape how people behave. In this work the definition provided by Huntington serves as the base for understanding the term. Huntington described institutions as “stable, valued, recurring patterns of behavior,” These patterns are characterized by their adaptability, complexity, autonomy, and coherence(1969: 12). Similarly, March and Olsen define institutions as “collections of rules and routines that define actions in terms of relations between roles and situations”. Institutions facilitate interactions that are predictable and consistent, providing stability and guiding individual behavior based on shared values and meanings.

The explanation for differences in corporate social responsibility (CSR) practices lies in the national business systems of each country. While all markets involve actors pursuing economic interests, corporate decisions about CSR strategies are influenced by the social and political environment (Polanyi (1957)). Markets are not isolated; they are part of human societies and are shaped by state actions such as laws and market regulations. CSR, by its nature, involves corporate choices (atomistic) but also requires compliance with laws and customary ethics (hierarchical and embedded in social relations). Since societies have different market systems, institutions, ethics, and social relations, it is reasonable to expect variations in how corporations express and pursue their social responsibilities in different societies.

The main thesis of institutional theory is that organizations seek to establish and maintain legitimacy within their institutional environment, therefore, companies adapt to the changes in the institutional environment and respond to the stakeholders expectations in order to maintain legitimacy (DiMaggio and Powell 1983; Elamer, Ntim, and Abdou, forthcoming; Meyer and Rowan 1977; Scott 1987, 2014). Legitimacy refers to the perception that an organization's actions are desirable, correct, and appropriate within the social norms and expectations of its environment. Within the framework of the work, legitimacy refers to the use of sustainable practices that are appropriate for the company from the perspective of stakeholders. Legitimacy operates in an institutionalized environment created by stakeholders who exert their own internal and external pressure. Legitimacy theory asserts that organizations seek to maintain legitimacy by conforming to socially constructed norms, values, and beliefs. Suchman ([1995](https://link.springer.com/referenceworkentry/10.1007/978-3-642-28036-8_471#ref-CR047110), p. 574) defines legitimacy as a “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” In fact, organizations must align their behavior with the expectations of society in order to avoid sanctions and ensure survival. This theory explains how organizations engage in voluntary disclosure of social and environmental information in order to fulfill their public contract and achieve recognition of their goals. Attaining legitimacy is crucial for companies, so companies become engaged in environmental and social marketing. Prakash, 2002; Fleming and Jones, 2013; Weaver et al., 1999).

In modern reality the CSR disclosure can be considered as one of the sources to attain legitimacy(Fleming and Jones, 2013). There are several reasons why it is crucial for the company:

1) access to resources (Aldrich and Fiol, 1994)

2) stronger exchange relationships with business partners and a stronger workforce (DiMaggio and Powell, 1983)

3) enhancement of corporate reputation (Baum, 2012)

4) higher consumer purchase intentions (Spack et al., 2012)

5) improvement of financial performance (Deephouse, 1999)

Legitimacy can be seen as a contract between the company and society, where society provides with essential resources for the company, required to operate, and approval to work, while company undertakes to provide society with desirable goods and services, without damaging environment (Shocker and Sethi, 1974; Mathews, 1993).Organizations often follow various rules and regulations that are set by regulatory agencies, government agencies, laws, courts, professional associations, and other social and cultural norms and customs. These rules and regulations serve as guidelines for acceptable behavior in an institutional environment, and adherence to these rules allows to protect the company's position and its legitimacy.

Generally speaking, institutional theory explores how organizations navigate their institutional environment by following established rules, norms, and practices in order to ensure their position and legitimacy in a broader social and economic context. Moreover, external factors such as social, political, and economic pressures play a significant role in shaping the strategies and decisions of the firms, as viewed through the lens of Institutional Theory. For any company it’s crucial to seek to legitimize their practices in accordance with the prevailing norms, values and expectations in their institutional environment. I would like to emphasize that institutions, which include government, regulatory authorities, legal systems, as well as informal norms and expectations of society, shape the behavior of an organization. It is the institutions that establish the norms that determine which actions of organizations are considered acceptable and legitimate. Industry standards and legal norms can be considered an example. Institutions also form the basic logic by which laws and generally accepted patterns of behavior are perceived as natural and obligatory.

## 1.4.1 Coercive, normative and mimetic pressures

Organizational practices change and become institutionalized because they are

considered legitimate. There are three forms of driving forces that create isomorphism in organizational strategies and processes, which ensures the legitimacy of the company. Isomorphism refers to the process that causes organizations to become similar to each other and implement similar practices. In particular, this process is clearly represented in the case when disparate organizations combine into one industry. In this case, forces arise that make them look like each other. Such forces are: **coercive, normative and imitative** (DiMaggio & Powell, 1983).

People in high positions ( government) exert **coercive** influence, forcing companies to better manage the environment for sustainable development (Eberhard-Harribey, 2006). Moreover, codes of conduct or any other self-regulatory and voluntary initiatives provided by the UN also can be seen as isomorphism. It is the coercive force that is crucial for a qualitative shift towards sustainability. This aspect is coercive( regulative) in nature and uses rules, laws, sanctions and standards to enforce regulations. Companies, in their turn, act within the framework of the laws to avoid punishments(Greenwood et al. 2013). For CSR initiatives to succeed, governments must play an active role in not only formulating but also enforcing regulations that encourage responsible business practices. The study by Fox, Ward, and Howard (2002) highlighted that government involvement in corporate social responsibility (CSR) extends across multiple roles: mandating, facilitating, patterning, and endorsing. However, the effectiveness of these regulatory mechanisms is contingent upon active vigilance from all societal actors (Knudsen (2017). This implies that stakeholders beyond just the government, including businesses, civil society organizations, and the general public, need to actively participate in monitoring and ensuring compliance with CSR regulations.

Therefore, it is important to examine the regulatory system and its enforcement mechanisms concerning CSR. By examining the strength and efficiency of these regulatory frameworks, their impact on encouraging responsible business practices and fostering sustainability can be identified.

**Normative** influences are based on a moral principle. Researchers such as Ball and Craig say this regulatory pressure is forcing companies to think more about the environment. Normative influence is important because it makes companies feel like they have to follow the rules because that's what they have to do. In the normative approach, organizational behavior is guided by moral principles and social obligations, even if it means going beyond legal requirements. The process of isomorphism, as observed over time, leads to businesses conforming to practices advocated by professional groups. These practices vary depending on the corporate culture, norms, and values influenced by the national context in which businesses operate (El Ghoul, Guedhami, & Kim, 2017; Martínez-Ferrero & García-Sánchez, 2017). This form of isomorphism occurs when different professional groups, such as accountants, auditors, and lawyers, promote appropriate organizational standards, which businesses then adopt and follow to. Compliance with community norms, understanding of community needs, and the integration of enterprises within societal networks are some of the elements that impact corporate engagement in social concerns (Marquis et al., 2007; Moon & Vogel, 2009). As local or global communities develop over time, prevalent norms become standards that drive enterprises to follow suit (Campbell, 2006). Yin (2017) asserts that businesses' tendency to engage in a socially responsible manner is correlated with the importance they place on societal norms and values. Numerous entities, including NGOs, institutional investors, the media, social movement organizations, and professional associations, are responsible for establishing these standards (El Ghoul, Guedhami, Nash, & Patel, 2019; Muthuri & Gilbert, 2011). The institutional environment's normative elements are vital in encouraging responsible behavior, particularly in contexts where morally acceptable activity and formal regulations do not specifically address unclear issues (Crane & Matten, 2016). Normative aspects of the institutional environment include cultural norms, values, mental models, ideologies, and interpretations of shared meanings (Scott, 2008). Businesses tend to follow established cultural and religious norms that are considered as appropriate within a given social context (Kostova & Zaheer, 1999). Moral values imposed by the prevailing culture can play a crucial role in shaping a company's decision to engage in socially responsible practices (Martinez-Conesa, Soto-Acosta, & Palacios-Manzano, 2017).

