

## Management of sustainable development of companies through the prism of corporate reporting in accordance with the requirements of CSRD and ESRS

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■ **Abstract.** The concept of sustainable development is gaining more and more importance in business management, as it involves the creation of a management system that will balance the economic, ecological and social directions of its development. The newest tool for achieving such a balance is the Directive on Corporate Reporting on Sustainable Development. However, the perception of its requirements is not unambiguous due to the insufficient level of understanding of their significance. The purpose of the study was the transfer of knowledge on the introduction of the latest tool for managing sustainable business development – the formation of corporate reporting in accordance with the requirements of CSRD and European standards for the formation of corporate reporting on sustainable development (ESRS), which will allow attracting larger-scale ESG investments, which are critically important for the reconstruction of the country and achieving ambitious goals to preserve the environment and improve the quality of life. The research was carried out according to the triangulation approach, the application of which involved the use of several methods for the analysis of the normative and legal field for the formation of corporate reporting on sustainable development, namely: analysis and synthesis, comparative and critical analysis, content analysis, bibliographic method and generalisation method. CSRD and ESRS adopted by the European Financial Reporting Advisory Group (EFRAG) are reviewed and briefly characterised. The measures taken by EFRAG regarding the gradual transition from voluntary to mandatory reporting under CSRD and ESRS requirements are highlighted. It has been argued that CSRD and ESRS are a critical step towards a more sustainable business landscape. By harmonising reporting practices and improving the quality of disclosed information, these business sustainability management tools will empower stakeholders to make informed decisions, promote positive change and contribute to a just and sustainable future

■ **Keywords:** corporate reporting; climate ambitions; management system; business transparency; sustainable business development

### ■ Introduction

The sustainable development of companies is under threat. Understanding the criticality of the situation, investors are ready to invest on a large scale, but only if they can prove that the business complies with ESG principles and sustainability requirements, which can only be verified

if the data in corporate sustainability reporting is fully disclosed. This is what contributed to the creation by international organisations of a regulatory framework for corporate reporting, namely the introduction of the Directive of the European Parliament and of the Council

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No. 2022/2464 (2022) and the European Sustainability Reporting Standards (ESRS) (Commission Delegated Regulation (EU) No. 2023/2772, 2023), which should demonstrate the process of creating added value by companies in terms of different time periods and reflect not only financial indicators but also social, environmental and governance aspects of activities. Therefore, in the latest annual Ukraine 2023 enlargement package factsheet (2023), the European Commission provided recommendations for Ukraine's implementation of Directive of the European Parliament and of the Council No. 2022/2464 (2022) into national business reporting practices (Bezverkhyi, 2024). The need to implement Directive of the European Parliament and of the Council No. 2022/2464 (2022) was also emphasised by a group of Ukrainian scholars. In particular, K. Bezverkhyi (2024) proposed two approaches to the implementation of Directive of the European Parliament and of the Council No. 2022/2464 (2022) in Ukraine: an approach based on the direct implementation of ESRS (Commission Delegated Regulation (EU) No. 2023/2772, 2023), such as IFRS (International Financial Reporting Standards..., 2013); an approach that involves the development of separate national standards for sustainability reporting, taking into account the main provisions of ESRS (Commission Delegated Regulation (EU) No. 2023/2772, 2023), as was the case when developing the National Accounting Regulations (Standards) (Order of the Ministry of Finance of Ukraine No. 73, 2013) with the relevant methodological recommendations for their application. S. Korol *et al.* (2022) investigate the stages of application of European sustainability reporting standards in the European Union and propose approaches for further implementation of Directive of the European Parliament and of the Council No. 2022/2464 (2022) in the national reporting practice in Ukraine.

