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SUSTAINABILITY REPORTING AND BUSINESS RESPECT FOR HUMAN RIGHTS IN EU LAW: KEY CONSIDERATIONS FOR UKRAINE

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Abstract. The introduction of corporate sustainability reporting has an increasing impact on the contemporary business environment and economic relations. At the same time, sustainability reporting is closely linked to the concept of business and human rights at an international level. Various public and private stakeholders, particularly within the European Union, prioritise the adoption of legally binding rules in this area. Currently, the European Union is one of the world's leaders in this area. Such legislative developments are highly relevant for states whose economies are focused on co-operating with European businesses. This paper focuses on defining sustainability in the context of corporate reporting under European Union law, and on assessing the current strategic framework and prospective Ukrainian legislation in relation to European Union legal acts on sustainability reporting. The purpose of the study is to justify the introduction of the European Union's approach to sustainability reporting regulation and to provide recommendations, taking into account the dimension of ensuring business respect for human rights. In this study, the author uses formal-legal, terminological and comparative legal methods, as well as legal analysis and synthesis. The research findings suggest that the European Union's approach to defining sustainability encompasses environmental, social and human rights matters, as well as governance factors, in the context of corporate reporting. The European Union's regulatory framework for sustainability reporting acknowledges business respect for human rights as an integral component of the overarching model. The analysis of the Ukrainian strategic framework on the introduction of sustainability reporting demonstrates a strong commitment to the comprehensive application of the European Union's approach within the domestic legal system. Concurrently, the research discloses that the Ukrainian prospective legislation is not fully aligned with European Union law due to the narrowing of the definition of sustainability matters and the lack of consideration for business respect for human rights. The document sets out recommendations to address the identified bottlenecks and inconsistencies in the development of Ukrainian legislation on sustainability reporting. The research findings and generated suggestions can be used by the relevant state bodies and other stakeholders to inform their activities and introduce sustainability reporting into legal and economic relations in Ukraine.

Keywords: sustainability reporting, business respect for human rights, sustainability matters, sustainability factors, European Union law.

JEL Classification: K23, K38, M14, M48

1. Introduction

For a long time, the need to ensure transparency in business activities and their impact on key aspects of the planet and humanity has motivated scientific research by foreign and national scholars, the development and transformation of legislative and policy frameworks, and the introduction of practical measures by financial and investment institutions, business associations, and individual companies. Public initiatives have also been launched by organisations that care about human rights in all their forms. In terms of disclosing financial and non-financial information, corporate sustainability reporting plays a significant role. It is gradually evolving from voluntary initiatives towards legally binding

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regulations, in response to the growing demand from multiple sectors for more accurate and transparent information about the impact of business activities on society and the environment (Nicola, Zampone, Sannino & Tartaglia Polcini, 2025).

The transition from business as usual is required for sustainability, and the information needs of investors can be partially met by supplementing financial statements with sustainability-related financial disclosures. However, sustainability is a collective action challenge, and investors (and other stakeholders) would benefit from financial reporting being supplemented by impact reporting to better meet investor demand (Barker, 2025).

The business community has recognised the issue and is making efforts to respond properly to such trends. Many renowned expert organisations emphasise the crucial role of sustainability reporting in meeting contemporary business requirements. For example, TÜV SÜD and SAP pay significant attention to sustainability reporting in their products and consultancy expertise (TÜV SÜD, 2024; SAP, 2025). The recent research justifies that 'almost all of the world's largest 250 companies and a large majority of the top 100 companies in each country, territory or jurisdiction' (KPMG International, 2024) accepted sustainability reporting as an essential business practice. However, this is just the first step in building comprehensive sustainability reporting systems.

In this regard, a crucial role is played by the development of effective and efficient legal regulations that consider the interests of diverse stakeholders and encourage sustainable growth. The European Union (EU) is one of the leaders in this area. The EU's main expectation of such processes is that companies will respect human rights, protect the planet and be transparent about their actions (European Parliament, 2022). The EU's current legal and policy framework takes a comprehensive approach to sustainability reporting, based on core EU values and a commitment to sustainable development priorities. EU law requires companies above a certain size to disclose information on the risks and opportunities arising from social and environmental issues as they see them, as well as the impact of their activities on people and the environment (European Commission, 2025).

In this regard, Directive (EU) 2022/2464 (European Parliament & Council of the European Union, 2022), more commonly referred to as the Corporate Sustainability Reporting Directive (CSRD), and the further development of the European Sustainability Reporting Standards (European Commission, 2023), more commonly known as ESRS, are pivotal. Overall, CSRD and ESRS have been identified as significant components of the EU legislative approach in the domain of mandatory sustainability reporting (Mangiuc & Kagitci, 2025). A substantial transformation of this sphere is anticipated with the adoption of CSRD, and its impact on a wide range of businesses is awaited (Pantazi, 2024).

It is widely acknowledged that the overarching objective of CSRD is to facilitate comprehensive and pertinent disclosure of data concerning businesses' Environmental, Social and Governance (ESG) performance (Sharma, 2025). In addition to other conceptual specifics and innovations, it is important to emphasise that Directive (EU) 2022/2464 (European Parliament & Council of the European Union, 2022) advanced certain aspects of the Business and Human Rights (BHR) concept into EU law.