**Cognitive** (imitative) influence occurs when companies copy the actions of successful competitors in order to appear legitimate, or rather to repeat the path to success of more successful competitors in the industry. Organizations may adopt certain practices not because they believe in their moral value but because they perceive them as necessary for legitimacy or survival within a given institutional context. Imitative influence also manifests itself when companies seek to fit into the culture and institutional environment of a country (Scott, 1995). Moreover, business operates in the world of uncertainties. This forces businesses to imitate others. (DiMaggio & Powell, 1983). The mimic pressure can be sourced from the competitors' pressure within the industry or CSR leaders from the whole institutional field. Matten and Moon (2008) argue that mimetic isomorphism is driven by industry norms, codes of conduct, and the global diffusion of CSR practices. Businesses are motivated to pursue legitimacy by a large pool of customers or labor force (DiMaggio & Powell, 1983). The industry in which a corporation operates may also have an impact on this pressure (Shabana, Buchholtz, & Carroll, 2017). For example, a company may aim to establish credibility by implementing CSR strategies that resemble those of a well-known industry pioneer in socially conscious projects (Shabana et al., 2017). In addition, companies aim to imitate the CSR methods of the sector's recognized front-runner in CSR projects. According to Delmas and Toffel (2004), these pressures are especially important in developing nations because companies frequently follow the example of their counterparts in other areas because of their perceived good reputation. For clarity, a theoretical framework, which is presented in Fig.2, has been created that demonstrates all the forces influencing companies about voluntary CSR disclosure.

Coercive pressure

What exerts coercive pressure in Russia?

Normative pressure

Factors, influencing CSRD before/after 2022

Systemic company

What exerts normative pressure in Russia?

What exerts mimetic pressure in Russia?

Mimetic pressure

Fig.2 Theoretical framework of the study

Source: made by author

In 1997, a Hoffman study demonstrated that after a certain period of time, organizations tend to change the cognitive frame to another one depending on changes that occur in regulatory and regulatory pressures. Thus, it can be argued that the initial impact on the firm's dedication towards environmental practices comes from the regulatory pressures, then normative pressure, which were followed by a new cognitive understanding of the problems. This is due to the fact that regulatory pressure arises first due to laws and regulations on the part of the state and regulatory organizations. Organizations, in turn, strive to avoid additional financial encumbrances in the form of fines, as well as legal consequences. That is why the initial stage is the introduction of all standards and practices that meet the legal requirements of the country into the company's activities. After that, there is a normative pressure that comes from social norms, expectations and values. All this together pushes the organization to deepen and expand its arsenal of practices in the field of sustainable development, thereby improving its environmental responsibility. Over time, companies begin to realize the importance of environmental issues and change their views and approaches to them, which is a cognitive understanding of the problems.

## 1.4.2 Institutional isomorphism

Institutional theory explains the process when the effect of spreading a package of measures for environmental positive impact is created, in other words, the “ripple effect". As soon as the “critical threshold” for the introduction of new practices “is reached, then rapid adoption occurs among a wide range of actors” (p. 158). Consequently, when a significant number of organizations adhere to a certain set of environmental policies, institutional theory assumes that others will follow their example. (Hoffman ,1997). Nevertheless, institutional pressures influence on businesses to conform to certain norms and practices within their respective fields do not always lead to complete uniformity in behavior. Pache and Santos (2013) argue that while institutions exert pressure, organizations still have some degree of autonomy in their responses. Some companies may conform more readily to these pressures, while others may resist or ignore them. For example, listed companies that are more visible and subject to scrutiny from stakeholders may be under greater pressure to comply with institutional requirements (Boubakri, El Ghoul, Wang, Guedhami, & Kwok, 2016; Filatotchev & Nakajima, 2014). This is due to the fact that their actions are more closely monitored, and any deviation from the expected norms can have significant consequences for their reputation and performance. On the other hand, elite or highly influential companies may have more freedom to avoid being subjected to institutional pressure. Their status and power in the industry can provide them with protection from external coercion or the need to imitate the behavior of others. As a result, they may be less constrained by institutional expectations and have more freedom in shaping their own practices.

## 1.4.3 Similarities of institutional theory with stakeholder theory

The similarities of institutional theory with stakeholder theory lie in the recognition of external pressures on industries, which influence organizations' decisions regarding Corporate Environmental Performance (CEP) statements. Stakeholder theory posits that firms prioritize stakeholders with the most influence and urgency (Mitchell, Agle, & Wood, 1997). It is crucial for the company as the ultimate goal of the company is to create value (Rappaport, 1986; Mills and Weinstein, 2000; Jensen, 2001; Grant, 2002). To achieve this goal, it is important for a company to be aware of the broader context in which it operates. This context includes a complex network of connections linking the company to various interconnected individuals and groups known as stakeholders (Freeman, 1984; Donaldson and Preston, 1995; Post et al., 2002).An interested party is defined as “any group or individual who can or is influenced by'' (Feeeman 1984, стр. 46).These relationships play a significant role in shaping the company's management practices and, conversely, they are influenced by the company's actions.

Stakeholder theory discussed in the context of the book «Strategic Management: A Stakeholder Approach» by R. Edward Freeman, emphasizes the importance of taking into account the interests and expectations of multiple stakeholders when making corporate decisions, in this case, decisions related to the environmental sustainability of the company. In fact, companies that prioritize environmental sustainability(????) often do so to meet the concerns and expectations of various stakeholders beyond just shareholders (Freeman et al., 2010). Currently stakeholder management managers are forced to consider the interests of a wide range of stakeholders and expand business objectives but not to focus precisely on the creating stakeholder value in the strategic management decisions. (Garrod, 1997; McGee, 1998.)

By taking into account the interests of a wider range of stakeholders, including those affected by the company's environmental impact, enterprises can build stronger relationships and increase their social responsibility (Kolk & Pinkse,2007; Loorbach & Wijsman, 2013). Good relationships with stakeholders are essential to ensure the long-term success and sustainability of the company. This approach recognizes that sustainable business practices can have a positive impact not only on financial performance (Hendry, J. 2001), but also for the well-being of other stakeholders such as employees, customers, suppliers and society as a whole. This approach also promotes a sense of accountability and transparency, as companies seek to balance economic goals with social and environmental considerations.

When a company demonstrates poor environmental performance, it often faces obstacles in establishing and maintaining positive relationships with its stakeholders. Improper environmental practices can undermine the company's credibility, which will lead to a number of negative consequences. For large corporations, consumer pressure plays an important role in their becoming environmentally sustainable companies. As consumers become more informed about the environmental impact of the company's products and operations, there is a growing demand for improved environmental performance from industrial enterprises (Williams, Medhurst and Drew, 1993). Thus, the main trend among consumers is “green consumption”, that is, customers prefer companies committed to sustainable development and environmental responsibility, which directly stimulates businesses to move more actively to more proactive environmental management (Arora and Cason, 1995). Companies are forced to align their practices with these values in order to maintain their market share and reputation, and in more serious cases, to maintain their existence in the market. By prioritizing sustainable development, businesses can differentiate themselves from competitors and attract consumers who care about the environment. In addition, strengthening public relations is a priority for large firms, as they realize the importance of being perceived as responsible corporate citizens. The introduction of "green" practices can improve the brand image and increase customer loyalty. However, under such conditions, customers have many levers to influence companies and manipulate its decision-making process. If the company does not meet the specified characteristics that fit into the concept of sustainable behavior of the company, customers can simply boycott the company and its products. (Greeno and Robinson, 1992). At the same time, not only customers have such levers, but also suppliers who position themselves as “green” may refuse to cooperate in order to preserve and protect their reputation. (Henriques and Sadorsky, 1999).