The issue of the need to implement Directive of the European Parliament and of the Council No. 2022/2464 (2022) is also being actively discussed by foreign scholars. Austrian researchers K. Hummel & D. Jobst (2024) focused on the distinctive features of the requirements of Directive of the European Parliament and of the Council No. 2022/2464 (2022) and the dual materiality approach, where "impact" refers to the environmental impacts associated with the sustainable development of a company's activities (impact materiality), while "risks and opportunities" refer to the financial risks and opportunities of a company arising from sustainable development issues. Representatives of the Spanish scientific community B. Giner & M. Luque-Vílchez (2022) emphasise the "new" institutional actors in setting sustainability reporting standards. Brazilian scientist S. Machado (2023) emphasised that achieving the quality of sustainability reporting should not be a race, but an individual approach to the formation of each section of sustainability reporting is required. The team of Italian authors G. Pigatto *et al.* (2023) carried out a critical analysis of the Directive of the European Parliament and of the Council No. 2022/2464 (2022), and S. Vi-

tols (2023) expressed opposition to its implementation. The rather different attitudes to the implementation of Directive of the European Parliament and of the Council No. 2022/2464 (2022) indicate a low level of understanding of its significance and the need to intensify the transfer of knowledge of the requirements for corporate sustainability reporting, which was the purpose of this study.

The purpose of the article was to transfer knowledge on the introduction of the latest tool for managing sustainable business development – corporate reporting in accordance with the requirements of CSRD (Directive of the European Parliament and of the Council No. 2022/2464, 2022) and ESRS (Commission Delegated Regulation (EU) No. 2023/2772, 2023), which will allow attracting larger-scale ESG investments, which are essential for the recovery and development of Ukraine's economy, as well as achieving ambitious goals for environmental protection and improving the quality of life. Based on this goal, the main objectives of the study were: a comprehensive analysis of the regulatory framework for corporate sustainability reporting; identification of the requirements of the NFRD (Directive of the European Parliament and of the Council No. 2014/95/EU, 2014) and sustainable business development management – corporate reporting in accordance with the requirements of the CSRD (Directive of the European Parliament and of the Council No. 2022/2464, 2022) and their comparative analysis; justification of the effectiveness of corporate reporting in accordance with the requirements of CSRD (Directive of the European Parliament and of the Council No. 2022/2464, 2022) and ESRS (Commission Delegated Regulation (EU) No. 2023/2772, 2023) as a tool for managing sustainable business development.

## ■ Materials and Methods

The study was based on the regulations of the European Financial Reporting Advisory Group, in particular, Directive of the European Parliament and of the Council No. 2022/2464 (2022) and ESRS (Commission Delegated Regulation (EU) No. 2023/2772, 2023), Voluntary reporting standard for SMEs (VSME) (Bevilacqua & Del Prete, 2023) and The Exposure Draft European Sustainability Reporting standard for listed small medium-sized enterprises (ESRS LSME) (EFRAG, 2024).

The study was conducted using a triangulation approach, which allowed a comprehensive analysis of the regulatory framework for corporate sustainability reporting using various research methods. The descriptive method of research played a key role at the stage of preliminary familiarisation with the legal acts regulating the formation of corporate sustainability reporting. The descriptive method allowed to collect and describe the main characteristics of the documents under study, focusing on their key aspects without in-depth analytical intervention. This was useful for creating the initial knowledge base necessary for the research. The method of systematisation was used to organise the regulations on corporate reporting adopted by the European Commission by the periods of adoption

and implementation. A comparative analysis was used to compare the requirements set out in different regulations, such as the NFRD and the CSRD. This method made it possible to clearly identify the differences between the two documents, as well as to identify trends in the evolution of regulatory requirements. The comparison made it possible to understand what innovations in the CSRD are intended to improve the practice of corporate sustainability reporting compared to the NFRD. Content analysis was used for a detailed study of European standards for corporate sustainability reporting. This method helped to identify the main areas of focus in the standards and systematise the information that is important for corporate sustainability reporting. Critical and comparative analysis played an important role in assessing the strengths and weaknesses of the corporate reporting regulations and in making sure that the European sustainability reporting standards are an effective tool for managing sustainable business development rather than a burden.