Besides the buyers, it is worth mentioning the shareholders. If a company is accused of causing environmental damage or the public finds out that all its statements about commitment to sustainable development are lies, then shareholders will suffer serious monetary losses from their investments in such companies (Hamilton, 1995). Thus, shareholders and financial institutions, including investment funds, view companies with a poor environmental reputation as risky to invest in, which means investors will demand higher payouts for shares. (Henriques and Sadorsky, 1996). In the worst case, investors can demonstrate their dissatisfaction in a non-verbal way by withdrawing capital.

As for the company's reputation, there is a problem here too. The problem is that if a company uses reactive environmental management and among its competitors the proactive strategy is used, then company with reactive strategy will gain a competitive loss due to the fact that stakeholders now are more value companies, which taking proactive measures to address environmental issues, even before the legislation will force company to do so. (Garrod, 1997). The main difference between reactive and proactive environmental measures is the fact that a reactive environmental strategy refers to a company's approach of responding to environmental concerns and regulations only after they arise, rather than proactively addressing them beforehand. (Schot and Fischer, 1993). At the same time, enterprises may face a negative advertising campaign aimed at the environmental lobby, or negative media coverage (Welford and Gouldson, 1993).

For MNE, working in different countries, there are additional difficulties in the form of navigation among diverse landscape of stakeholders, including governments, local communities, environmental organizations, and consumers, each with their own interests and concerns related to environmental issues, as MNE operates in a different countries with a different set of regulations, cultural norms, and societal expectations regarding environmental practices, in other words with broad institutional field of stakeholders. Moreover, the behavior of one affiliate or subsidiary of an MNE can have ripple effects on other affiliates or subsidiaries within the same organization. Therefore, if one subsidiary of an MNE is involved in an environmental controversy or faces regulatory sanctions in a particular country, it may tarnish the reputation of the entire MNE and affect the operations of other subsidiaries, even in different countries (Rugman and Verbeke, 2001). Thus, threats posed by various stakeholders in response to poor environmental management may be a factor in encouraging firms to improve their corporate environmental practices. Important to note, that large firms face the more vigilant watch from watchdog groups. Similarly, regulative pressure, a component of these external pressures, refers to the coercive influence exerted by various entities such as financial institutions, civil society organizations, customers, and trade associations. These pressures create expectations and requirements for firms to adopt environmental sustainability practices, often as a condition for market access or membership in industry associations.

Institutional theory can predict the convergence of the organizational behaviors over time due to the common institutional environment. Financial markets, for example, see effective environmental management as an indicator of good management. Such perception is demonstrated in the different sustainability indices like Dow Jones Sustainability Index and Innovest. According to the indexes of the company, the results serve as benchmarks for evaluating companies based on their environmental performance. Firms that prioritize environmental sustainability are perceived as more responsible and well-managed, which can lead to favorable treatment, including access to environmentally focused funds. Consequently, this creates a coercive pressure across different industry sectors for firms to commit to environmental sustainability initiatives if they wish to qualify for these funds. Moreover, civil society organizations can publicly highlight firms' environmental policies (or lack thereof) as most of the people have free access to the Internet, influencing consumer preferences; customers may prefer environmentally conscious businesses, leading to potential market penalties for non-compliant firms; and trade associations may require environmental commitments for membership. Despite these pressures, firms may claim commitment to sustainability without necessarily implementing substantial measures due to the absence of verification mechanisms and the perception of minimal downside risk. However, the trend suggests that large, publicly visible firms will increasingly commit to environmental policies over time to meet expectations of external stakeholders such as investors, community members, potential customers, and so on and maintain reputational standing (Hoffman, 2001; Ramus, 2003).

## 1.4.4 Conclusions from the analysis of institutional theory

Thus, it becomes obvious that institutions determine to a greater extent what is appropriate or legitimate. This highlights the importance of understanding the institutional context and the ability to navigate it for organizations that wish to work effectively in their environment. This theory influences the decision-making process within an organization. Institutional pressure push companies to become sustainable and “green” in order to be legitimate.( [Montiel](https://journals.sagepub.com/doi/full/10.1177/1086026614526413?casa_token=GcPFmYWiqZkAAAAA%3A-Fci_H9u0MrydVwHIL_L9M76s5EC98dY4NxHFnrJiGoDkPkgYxjlPQfe6xO9USJxv5NHRNcuIYQ#con1) and [Delgado-Ceballos](https://journals.sagepub.com/doi/full/10.1177/1086026614526413?casa_token=GcPFmYWiqZkAAAAA%3A-Fci_H9u0MrydVwHIL_L9M76s5EC98dY4NxHFnrJiGoDkPkgYxjlPQfe6xO9USJxv5NHRNcuIYQ#con2), 2014). Also, upon closer examination, it is possible to analyze who and to what extent influences the company and its decisions related to sustainable development.. Institutional theory essentially says that institutions seek legitimacy through yielding to outside influences. Understanding CSR requires a more practical approach that takes into account people's motives, motivations, and limitations. We contend that different institutional fields have different CSR practices, and it is crucial to comprehend how companies interpret and implement social responsibility in relation to their particular institutional contexts. We can learn more about the various strategies used by companies to address (Khan et al. 2020).

# 2.Research design

## 2.1 RESEARCH QUESTIONS STATEMENT

Thus, this study is aimed at studying the influences exerted on the adoption of the practice of disclosure of the environmental aspect of CSR in city-forming enterprises that operate in the Russian context, as well as to analyze how they have changed in connection with the events of 2022. This study is based on the institutional theory and the framework, which was provided by DiMaggio and Powell (1983;1991) to explore the factors which influence the adoption of CSR disclosure practice. According to the framework, companies are under three types of institutional pressures: coercive, normative and mimetic. Firms' motivations towards Corporate Social Responsibility Disclosure (CSRD) may be influenced by coercive, mimetic, and normative isomorphism within Russia's institutional environment.

It is still underexplored the relevant pressures systemic companies receive from different external drivers, which motivate companies to disclose CSR information, considering the fact that there are: low level of interest among managers and society, the weak legal framework, as well as the political and economic situation that unfolded in 2022 in Russia. These barriers business met with because of the countless sanctions from the West countries affected most of the spheres of lives and changed plans. Sanctions forced companies to reconsider their values, redirect resources to maintain the most important functions, as well as to rebuild all business processes. Many companies have redirected their resources and export flows to alternative markets. All these changes directly and indirectly affect the involvement of companies in sustainable development, as well as the disclosure of information about this commitment. Based on the literature review conducted above, it can be stated that the Russian institutional context is quite weak. There are also not enough works devoted to the analysis of drivers to disclose environmental aspect of sustainability reports in the context of Russia, which would be based on neo-institutional theory. Moreover, the factor of systematic companies was neglected in the previous studies. There are fewer studies dedicated to the analysis of the influence of institutional change due to geopolitical situation on the CSRD practice among systemic companies, operating in Russia. Therefore, the aim of this work is to explore how changes in external institutional pressures, particularly due to recent geopolitical developments, have affected the disclosure practices of the environmental aspects of sustainability reports among systemic companies operating in Russia. This study seeks to fill the gap in existing literature by analyzing the drivers of environmental CSR disclosure in the weak institutional context of Russia, utilizing neo-institutional theory as the framework for understanding these dynamics. This study aims to fill this gap in the literature by addressing the next two research questions:

1. What institutional pressures serve as drivers of adoption of environmental CSR disclosure practice in systemic companies operating in Russia?
2. How institutional pressures changed in connection with the events of 2022 in Russia?

In order to receive valuable information and to answer the questions posed as for the case study the PJS Severstal was chosen.

## 2.2 METHODOLOGY

A qualitative approach was implemented in this paper to explore the pressures affecting the adoption of CSR disclosure in Russia. In order to answer the research questions the single-case study of Severstal in the context of Russian institutional pressures will be conducted. The main source of the information is interviews, conducted with the representatives of Severstal company.

## 2.2.1 Justification of the single case study:

Case studies are used to analyze complex and multifaceted problems, as this approach allows you to study such problems in detail and comprehensively. It is also a very common way to analyze problems in the business world (Ghauri&Gronhaug, 2002). Generally speaking, case study method allows to see the interconnections within the searched problem.

The main difference between multiple case study and single case study is that in the first one the main purpose of it- to compare and identify differences and similarities between cases (Baxter & Jack, 2008, while the single case study is aimed to study the outstanding situation in more detail, as well as to approach the problem more comprehensively.

The use of Severstal as a single case study for other city-forming enterprises can be justified from the point of view of isomorphism and institutional theory. When organizations respond to pressures from their environment, they tend to adopt similar rules and structures as other organizations in similar positions. This occurs because they face comparable pressures, leading them to conform to the norms and beliefs commonly accepted by managers in their field. Thus, such organizations become isomorphic. Severstal, as a leader in the metallurgy and steel industry, can be considered as an example in this area. Moreover, Severstal is also considered as a leader in CSR reporting. If it is subject to regulatory and institutional pressures regarding CSR disclosure, other businesses in the industry may face similar pressures. Due to mimetic isomorphism, mining companies emulate the practices of large and prosperous mining corporations, such as Severstal. Severstal adheres to the GRI reporting standards, and other Russian mining firms may view Severstal's sustainability disclosure as the benchmark for their own reporting. As Severstal's sustainability disclosure practices evolve and align with industry trends, this phenomenon is characterized as mimetic isomorphism (Charl de Villiers, 2014). The study of Severstal's response to this pressure can provide useful guidance for other organizations. Thus, the results of Severstal's research can be generalized and applied to other city-forming enterprises in the same industry.

## 2.2.2 Justification for choosing a company:

The choice of Severstal is justified for several reasons. Severstal is a large, city-forming company with international assets. Therefore, the company faces a large degree of institutional complexity (Greenwood et al. 2010). A unique set of pressures in the Russian market is inherent in city-forming enterprises. Also, such enterprises mostly work in environmentally sensitive areas. The choice of the metallurgical and mining industry as an object of research is due to the fact that this industry remains one of the main budget-forming sectors for the Russian economy. Russia’s metals industry is of particular significance for the national economy. Its direct contribution to GDP comprises up to 5 %, to the value added of the manufacturing industry – 17.4 %, to exports – 10 %

PJSC Severstal is a leading mining and metallurgical company specializing in the extraction, production and processing of metal. It manages all stages of value creation - from iron ore mining and steel smelting to finished product production, distribution and service. The company owns Cherepovets Metallurgical Plant, the second largest steel company in Russia. In 2023, Severstal set a historical record by spending 6 billion rubles on environmental protection measures (Severstal website). Severstal has adopted a strategy for sustainable development until 2030, focusing on contributing to the achievement of sustainable development goals and creating a favorable environment for realizing the potential of employees and residents. In 2020, for the first time, the company received an ESG reporting rating at the RUS 1 level from the AK&M rating agency. This confirms the highest level of disclosure of information about sustainable development in its reports. Severstal has demonstrated a reduction in the negative impact on the environment, energy consumption and the use of natural resources.

In 2023, the НРА awarded the company an ESG rating of "AA.esg". This indicates a high level of integration of environmental management principles, effective risk management and high social responsibility (Национальное рейтинговое агенство , 2023). Severstal actively participates in international initiatives and associations, such as the UN Global Compact, and ranks 5th in the ESG rating (Nadezhda N. Pokrovskaia, 2023).Despite significant losses in 2022 related to blocked assets and revenues from purchases in the West, Severstal continues to build a digital ecosystem and develops innovative projects such as a digital platform for the sale of rolled metal products PlatFerrum.ru , taking into account the requirements of ESG. The Company regularly publishes reports on corporate social responsibility and sustainable development that comply with international standards GRI and ISO 26000, as well as recommendations of Russian organizations on non-financial reporting. Severstal's 2023 report presents significant progress in achieving the goals of the 2030 Sustainable Development Strategy, as well as future plans in key areas such as ecology, climate, occupational safety, personnel development, social investment and corporate governance. Over the past year, the company has made significant investments in decarbonization, reducing the intensity of CO2 emissions per ton of steel. It is planned to further increase investments to achieve the climate target by 2030. Severstal is also actively investing in environmental protection and biodiversity activities, including projects with the Darwin State Nature Reserve. The company has made great efforts to support its employees by introducing a well-being program and increasing wages. Special attention is paid to occupational safety and industrial safety, which is reflected in record investments in this area. Severstal continues to actively participate in the development of the regions of its presence, supporting projects in the field of education, culture, sports and charity. The company's social investments are increasing significantly, which underlines its commitment to improving the quality of life in the regions where it operates. The company's CEO, Alexander Shevelev, stressed the importance of employee support and Severstal's commitment to responsible business conduct. He noted that the salary level of employees has increased significantly, and the company continues to strive to be a leader in the field of sustainable development.The 2023 report, like the previous ones, has passed the public assurance procedure and has been prepared in accordance with international standards, reflecting the company's contribution to achieving Sustainable Development Goals and participation in national projects.

Additionally, large companies, like Severstal, face greater pressure to disclose information about CSR from a big variety of stakeholders. Moreover, Severstal is the largest company in the metallurgy sectors in terms of shared value. Metallurgy, one of Russia's leading export-oriented industries, produces 95% of structures for a number of related industries, providing jobs for more than 600,000 people. At the same time, metallurgy consumes a fifth of the energy from the general industrial level and holds the leadership in generating greenhouse gases. In Russia, ferrous and non-ferrous metallurgy accounts for 28% of emissions. Metallurgy is one of the most polluting industries, but at the same time Severstal is awarded the depth of disclosure of information about CSR, including environmental monitoring.

As for the CSR content, the definition of which in the framework of this work is ‘firm’s consideration of, and response to, issues beyond the narrow economic technical, and legal requirements of the firm to accomplish social [and environmental] benefits along with the traditional economic gains which the firm seeks’ (Koos, 2012, citing Aguilera et al., 2007, pp. 836–7), the analysis will focus only on the environmental sector, since the company operates in an industry with high environmental risks. This decision was also made to limit the scope of the study. Under environmental initiatives the following definition was meant: ‘seek to generate positive environmental externalities or reduce the production of negative environmental externalities associated with producing the organization’s goods and services’ (Griffin and Prakash, 2010, p. 2). The company's aim in environmentally responsible behavior is to prevent, respond to, and diminish the impact of its production on the natural environment. Environmental management involves optimizing processes, products, and services, conserving raw materials, using energy efficiently, and minimizing pollution(Hens et al., 2018; Pimenta & Gouvinhas, 2011). Proactive environmental efforts can further be enhanced by focusing on innovations, adopting cleaner production methods, developing green products, striving for eco-efficiency, and demonstrating eco-leadership (Alt, Díez-de-Castro, & Lloréns-Montes, 2015; Buysse & Verbeke, 2003). The ability of companies to improve their competitive position through socially responsible environmental actions depends on various factors such as available resources, management capabilities, industry sector, and regulatory norms. This approach suggests that companies should prioritize sustainability by reducing costs through minimizing environmental risks, enhancing consumer relations through an eco-friendly image, and achieving long-term financial gains (Fijałkowska, Zyznarska-Dworczak, & Garsztka, 2018). The analysis of Severstal's activities from the perspective of CSR disclosure covers the period from the moment of its first sustainability report in 2010 to the current year, 2024. This study allows us to carefully trace the evolution of various pressure factors applied to Severstal over time. In particular, we can discuss how this pressure has changed in response to changes in the institutional landscape, especially after the global events that took place in Russia in 2022. Based on the results of the research it will be possible to gain valuable information about the dynamic interaction between Severstal's sustainable development practices and changing external factors, thereby shedding light on the subtle relationship between corporate behavior and institutional change.