To create a general picture of the requirements for corporate sustainability reporting by SMEs, a synthetic method was applied, which allowed combining the results of various analyses (comparative, content analysis and critical) into one holistic picture, thus providing an opportunity to better reveal the overall context and vision of the interrelationships between various aspects of mandatory and voluntary European sustainability reporting standards for SMEs. The bibliographic method was useful in compiling a list of references that became the basis for this study. The method of synthesis allowed to synthesise all the results obtained, forming a single view of the problem under study. Because of the triangulation approach, a deep and comprehensive understanding of the regulatory framework for corporate sustainability reporting was achieved, which will contribute to further improvement of this area.

## ■ Results and Discussion

Issues related to corporate reporting as a tool for managing sustainable business development are discussed in scientific publications, in speeches by scientists, experts and representatives of consulting organisations. With the entry into force of the CSRD (Directive of the European Parliament and of the Council No. 2022/2464, 2022), they have intensified significantly due to the significant difference from the NFRD requirements and the need for companies to report greenhouse gas emissions in Scope 1, Scope 2 and Scope 3. As a result, the debate has formed two conditional poles – supporters and opponents of the introduction of CSRD and ESRS. Some are trying to prove the importance of CSRD in forming the much-needed information support for making informed management decisions on sustainable development of companies, while others, on the

contrary, emphasise that CSRD requirements are burdensome, imposed, and potentially less desirable than the sustainability management system organised by companies.

However, this is not the only reason that generates “against” CSRD and ESRS. S. Antonini & J. Gomez-Conde (2024) focus on the pressure of CSRD as an instrument of supranational regulation of non-financial reporting and an endogenous factor of influence on the economic security and competitiveness of companies. The authors emphasise that the CSRD, unlike the NFRD, does not provide for voluntary but mandatory compliance with its requirements when companies prepare integrated reporting. The CSRD clearly states its intention not only to regulate non-financial reporting, but also the environmental policy of companies. It practically requires companies to implement an environmental management system (Ukraine 2023 enlargement..., 2023). The researchers emphasise that CSRD and ESRS are not ideal for ensuring flexibility, responsiveness and adaptability of companies, which can lead to unintended organisational consequences and losses. S. Yoon *et al.* (2024) and K. Hummel & D. Jobst (2024) also argue against the new corporate reporting rules, as CSRD and ESRS have serious implementation problems due to: lack of financial reporting frameworks; forward-looking disclosure requirements; triple burden of costs for GHG measurement, verification and audit.

Recognising the importance and gaps in CSRD and corporate reporting standards, global leaders such as the US, China, the UK, Singapore and others are trying to create their own standards for integrated reporting. The main goal of their introduction, namely unification, globalisation and creation of a transparent information base for assessing the environmental, social and economic benefits of each business participant, will not be achieved. Therefore, determining the reliability of indicators for achieving ambitious goals under the Paris Climate Agreement (Law of Ukraine No. 1469-VIII, 2016) will continue to be problematic, and the introduction of motivational tools to mitigate environmental impacts, such as ESG investing, as noted by A. Tkachenko *et al.* (2023), the carbon emissions trading system (CETS) and the green certificate trading system (TGC), as emphasised by X. Guo *et al.* (2024), will continue to be insufficiently effective. Nor will the introduction of a border carbon adjustment mechanism (BCA) make sense, as C. Bellora & L. Fontagné (2023) point out. To verify the correctness of this hypothesis, the requirements defined by the CSRD and ESRS should be considered in more detail. The ESRS includes two general standards (ESRS 1 and ESRS 2) and ten thematic standards (ESRS E, ESRS S, ESRS G, etc.) covering a range of sustainability issues, from general principles to specific environmental, social and governance issues (Table 1).

**Table 1.** European standards for the formation of corporate sustainability

Thematic standards			Cross-cutting (Commission Delegated Regulation (EU) No. 2023/2772.
Environment (group of standards ESRS-E).	Social sphere (group of standards ESRS-S).	Corporate governance (group of standards ESRS-G).	

Table 1. Continued

ESRS-E1. Climate change.	ESRS-S1. Own workforce.	ESRS-G1. Governance, risk management and internal control.	ESRS 1. General requirements.
ESRS-E2. Pollution.	ESRS-S2. Workers in the value chain.	ESRS-G2. Business conduct.	ESRS 2. General disclosures.
ESRS-E3. Water and marine resources.	ESRS-S3. Affected communities.	ESRS-G3. Business conduct.	At the stage of adoption, sectorial standards.
ESRS-E4. Biodiversity and ecosystems.	ESRS-S4. Consumers and end-user.	ESRS-G4. Sustainability material impacts risks and opportunities.	Standards for small and medium-sized enterprises.
ESRS-E5. Resource use and circular economy.			

**Source:** compiled by the authors based on ESRS-E1 (2022), ESRS-E2 (2022), ESRS-E3 (2022), ESRS-E4 (2022), ESRS-E5 (2022), ESRS-S1 (2022), ESRS-S2 (2022), ESRS-S3 (2022), ESRS-S4 (2022), ESRS-G1 (2022), ESRS-G2 (2022), ESRS-G3 (2022), ESRS-G4 (2022), ESRS 1 (2023), ESRS 2 (2023), Commission Delegated Regulation (EU) No. 2023/2772 (2023)

The ESRS E1-E5 standards outline the requirements for disclosure in corporate sustainability reporting of environmental aspects ranging from climate change to pollution, water and marine resources, and from biodiversity and ecosystems to resource use and the circular economy (Muller, 2024). This means that each company must review its current business model for compliance with climate neutrality requirements, both in terms of business impact on the environment and climate change threats, and report on the entire value chain. The ESRS S1-S4 standards define the requirements for structuring corporate sustainability reporting in terms of human resources, training and career development, salaries and gender equality, and occupational health and safety. The easiest way to demonstrate this is to use the example of ESRS S2 Workers in the value chain.

To the “perimeter” ESRS S2 requires corporate sustainability reporting to disclose information not only on employees working at the upstream end of the value chain (in particular, in the supply chain), but also on employees working at the downstream end of the logistics, retail, franchise networks and joint ventures. ESRS S2 also addresses the use of so-called precarious labour by contractors, i.e., the work of employees on short-term contracts, part-time or subcontracted work, the use of informal workers, etc. According to ESRS S2, companies must also report on how they ensure the confidentiality of complaints and the anonymity of complainants, legal protection of employees and gender equality. According to ESRS S2, companies now have to disclose information on all identified cases of violations of the UN Global Compact principles in supply chains, all serious human rights violations and incidents that occurred during the reporting period on human resources management (Chalyy, 2024). The ESRS E and ESRS S standards define the requirements for disclosing environmental and social aspects in corporate sustainability reporting in some detail. They are subject to a highly discretionary materiality assessment. They are complemented, i.e., the linking element, by information on corporate governance, the requirements for which are regulated by ESRS G. ESRS requires disclosure of information in corporate reports

aimed at helping users understand the company’s strategy and management approaches. ESRS G2 covers a list of requirements for reporting on business ethics and integrity measures, including anti-corruption policies, whistleblower mechanisms and compliance programmes. ESRS G3 requires disclosures about risk management practices, internal controls and the identification and management of ESG risks. And the ESRS G4 standard contains requirements for transparency in reporting, including disclosure of sustainability data, reporting processes and compliance with reporting standards (Bezverkhyi, 2024).

Among the general standards, the ESRS1 standard requires special attention, which requires disclosure of all material information about the company’s impacts, risks and opportunities related to sustainable development and climate change threats in corporate reporting. To be useful for management decision-making, the information must be relevant, reliable, and understandable and fairly represent the situation with regard to the sustainable development of the business over the short, medium and long term. ESRS2 requires disclosure of information on the description of the scope of activities, management system, company strategy (Strategy, Business Model, and Value Chain (SBM-1), measurable goals, performance parameters (methods and assumptions for their calculation, identification, and verification) (MDR-M: parameters related to key aspects of sustainability), stakeholder interests (SBM-2: Stakeholder interests and perspectives), risks, opportunities (IRO-1: Description of procedures for identifying and assessing key impacts, risks and opportunities) and the monitoring process. This means that all the requirements defined by ESRS2 are mandatory for companies to apply when preparing corporate sustainability reporting.