Severstal is active in both domestic and international markets. Systemic companies with operations in international markets tend to be more inclined to disclose their CSR practices. This inclination stems from their desire to gain legitimacy not only in their home market but also in the markets where they operate abroad. ( A.Veselova et al. 2023) Thus, Russian companies with international operations are pushed by the international environment to invest in CSR initiatives and sustainability disclosure (Fifka and Pobizhan 2014; Filippov 2012; Marano, Tashman, and Kostova 2017; Pant and Ramachandran 2017; Tashman, Marano, and Kostova 2019). Both levels will be taken into account as part of the work

## 2.3 Data collection

Data was received from a semi-structured interview. In order to prepare for interviews with representatives of Severstal, who possess valuable knowledge in the field of sustainable development of the company, as well as those responsible for sustainability reports, the company's website was analyzed, and many sustainability reports. Special attention was paid to the most recently released report for 2023, as well as for 2021, in order to trace apparent changes in the approach to reporting and the goals allocated by the company. Then the questions were formed, which were based on the theoretical review described above, paying special attention to the external institutional motivators that prompted the company to adopt the practice of CSR disclosure. Further, interview questions were sent to 10 representatives of Severstal, including positions such as the head of the PR department, employees of the finance department, the CSR and brand management department, and the Department of Environmental Management. However, only 3 people have responded to the request to participate in the interview. They are:

1. Ekaterina Govorova, manager of CSR and Brand Management department
2. A person from PR department
3. A person from financial department

The interviews were held in the online format due to different geographical locations. The interview was individual due to several reasons. First, individual interviews provide a deeper understanding of the participants' personal views and experiences, which is especially important for studying complex and multi-layered issues such as the impact of institutional factors on corporate practices. This method allows the interviewer to ask additional questions, clarify details and receive more detailed answers, which contributes to a deeper and more comprehensive understanding of the problem under study, as people who are interviewed are from different spheres and can give different valuable information. Secondly, individual interviews allow you to create a trusting atmosphere in which respondents can freely and openly share their thoughts and experiences. This is especially important when discussing sensitive topics related to corporate policy and strategy. In this format, participants can be more open and sincere, which improves the quality of the data received. Thirdly, individual interviews provide an opportunity to adapt the questions and approach to each respondent, which allows you to take into account the unique characteristics and context of each company. The structure of interview was semi-structured. Semi-structured interviews are sometimes considered synonymous with qualitative interviewing (Warren, 2002). Compared to structured interviews, semi-structured interviews better utilize the knowledge-producing potential of dialogues by allowing more flexibility to explore angles important to the interviewee. Additionally, the interviewer can become more visible as an active participant in the knowledge creation process, rather than strictly adhering to a preset interview guide. In comparison to unstructured interviews, the interviewer also has more control in steering the conversation towards issues relevant to the research project. The semi-structured interview can be defined as “an interview with the purpose of obtaining descriptions of the life world of the interviewee in order to interpret the meaning of the described phenomena” (Kvale & Brinkmann, 2008, p. 3). This format is the most suitable for this study to achieve the goal of the paper. Semi-structured interview allows to Questions that were used during the interviews were open questions, for example, how / why / what / to what extent, to obtain as much data as possible. All the interviews, which lasted no longer than 1 hour, have been recorded, translated from Russian into English and were manually coded. Data, collected from the interviews, was translated from Russian to English as the initial stage of primary data analysis. After that manually transcribed and coded. I encoded fragments of the interview using codes that corresponded to the type of pressure. Deductive (theory driven) coding was performed, as thanks to the analysis of the literature, a theoretical scheme was created that served as a support for the analysis of primary data. Further, the codes were combined into themes, which made it possible to separate the more important points from the less important ones. Further, the analysis data were interpreted and used as an answer to the question posed in this work.

# 3.Findings

3.1 Coercive pressure

The state plays an important role in shaping the conditions for socially responsible activities of companies through legislation and regulations. In Russia, there is both a formalized and an informal impact of the state on business. Despite the fact, that in Russia there is no legal requirement that oblige companies to disclose non-financial information, namely the CSRD, this investigation observes how the state through indirect way influence on the companies to force them publish such reports. Russian state through public and business organizations such as the Russian Union of Industrialists and Entrepreneurs exerts informal pressure on Severstal to follow their reporting guidelines, prescriptions, recommendations and ratings. One of the main shareholders of Severstal is also the chairman of one of the RSPP commissions, which closely cooperates with the authorities. Thus, the RPCC can be considered as a governmental institution that posses with coercive pressure of the state to manage This is confirmed by the manager of Severstal, who is responsible for issuing and compiling reports on sustainable development:

« For example, one of the important organizations is the Russian Union of Industrialists and Entrepreneurs. Severstal is a member of this union. Our shareholder is the chairman of one of the union's commissions, and the RSPP actively interacts with government authorities, therefore, it carries not only the opinion of society, but also, to some extent, the opinion of the state. Therefore, we refer to their prescriptions and recommendations, ratings. This is one of the decisive factors of information disclosure. This was the case before 2022, and after 2022 it intensified.»

Thus, the state is one of the main drivers of the introduction of information disclosure practices (Polishchuk 2009; Zhao 2012). The example of Severstal clearly shows that the state is not only the main stakeholder, but also the main decision-making agency in terms of CSR disclosure adoption.

As it was noticed by the manager, after the events of 2022, government pressure on companies in Russia increased. The introduction of international sanctions and changes in the geopolitical situation have led to the need for Russian companies to adapt to new conditions. This included increasing transparency and accountability to maintain the trust of both internal and external stakeholders. The Russian government has become more active in promoting national interests and strengthening the domestic market. This included the introduction of new standards and requirements for corporate social responsibility (CSR) in order to increase the competitiveness of Russian companies in the international arena and improve their reputation. Thus, sustainable development has become a key element of government policy aimed at the long-term economic and environmental well-being of the country. The introduction of CSR disclosure guidelines and requirements has become a tool to ensure compliance with these policies and maintain a high level of corporate responsibility.

Wherefore, the increase in pressure from government agencies is due to the desire to adapt Russian companies to new economic realities, increase their competitiveness and strengthen the domestic policy of sustainable development. A manager has comments:

«After 2022, we can note an increase in pressure from government agencies. For example, last year, on behalf of the President, the RSPP organized a national award for a company that is actively working in the field of sustainable development. Severstal took the grand prize for this award. Sustainability reports were evaluated as part of this award.[...] New guidelines have recently emerged that companies should disclose non-financial statements. We are closely monitoring this now and of course we follow all the recommendations.»

This also confirms the comment from the manager:

«Now there are regulations on the part of the state so that we show greater involvement in the national context. Therefore, the focus has now shifted to local communities. We are no longer promoting the global agenda. We are saying that it is important for us to develop our society.»

Despite statements that disclosure of information on corporate social responsibility (CSR) is voluntary, in practice companies are made to understand that meeting these requirements is actually mandatory to achieve internal legitimacy in Russia. Russian government agencies and regulators, promoting sustainable development and transparency, introduce recommendations and standards that are of a recommendatory nature only formally. Companies that ignore these recommendations risk losing the trust of both government agencies and the public. In the current geopolitical and economic situation, internal legitimacy is becoming especially important for the sustainable functioning of the business.. Thus, formally, voluntary disclosure of information about CSR in practice is perceived as a compulsory requirement necessary to achieve and maintain internal legitimacy and success in the Russian business environment. One manager in the company confirms such pressure:

«In 2023, the first recommendations of the Ministry of Economic Development appeared on which indicators should be disclosed in the report. They still call it recommendations, but we all understand that these recommendations are forced.»