As for the sectorial standards, it should be noted that they are still at the stage of development, and therefore it is not possible to describe them even briefly. In this regard, the only thing that can be noted is that the CSRD has clearly defined the sectors for which standards are to be developed. These include energy, metallurgy, transport, agriculture, land use, etc. The Exposure Draft European

Sustainability Reporting standard for listed small medium-sized enterprises (ESRS LSME) (EFRAG, 2024) and the Voluntary reporting standard for SMEs (VSME) require special attention (Bevilacqua & Del Prete, 2023). The authors note that the ESRS LSME regulates the preparation of corporate reports by small and medium-sized enterprises (SMEs) that participate in financial markets. The VSME ESRS apply only to micro, small and medium-sized companies that are not members of any European stock exchange or public organisation, but that voluntarily wish to report on sustainable development. The distinguishing feature of the ESRS LSME and VSME ESRS is their very simple structure, which prevents SMEs from being overwhelmed by corporate sustainability reporting requirements. The VSME ESRS includes three modules: Basic Module; Narrative: Policies, Actions, and Targets (PAT) Module; and Business Partners (BP) Module.

The core module consists of 12 disclosure requirements and requires corporate reporting to cover a standard set of indicators in the following categories: Environment, Social Issues and Business Conduct. It contains minimum requirements and a shortened list of sustainability indicators. The Policies, Actions and Goals module includes five qualitative disclosure requirements necessary to understand the company's approach and method of sustainability management. The Business Partners module is designed to support SMEs in collecting information on the sustainability performance of business partners, investors and creditors, i.e., along the value chain. These 11 disclosure requirements are additional to the information in the previous two modules and contain a combination of quantitative and qualitative requirements (Muller, 2024). By the end of 2024, EFRAG is also expected to approve the Voluntary European Standard for Sustainability Reporting for SMEs (Parokinna, 2023), which should be useful for micro, small and medium-sized companies that are not listed on any European stock exchange and are not public organisations, but wish to submit sustainability reports on a voluntary basis.

The authors have grounds to state that the requirements for corporate sustainability reporting have been practically regulated. Ukraine, which aims to become a full-fledged member of the EU in the coming years, urgently needs to implement the above standards to ensure that businesses can attract ESG investments, restore and develop the country's economy, and achieve the ambitious goals set by the Nationally determined contribution of Ukraine (n.d.) that ESRS and CSRD are two different but related tools for managing the sustainable development of companies and building corporate reporting. The main goal of their introduction is to unify corporate reporting by combining financial and non-financial reporting into a single package of company reports and thus ensure transparency of information on the materiality of business impact on the environment, its risks and opportunities (IRO).

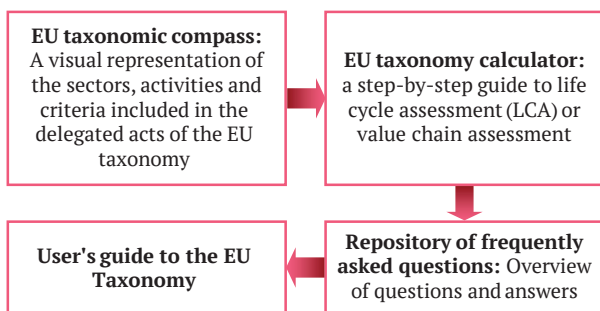
The transition to the application of ESRS is not straightforward, and the European Commission has decided that ESRS will be phased in in four stages, starting from