Until 2022, international rating agencies were a decisive factor in the issuance of sustainability reports. Internationalization encourages companies to be more proactive in addressing the needs and expectations of stakeholders by implementing various initiatives, such as disclosing information about their corporate social responsibility (CSR) activities. Severstal was actively involved in international trade. As the company's sustainability manager pointed out:

«We are trying to maintain and improve our positions, first of all, in international ratings, until 2022, international ratings referred to reports on sustainable development and the company occupied one place or another in these ratings related to the environment or simply to sustainable development. They referred to sustainability reports and looked at what information the company was disclosing. Therefore, when compiling the report, and so far, we refer to what is important to reflect when compiling the next report for ratings, so that when compiling this rating we do not have additional questions or comments.»

Disclosure of information serves as a tool for communication between the company and its stakeholders. The importance of including the company in international ratings was that it served as a guideline for foreign investors, making the company more attractive. In addition to this, the Directors included foreign representatives who very closely monitored the ratings of the company, and also strongly urged the company's managers to raise their positions. The Sustainability Reports Manager said:

«First of all, we focused on foreign shareholders and investors. It's important to them, really.»

After the events of 2022, this became less important and did not put as much pressure on the company as it was before. This is how the sustainability manager commented on it:

«After 2022, this has a lesser impact on purchasing power and attractiveness for shareholders and investors. Rather, it remains as maintaining a position in the ratings, an unspoken rule in society that we continue to follow. In addition, we believe that sooner or later the situation will be resolved and we will have foreign shareholders and investors again. And we are sure that it will be significant for them..»

The decrease in the importance of CSR disclosure was influenced by the departure of foreign representatives from the board of directors and the refusal to place Severstal's global depositary receipts on the London Stock Exchange in 2022:

«Now there are no foreign representatives in the composition of the directors or shareholders. There were representatives of foreign countries on the board of Directors. And in order to feel the cultures of these people, I will tell you an interesting fact. They were the only representatives of the board of directors who made serious adjustments in the process of creating the report. Now we have a report issued by the management team and presented as a finished product to managers. Previously, international representatives were actively involved in the process of preparing the report. Even despite the fact that they were not profiled in this environment. I think it's already a mentality and a culture. They understood the significance of all this. It's not like we don't understand the significance of all this right now. we definitely have a lot of projects in the field of sustainable development and we continue to issue the report and the general director actively monitors this so that we maintain our positions in the ratings, but there is no such active participation anymore.»

At the same time, Russian investors are not particularly interested in the company's sustainability report, as the company's manager noted. An indirect confirmation of this is also the representation of organizations on the Moscow Stock Exchange. There is no description of the company in the field of sustainable development, there is no information about whether it publishes sustainability reports, nor are sustainability reports attached. On the part of the exchanges, there are also no requirements or desires on the part of Russian investors to see our reports. The same trend is noticed by a representative of Severstal's finance department. Thus, pressure from Russian investors does not play a decisive role in disclosing information about CSR.

## 3.2 Mimetic pressure

In addition, the company has no desire to withdraw from international organizations, also for the reason that other major players have not done so. Despite the enormous experience and leading positions from the perspective of environmental reporting on sustainable development, the company's managers perform benchmarking analysis of reports not only of companies operating in the same field as Severstal itself, but also from other areas. The following companies, which are perceived by the company as some kind of reference points, are striking examples that Severstal representatives highlight for themselves in the field of sustainable development reports: Lukoil, Norilsk Nickel, Beber. In this way, the company can get a complete picture of the initiatives in the field of non-financial reporting of other Russian companies. Especially "spying" on competitors is very important for companies in a period of instability.

 “Many companies do it and I will”-the same principle applies here. This can be generally attributed to the field of sustainable development reporting. To some extent, we are pioneers somewhere, nevertheless, we certainly look at our partners and competitors. And all of them continue to disclose financial statements and maintain membership in international organizations, they monitor international ratings.»

At the same time, it is important to take into account that the events of 2022 on the world stage shifted Severstal's focus from international companies to Russian ones.

«More attention is paid to Russian companies. Previously, we actively followed the international ones. Previously, there was often an exchange of experience with international companies, when representatives of Severstal went to London and watched how British companies make and publish non-financial statements. There was an active exchange of experience.»

Thus, the activities of other companies are one of the incentives to disclose information about the environmental sustainability of the company, which implies mimetic pressure.

## 3.3 Normative pressure

Severstal is a city-forming enterprise for the city of Cherepovets, Vologda region, and for many other regions (Murmansk Region, Republic of Tyva, Khanty-Mansiysk Autonomous Okrug, Komi Republic, Republic of Karelia, Oryol Region, Belgorod Region, Rostov and Kaluga regions) it is one of the largest enterprises. Companies like Severstal are experiencing a shortage of personnel, especially young specialists. In Russia, there is a trend of internal migration from smaller cities to large cities such as Moscow and St. Petersburg. Building the development potential of the regions is a fundamental factor that can stop this trend. The company's use of information disclosure practices as a communication tool to improve its reputation, as well as gain legitimacy among stakeholders (Fombrun, Gardberg, and Sever 2000; Vanhamme and Grobben 2009) very effective.

«Disclosure of non-financial information is important for both local communities and employees. We pay great attention to the development of the regions, as we are the city-forming enterprise in Cherepovets, and in a number of other regions - the largest enterprise. Now we are building up our potential in the development of the regions. All this is done to ensure that our potential employees stay in their city, and do not leave for other larger cities, and of course in the future they will go to work in Severstal. We show this in the reports. As one of Severstal's main tasks is to attract young specialists. We have a new HR brand development department. They also came to us so that we could show and disclose more information that would be of interest to our potential employees.»

Potential Severstal employees also pay great attention to sustainability reports. The current youth of Russia has a greater involvement in environmental issues, and also has a high level of awareness in the field of sustainable development. It is important for them that the company also shares their values and interests.

«We are witnessing a trend that the awareness of the population in the field of sustainable development is growing. We are very pleased with this, because we are doing a lot in this direction and wanted our potential employees to see this and understand why we are doing this. Because it's somehow easier with ecology. It is clear to everyone why the company invests in ecology and implements certain environmental/climate projects. A large number of young people are now somehow more aware of this approach and are already living in a slightly different paradigm. The topic of ecology is more urgent, since Severstal, being an industrial company, has a significant negative impact on the environment. Everyone knows and sees this, especially the residents of Cherepovets. First of all, we try to minimize this negative impact and additionally have a positive impact. That's why everyone is watching so closely how much chemicals we poured into the water.»

Severstal has been a participant in such international initiatives to achieve the goals of the United Nations as the Association of European Businesses, the World Association of Steel Manufacturers, and has also joined the UN Global Compact, which uses an international system such as GRI in shaping corporate responsibility disclosure practices. The company manages to maintain membership in international organizations, but this information is not officially advertised. Participation in international organizations influenced the practice of CSR disclosure. Each of the associations set their own reporting requirements, which was used as a guide for the disclosure of non-financial statements. The importance of maintaining membership in international organizations lies in the fact that it allows you to increase your reputation in the eyes of stakeholders (Doh et al., 2017; Marano, Tashman, and Kostova, 2017). This is confirmed by the following quote:

«Previously, we cooperated with foreign banks, but now we have stopped doing so. I think it used to be a significant factor. The most important thing is reputational. Despite the fact that Russia is seeking to nationalize, these organizations remain leading in the world. It doesn't make sense to get out of this, given that we have everything we need to be in these organizations.»