1 January 2024 for companies that are currently subject to reporting under the NFRD and companies with a total balance sheet of more than EUR 20 million and net turnover of more than EUR 40 million. EUR (reporting in 2025 based on 2024 data); 1 January 2025 for large companies not currently subject to the NFRD; 1 January 2026 for small and medium-sized enterprises (excluding micro-enterprises), as well as small and non-complex credit institutions and insurance companies (Commission Delegated Regulation (EU) No. 2023/2772, 2023). Companies falling into this category will have the option of not reporting on sustainability issues under the CSRD until 2028, if they provide an explanation in their annual report as to why they have chosen not to do so; 1 January 2028 for non-EU companies with annual net turnover at the consolidated or individual level exceeding EUR 150 million. EUR for each of the last two financial years, and which have a relevant EU subsidiary (which is either a large EU company as defined above or an EU company listed on a regulated market and is not a micro-enterprise) or branch in the EU with an annual net turnover exceeding EUR 40 million in the previous financial year (Directive of the European Parliament and of the Council No. 2022/2464, 2022). The first phase of CSRD and ESRS implementation has already begun. However, experts fear a repeat of the situation that occurred with the previous recommendations on disclosure of information in corporate reporting (in particular, with the NFRD, which, due to its incompleteness and imperfection, has not proven to be effective in ensuring sustainable development).

The requirements of the CSRD and ESRS are more stringent, as, unlike the NFRD, they require companies to provide more complete, qualitative and detailed information on the activities of companies "off the balance sheet"; reporting by companies on the principle of "dual materiality", which includes reporting on both risks and impact of sustainability issues on the company, as well as on the impact of companies on the environment and society; disclosure of "gross indirect greenhouse gas emissions in metric tons of CO<sub>2</sub> equivalent under Scope 3", which cover a wide range of emissions beyond the direct control of companies, including upstream purchases, sold offsets, and other emissions. (The new European..., 2023); linkage between financial and sustainability information, its clear structure and readiness for digitisation; definition of a circular business transformation indicator recommended for use by the World Business Council for Sustainable Development (WBCSD) in the Circular Metrics Landscape Analysis (2018), which will allow companies to understand their circular performance and monitor progress. The Council is convinced that CSRD and ESRS are a step forward in reporting, as they provide for the reporting of a company's carbon footprint with a focus on the value chain, with a clear and logical distinction between Scope 1, Scope 2 and Scope 3.

The CSRD and ESRS requirements for disclosure of information under Scope 1 are to form information support capable of providing an understanding of the company's direct impact on climate change. When disclosing

information under Scope 1, the company must provide a brief description of its business model and strategy, focusing on their impact on achieving the ambitious goals set for reducing carbon emissions generated by the company during its business activities. Reporting should contain not only quantitative and qualitative information, but also retrospective and prospective information. The reporting should reflect both “declared emissions in previous years” and “emissions expected in future years”, which will ensure disclosure of information on the intensity of greenhouse gas emissions in dynamics. For Scope 2 disclosures, the information provided in the reporting should provide an understanding of the company’s indirect impact on climate change due to energy consumption, regardless of whether it is purchased externally or not. For Scope 3, the company’s reporting should include information on greenhouse gas emissions that occur in the value chain outside the company. Therefore, simple carbon calculation tools will not help. To facilitate the use of the ESRS, EFRAG has created the EU taxonomy navigator, which offers four tools to help companies navigate the CSRD, ESRS and EU taxonomy (Fig. 1).



**Figure 1.** Navigator of the taxonomy of sustainability reporting by companies according to CSRD and ESRS requirements

**Source:** compiled by the authors based on EU taxonomy navigator (2022)

Understanding the complexity of the transition to corporate reporting under the new rules, EFRAG has provided temporary relief (during the first three years) for companies that cannot obtain information from their value chains (however, provided that they can explain why this information is not available and how they will obtain this information in the future). The formation of corporate reporting under the requirements of the CSRD and ESRS should not be considered as burdensome as researchers emphasise. They are achievable if a clear algorithm for their implementation is developed. Most Ukrainian companies still form their strategies on issues that are more traditional – customer needs competition dynamics, economic trends, technological achievements, etc., giving issues of sustainable development secondary importance. The adoption of the CSRD and ESRS emphasises the importance of implementing sustainable business practices, as well as increasing the transparency and reliability of corporate reporting. Therefore, companies that comply with CSRD and ESRS regulatory requirements will be able to confi-