# 4.Result discussions

This research was aimed at exploring what institutional factors act as a pressure for the adoption of CSR disclosure practice. The results showed that until 2022, the company allocated such drivers for itself as rating agencies, foreign shareholders and investors, public and business organizations that represent to a greater extent the interests of public authorities and dictate certain non-financial reporting requirements to Severstal. Also mimetic pressure from international companies takes place. But after events taken place in 2022 the drivers have changed: the state authorities took an active position and they are very actively working in this direction. Moreover, as one of the largest companies in Russia, Severstal is also invited to the dialogue. The last recommendation Ministry of Economic Development issued, representatives of Severstal participated in the discussion and expressed position of the company. That is, Ministry of Economic Development when preparing the recommendations for business do this in partnership with the business, which will then put forward these recommendations. Public organizations also exert pressure, which motivates companies to disclose CSR information via sustainability reports. Mimetic pressure shifted from international companies to the Russian ones. Such shift takes plays due to changing the focus on national interests and stopping the promotion of the international agenda. All these factors can be discussed within the framework of neo-institutional theory, proposed by DiMaggio and Powell (1983, 1991).

Coercive pressure comes from both informal and formal pressures, which are exerted from powerful actors, for example, government and shareholders. Under the informal pressure prescriptions from international associations and organizations can be considered. In Russia there is no legislation that oblige companies to publish CSRD. At the same time several powerful organizations publish recommendations about CSR disclosure. These recommendations are compulsory in nature and companies has no other choice but follow recommendations. Although respondents highlighted the recommendations from Russian Union of Industrialists and Entrepreneurs and Ministry of Economic Development. Earlier, such recommendations many powerful actors, who possesses with the possibility to exert coercive pressure, have published. At the same time, many previous studies has noted the low level of the CSR disclosure(. Baskin (2006); Li, Fetscherin, Alon, Lattemann, and Yeh (2010); Kuznetsov, Kuznetsova, and Warren (2009), what was influenced by various factors, starting with low awareness of managers in the field of sustainable development and ending with a high level of corruption (Transparency International, 2023). The closure of borders with many countries, as well as the cessation of any activity with many international partners and organizations, has led the Government to seriously develop an internal sustainable development agenda. There have been many attempts before, but the founding document has not been adopted. Now the work has been resumed in this area. If governmental regulations and issued recommendations and guidelines for CSR disclosure are neglected, then some sanctions can be taken (Gopalan and Kamalnath 2015). But in Russia such behavior is not evident as government pressure is informal in the case of Severstal.

Previously, Severstal was heavily integrated into international activities. According to the results of the study, international ratings are one of the decisive factors that contribute to the adoption of CSR disclosure practices. The presence of a company in the rating is also important because this increases the attractiveness of the company among foreign investors. Foreign representatives on the Board of Directors of Severstal also closely monitored the position in the ratings. These results are in alignment with previous studies (Marano, Tashman, and Kostova 2017;Naseem et al., 2017 ; Esa & Ghazali, 2012; Haji) . Thus, the presence of foreign investors has led to the fact that the company qualitatively discloses information about CSR. This statement correlates with early research ( Brancato, 1997 and Huafang and Jianguo, 2007 ; Oh et al. ,2011), which studied the relationship between foreign investors and CSR disclosure.

Shareholders or investment funds may reject companies with perceived environmental risks, which will lead to lower share prices and shareholder value, which is a motivator for the company to prioritize CSR initiatives and disclose detailed information to maintain investor confidence ( Khan et al., 2013). Working in several jurisdictions, it is necessary to pay attention to and satisfy the interests of a large number of stakeholders, which makes CSR disclosure an extremely important tool for achieving legitimacy in the eyes of stakeholders (Wettstein et al. 2019; Khojastehpour and Shams 2020). This confirms the results of research, which states that, taking into account the lack of a systematic legal framework for CSR and non-financial reporting disclosure, global integration is one of the driving forces for Russian systematic companies (A Veselova et al. 2023). Severstal considers CSR disclosure as a way to enhance its reputation (Doh et al. 2017; Marano, Tashman, and Kostova 2017), attracting young professionals and improving the financial situation by attracting foreign investors Fombrun, Gardberg, and Sever 2000; Vanhamme and Grobben 2009) . In addition, Severstal was an active participant in many international associations and treaties, which also had a positive impact on CSRD. All this correlates with the statement that the internationalization of a company operating in an emerging economy is a driver for the adoption of CSR disclosure practices. (Aray et al. 2021) Together, pressure from the state and foreign investors has a positive effect on the practice of information disclosure, which is confirmed by the example of Severstal (A Veselova et al. 2023).

Due to informal pressure from the state, the lack of strict disclosure requirements, as well as the presence of turbulence in geopolitical terms, which affects all spheres of life and business, companies resort to imitating other Russian companies. Severstal representatives claim that only in such conditions it is possible to achieve high results using the best strategies and practices of market leaders. This finding is consistent with previous research (Beddewela and Herzig 2013; Islam and Deegan 2008), which claim that companies are sensitive to what their competitors or partners are doing.

The use of the CSRD as an improvement in the company's image in the eyes of potential employees is also a reason for the introduction of this practice.This finding is in consensus with previous researches to this topic( (Belal, Abdelsalam, and Nizamee 2015; Kolk 2004 ; Zhao and Patten 2016) There is a tendency to increase awareness in terms of environmental behavior among young professionals. The initiatives of the company in which they will work are also important to them. Correlating with the strategic goal of the company to attract as many young people as possible as employees correlates the use of CSRD as the main tool for communication. However, as it was noted by representatives of the company from different departments, local communities have little idea what sustainability reports are, as well as that Severstal regularly posts them. Consequently, society has little influence on the company's implementation of information disclosure practices, even for systematic companies that are inherently city-forming, which is also confirmed by early research (Хорева Л. В., 2015). Although CSRD in Russia is influenced by national and organizational factors and is subject to both local and global legitimization forces through coercive, regulatory and imitation pressure, existing research shows that the overall level of CSRD is relatively low and unsatisfactory. Despite this, the introduction of CRM in Russia is mainly due to various institutional and cultural factors that require legitimacy. This pressure is coercive, normative and imitative in nature. Similar results were obtained “Extent and drivers of CSR disclosure: evidence from Russia” by Aparna Bhatia & Binny Makkar and “Enhancing CSR disclosure through foreign ownership, foreign board members, and cross-listing: Does it work in Russian context?” by Tatiana Garanina and Yulia Aray, who concluded that three factors of institutional isomorphism (proposed by Dimaggio and Powell in 1983 and 1991) are interrelated in the formation of institutional practices in developing countries. In particular, in the field of CSRD.

After 2022

Until 2022

**Coercive pressure:**

- Authorities (informal)

**Coercive pressure**:

- Rating agencies

- Shareholders, investors and BoD

- The state through the RSPP

**Normative pressure**:

- Public organizations

- International associations

**Normative pressure**:

- Public organizations

- Potential employees

**Mimetic pressure:**

-Russian companies

**Mimetic pressure:**

- International and foreign companies

Figure 3. Factors, influencing Severstal CSRD. Source: made by author

In the Russian context, before 2022 coercive pressure was mainly exerted from rating agencies, which precisely look on the presence of CSR disclosure and its content. Moreover, Board of Directors put a lot of attention on the ratings company is included and they campaigned to raise the company's rating. Also, being included in the sustainability rating makes company more attractive to foreign investors. The active interaction of the RSPP with the state informally conveys to the company the need to follow the so-called recommendations. Being a part of international organizations and associations exerts the normative pressure. As most of such type of organization have their own requirements to the sustainability agenda. And the most common way to declare about the commitment of sustainability is to publish sustainability report. During that period of time companies actively share their knowledge about sustainability. Foreign companies exerted mimetic pressure as practices of the leaders were repeated and implemented in Severstal. Nowadays, after 2022 year, coercive pressure often comes from government regulations and policies that indirectly force companies to implement CSRD practices in order to achieve legitimacy and meet the expectations of the state. Normative pressure arises from the need to comply with industry standards and professional norms, which are often promoted by influential organizations such as the Russian Union of Industrialists and Entrepreneurs (RSPP). Moreover, the younger generation, which is Severstal's goal to recruit to the company, is very sensitive to environmental issues and it is important for them that the company shares their values and interests. Therefore, in order to attract new young employees, Severstal issues reports. Mimetic pressure arises from the fact that companies imitate the practices of successful colleagues in the Russian market, especially those who have proven themselves in the field of sustainable development.