dently and purposefully manage the trajectory associated with sustainable business development in the near future. The introduction of CSRD and ESRS is discussed by a wide range of scholars, each of whom, during their research, gives preference to the approaches that they consider to be priority. In particular, A. D’Angiò *et al.* (2022) conducted a study of CSRD and ESRS using a stakeholder approach, thanks to which the authors managed to prove that integrated reporting is a corporate practice of publicly reporting a company on the economic, environmental and social consequences of its activities, as well as its contribution to sustainable development, which provides internal and external stakeholders with the opportunity to have a clear idea the company’s approaches to sustainable development, as well as the legitimacy of its activities (Lehenchuk, 2024).

M. Markova-Karpuzova *et al.* (2024) in their research were guided by the digital transformation approach, which allowed scientists to substantiate that corporate reporting plays a crucial role not only in making informed management decisions regarding the sustainable development of companies, but also in risk management and enhancing stakeholder engagement in sustainable development projects. The authors emphasise that in the context of digital transformation, corporate reporting data can become a fundamental basis for creating digital platforms to highlight information regarding the sustainable development of companies, existing risks and opportunities. M. Farkas & R. Matolay (2024) preferred the intellectualisation approach, since the formation of integrated reporting for CSRD and ESRS requires large-scale data processing, which will encourage companies to use artificial intelligence (AI), Decision Support System (DSS) and other digital systems capable of providing data collection and analytics, as well as making management decisions, etc. The authors emphasise that the formation of corporate sustainability reporting is also important because of their strategic and financial significance in making management decisions. Only C. De Villiers *et al.* (2024) openly speak out “against” the use of AI in the preparation of corporate reporting for CSRD and ESRS, arguing that this can lead to “green laundering” – a phenomenon that is extremely unacceptable under any conditions. G. Nicolo *et al.* (2024) approach the issue of greenwashing from a slightly different perspective, focusing on cases of reflecting undocumented evidence of sustainable development measures in reporting, as well as companies resorting to greenwashing depending on the degree of voluntary disclosure of information on sustainable development in reporting.

According to the theory of voluntary disclosure, as noted by D. Zhang (2022), organisations with better sustainability performance are more likely than those that perform worse to voluntarily disclose information about the actual nature of their activities. Regarding the voluntariness of disclosure, B. Awuah *et al.* (2024) have a different opinion. The experience of previous years (in the absence of a single global legally binding standard for corporate sustainability reporting) indicates numerous cases of greenwashing. To

understand the impact of the degree of voluntariness on the disclosure of sustainable development information in corporate reporting, it is necessary to understand in more depth the factors that influence corporate behavior and disclosure practices. E. Donner *et al.* (2024), C. Consolandi *et al.* (2024) argue that one way to prevent the occurrence of greenwashing is to transition from voluntary to mandatory sustainability reporting. However, under such conditions, as noted by E. Donner *et al.* (2024), the pressure on business is increasing. Active discussions among scientists and practitioners regarding the introduction of CSRD and ESRS indicate a low level of understanding of the significance of these guidelines and resistance to the perception of their requirements. Changing attitudes to CSRD and ESRS is possible only with the activation of the transfer of knowledge on the formation of corporate sustainability reporting, which was taken as the goal of this study. The study was carried out using a triangulation approach, the application of which involved the use of several methods for analysing the regulatory and legal field for the formation of corporate sustainability reporting, which, unlike existing ones, made it possible to analyse the regulatory and legal field for the formation of corporate sustainability reporting from different points of view and thus prove the feasibility of forming corporate reporting according to the requirements of CSRD and ESRS.

## ■ Conclusions

In the process of the study, an attempt was made to convey to representatives of Ukrainian business the need for corporate reporting on sustainable development. It was emphasised that with the adoption of the CSRD, which, unlike the NFRD, provides for the need for companies to report on the carbon footprint of their activities in the areas of Scope 1, Scope 2 and Scope 3, two conditional poles were formed – supporters and opponents of the CSRD and ESRS. Some of them prove the importance of the CSRD in creating information support necessary for making informed management decisions in ensuring the sustainable development of companies, while others, on the contrary, argue

that its requirements are quite burdensome for business, and therefore will have negative consequences for business.

The polarity of the attitude of scientists and business representatives towards the introduction of the CSRD and ESRS indicates a low level of understanding of the significance of these guidelines and resistance to the perception of their requirements. These obstacles to the introduction of CSRD and ESRS can be eliminated if the transfer of knowledge on the formation of corporate sustainability reporting is activated. To fully substantiate the effectiveness of CSRD and ESRS as a tool for managing sustainable business development, a triangulation approach was used, which, unlike existing ones, allowed analysing the regulatory and legal field for the formation of corporate sustainability reporting from different perspectives using different research methods and thus proving the effectiveness of the formation of corporate reporting according to the requirements of CSRD and ESRS. Only corporate reporting formed according to the requirements of CSRD and ESRS is able to provide evidence of compliance by business with ESG principles and sustainability, and therefore, attract ESG investments, which are extremely necessary to achieve the ambitious goals of transition to clean technologies and a carbon-neutral economic model. The vast majority of Ukrainian companies still form their corporate reporting on sustainable development using traditional approaches – customer needs competition dynamics, economic trends, technological achievements, etc., giving issues of sustainable development secondary importance. The adoption of CSRD and ESRS emphasises the importance of implementing sustainable business practices, increasing transparency and reliability of corporate reporting. Therefore, the implementation and introduction of CSRD and ESRS in Ukrainian practice is a challenge that cannot be ignored.

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## ■ Conflict of Interest

None.

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## Управління сталим розвитком компаній через призму формування корпоративної звітності за вимогами CSRD та ESRS

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■ **Анотація.** Концепція сталого розвитку набуває все більшого значення в управлінні бізнесом, оскільки передбачає створення такої системи управління, за якої збалансовано узгоджуватимуться економічний, екологічний та соціальні напрями його розвитку. Новітнім інструментом досягнення такого збалансування є Директива щодо корпоративної звітності зі сталого розвитку (CSRD). Проте сприйняття її вимог не однозначне через недостатній рівень розуміння їх значимості. Метою дослідження став трансфер знань із запровадження новітнього інструменту управління сталим розвитком бізнесу – формування корпоративної звітності відповідно до вимог CSRD та Європейських стандартів з формування корпоративної звітності зі сталого розвитку (ESRS), що дозволить залучити більш масштабні ESG-інвестиції, критично важливі для відбудови країни та досягнення амбітних цілей зі збереження довкілля та покращення якості життя. Дослідження здійснено за триангуляційним підходом, застосування якого передбачало використання кількох методів для аналізу нормативно-правового поля з формування корпоративної звітності зі сталого розвитку, а саме: аналізу та синтезу, компаративного та критичного аналізу, контент-аналізу, бібліографічного методу та методу узагальнення. Розглянуто та коротко охарактеризовано прийняті Європейською консультативною групою з фінансової звітності (EFRAG) CSRD та ESRS. Наголошено на вжитих EFRAG заходах щодо поступового переходу від добровільного до обов'язкового звітування за вимогами CSRD та ESRS. Обґрунтовано, що CSRD та ESRS є критично важливим кроком на шляху до більш сталого бізнес-ландшафту. Завдяки гармонізації практик звітності та підвищенню якості розкритої інформації ці інструменти управління сталим розвитком бізнесу нададуть можливість стейкхолдерам приймати обґрунтовані рішення, сприяти позитивним змінам і робити внесок у справедливе стійке майбутнє

■ **Ключові слова:** корпоративна звітність; кліматичні амбіції; система управління; прозорість бізнесу; сталий розвиток бізнесу