Overall, despite the fact that the CSRD system in Russia is still developing, these institutional factors play a crucial role in the adoption and implementation of CSRD practices, emphasizing the need to create a more structured and supportive environment to increase transparency and accountability of corporate reporting.

# 5.Conclusion

In the context of Severstal and the broader Russian corporate landscape, it is evident that CSRD (Corporate Social Responsibility Disclosure) practices are significantly shaped by a blend of institutional, organizational, and social factors, influenced by both local and global legitimizing forces. This aligns with existing literature that links national interests and corporate ownership structures to disclosure practices. However, Russia faces notable deficiencies in its regulatory framework and legal system, which must be addressed to better reflect the dynamic nature of the global market. Despite the presence of coercive, mimetic, and normative pressures that interplay to influence CARD and help companies attain legitimacy, Russia lacks a comprehensive set of CSRD regulations. To enhance the effectiveness of accounting and disclosure practices in Russia, it is essential for key organizations, such as the Russian Union of Industrialists and Entrepreneurs (RSPP), to establish robust monitoring and enforcement mechanisms. Severstal, for example, has experienced increased informal pressure from state-linked bodies to adhere to sustainability guidelines, which underscores the need for a more formalized regulatory approach. Additionally, it is essential to enhance social involvement in ecological and sustainable agendas. The engagement of local communities and various societal actors is critical in promoting environmental sustainability and corporate responsibility. Encouraging public participation and raising awareness about sustainability issues can help create a more supportive environment for CSR initiatives. This social involvement can drive companies to adopt more transparent and accountable practices, contributing to the overall goal of sustainable development.

In summary, while the current state of CSRD in Russia reflects a mix of voluntary and coercive influences, the long-term improvement of these practices hinges on a more structured regulatory environment that supports sustainable development and corporate responsibility. Enhancing social involvement in ecological and sustainable agendas is also crucial for fostering a culture of accountability and transparency in Russian businesses.

## 5.1 Theoretical implications

This research contributes to the theoretical implication in several ways. Firstly, by employing neo-institutional theory (DiMaggio and Powell 1983; Meyer and Rowan 1977; Scott 1987, 2014), this study offers a nuanced understanding of how various institutional factors influence the adoption of CSRD in a fragile state environment. It underscores the role of institutional isomorphism, which is linked with the cultural values and national context of a societal system. For Severstal, this implies that the pressures to adopt and implement CSR practices are not merely regulatory but deeply embedded in the broader socio-cultural and institutional framework of Russia. Secondly, this study focused on external factors that significantly impact internal dynamics as perceived from within the company. It was particularly interesting to identify which factors the company considers most important for itself. Finally, Severstal representatives can use this research as the base for the further investigation. Such intention was highlighted by manager of sustainability reports during the interview as the changes in the institutional field happened with lightning speed and some aspects have not been analysed yet.

## 5.2 Practical implications

Understanding the context in which CSR disclosure practice takes place has some practical implications, especially for the businesses. Companies, especially city-forming enterprises in Russia, can use the results of the study to better understand the institutional pressures they face and strategically plan their CSR activities, including the disclosure, in accordance with these pressures. An analysis of the institutional environment factors that play a crucial role in adopting the practice of disclosing information about the environmental component of CSR of a company that is precisely the leader in the field of sustainable development and CSR, will allow other companies, working in the same field, to use this work as a guideline for their own CSR disclosure practices. Firms can improve their CSR disclosure practices by recognizing the importance of regulatory and simulation pressures, leading to increased transparency and accountability. Moreover, by analyzing how institutional pressures have changed in connection with the events of 2022 and how leaders in CSR respond to these changes, companies can adapt their CSR strategies to remain resilient in the face of political and economic uncertainty.

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## Appendix:

Interview questions.

1. В отчетах по устойчивому развитию выделяются следующие стейкхолдеры: акционеры и инвесторы, клиенты и потребители, деловые партнеры, сотрудники, органы государственной власти, местные сообщества, деловые и общественные организации. До 2022 года кого вы можете выделить как драйвера внедрения практики раскрытия информации о КСО? А после 2022 года? Каким образом они оказывали давление на компанию, чтобы была принята практика о раскрытии информации?
2. Глобальные депозитарные расписки Северстали котировались на Лондонской фондовой бирже до 2022. **Влияли ли иностранные инвесторы на раскрытие информации о КСО? А сейчас есть давление со стороны иностранных инвесторов? Если да, то каким образом? Присутствует ли давление со стороны российских инвесторов?** (Предположение: Акционеры или инвестиционные фонды могут отказаться от компаний с предполагаемыми экологическими или социальными рисками, что приведет к снижению цен на акции и акционерной стоимости, что и является мотиватором для компании уделять приоритетное внимание инициативам в области КСО и раскрывать подробно информацию для сохранения доверия инвесторов.)
3. Международная деятельность: До санкций Северсталь поставляла 30-40% продукции на зарубежные рынки, основным из которых был рынок ЕС. **Влияла ли эта деятельность компании на международном рынке на CSRD и почему?**

Сейчас 20% итоговой продукции отправляется на экспорт в альтернативные рынки. **Повлияла ли необходимость переориентация на другие рынки на раскрытие информации о КСО?** **Или сейчас требования со стороны альтернативных рынков ниже? Если да, то почему компания продолжает раскрывать информацию?**

1. Крупные компании могут предъявлять к своим поставщикам требования КСО, заставляя их придерживаться определенных экологических и социальных стандартов для поддержания деловых отношений. **Сказывается ли тот факт, что компания является поставщиком продукции на международные рынки, на раскрытие информации?** Ведь зарубежные компании, которые привержены КСО очень внимательно следят за тем, что и поставщики были экологически устойчивыми
2. В России нет законодательства, обязующего компании раскрывать информацию о КСО, при этом Северсталь отличается глубиной и качеством информации, раскрываемой в отчетах по устойчивости. **Есть ли неформальное влияние со стороны государства?**
3. Является ли следующее предположение актуальным для Северсталь?: Акционеры могут использовать свои права голоса и влияние, чтобы заставить компании принять более строгую политику в области КСО, особенно в ответ на экологические или социальные риски
4. "Северсталь" являлась участником таких международных инициатив для достижения целей ООН как ассоциация европейского бизнеса, всемирная ассоциация производителей стали, а также присоединилась к Глобальному договору ООН, в формировании практики раскрытия информации о корпоративной ответственности используется такая международная система как GRI.

**Является ли следующее предположение актуальным для Северсталь: «Соблюдение международных договоров, соглашений или стандартов, связанных с КСО и устойчивым развитием, может быть необходимым для компаний, работающих в нескольких юрисдикциях.»? Актуально ли это до сих пор?**

1. Можете ли вы рассказать о каких-либо недавних изменениях или тенденциях в институциональной среде, учитывая события 2022 года в России, которые повлияли на подход "Северстали" к раскрытию информации о КСО?
2. Существуют ли какие-либо культурные или социальные ожидания, влияющие на подход "Северстали" к раскрытию информации о КСО? (так как это градообразующая организация) Почему вам важно удовлетворить социальные ожидания общества?
3. Рассматривает ли "Северсталь" другие компании отрасли или аналогичные секторы в качестве ориентиров для раскрытия информации о корпоративной ответственности?