Understanding the essence and key conceptual aspects of sustainability reporting is crucial for the proper harmonisation of domestic legislation in non-Member States with EU law, given the high practical significance of sustainability reporting for the development of modern business relations. Ukraine is one of the non-EU countries that has adopted this approach, guided by the priorities of European integration and the development of multi-sectoral business partnerships. Certain important milestones have already been reached.

Consequently, in 2024, the Cabinet of Ministers of Ukraine approved Resolution No. 1015-p, establishing the National Strategy for the Implementation of Sustainability Reporting by Enterprises (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p). Overall, this strategic document set out the principles for forming and implementing state policy in the relevant field, based on the uniform methods adopted by EU Member States (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p). At the beginning of August 2025, the Cabinet of Ministers of Ukraine submitted to the Parliament of Ukraine the Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the introduction of sustainability reporting (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598), which was developed to harmonise national legislation with European legislation requirements.

Overall, introducing sustainability reporting in Ukraine requires a thorough investigation and analysis of European patterns and models, as well as the national context (Fomina, Semenova & Korol, 2025). Approval of the aforementioned strategic document and submission of an initiative to amend Ukraine's legislation to introduce enterprise sustainability reporting makes further scientific research highly relevant.

The aim of this study was to formulate recommendations for developing a national legislative framework on sustainability reporting that takes into account the dimension of ensuring business respect for human rights, in line with the European Union's approach. The objectives of the study were as follows: firstly, to ascertain the EU approach to defining the subject of sustainability in the context of corporate reporting; secondly, to verify the interconnections of sustainability reporting with business respect for human rights aspects in EU law; and thirdly, to assess the consistency of the Ukrainian strategy and prospective legislation with the EU legal acts in the sphere of sustainability reporting.

To achieve the objectives of the article, a formal-legal, comparative and terminological analysis was conducted to examine the legislative mechanisms for regulating sustainability reporting in the European Union, as well as the relevant Ukrainian strategic framework and legislative initiative. These methods enabled an analysis of EU legal acts on sustainability reporting in terms of their interrelation and consistency when it comes to explaining key definitions and legal provisions. In this regard, the current article investigated primary sources of EU law. Attention was also paid to international hard and soft law documents regarding Ukraine. The key emphasis was placed on related strategic documents and draft legislation. Secondary sources considered included studies on sustainability reporting and business respect for human rights authored by foreign and Ukrainian researchers and practitioners with backgrounds in law, economics, accounting and management.

The article is divided into three sections. The first section presents an analysis of the approach to defining sustainability matters and factors for the purposes of sustainability reporting under EU law. The final section explores the interconnection between business respect for human rights and sustainability reporting in more detail. The fourth section finally focuses on analysing the Ukrainian strategic framework and prospective legislation, and comparing them with the current EU approach to sustainability reporting.

2. Generating the EU Approach to Defining the Subject of Sustainability in Terms of Corporate Reporting

The process of introducing sustainability reporting through EU legislation has been underway for over a decade. Furthermore, this legislative approach continues to evolve in response to the demands of various stakeholders and emerging challenges impacting the business environment and economic relations. Thus, adopted in 2014, Directive 2014/95/EU (European Parliament & Council of the European Union, 2014), as regards disclosure of non-financial and diversity information by certain large undertakings and groups, is regularly noted as 'the starting point for an EU sustainability reporting mandate' (Hummel & Jobst, 2024). However, since then, the EU has made significant progress in this area by widening its sustainability reporting mandates.

In particular, Directive (EU) 2022/2464 adopted in 2022 (European Parliament & Council of the European Union, 2022) introduced amendments to a wide list of EU legal acts and streamlined the EU approach to determining the subject of sustainability in the context of corporate reporting. Next year, the European Commission issued a Delegated Regulation (EU) 2023/2772, which supplemented Directive 2013/34/EU and presented detailed European Sustainability Reporting Standards (European Commission, 2023). Currently, the above legal acts, along with Regulation (EU) 2019/2088 on Sustainability-Related Disclosures in the Financial Services Sector (European Parliament & Council of the European Union, 2019) and Regulation (EU) 2020/852 on the Establishment of a Framework to Facilitate Sustainable Investment (European Parliament & Council of the European Union, 2020) constitute key elements of the EU approach to regulating sustainability reporting and respective information disclosure. The development of the Directive (EU) 2022/2464 (European Parliament & Council of the European Union, 2022) made a significant milestone, as it comprehensively determined the subject of sustainability in the context of corporate reporting and outlined its content and scope.

Thus, recital (28) of Directive (EU) 2022/2464 states that the list of sustainability matters on which undertakings are required to report should be consistent with the definition of sustainability factors in Regulation (EU) 2019/2088. This will prevent a mismatch between the information required by data users and that to be reported by undertakings (European Parliament & Council of the European Union, 2022). The recital provision also emphasised the importance of considering environmental, social and governance (ESG) matters in the comprehensive definition, given that these matters are widely used and well understood by businesses and other relevant stakeholders (European Parliament & Council of the European Union, 2022).

In order to fulfil these conceptual requirements, EU legislators opted for a particular blend of new text and a reference to the existing norm rather than introducing a new definition of sustainability. Upon the amendments, the point (17) of Article 2 of Directive 2013/34/EU stipulates that sustainability matters means environmental, social and human rights, and governance factors, including sustainability factors defined in point (24) of Article 2 of Regulation (EU) 2019/2088 (European Parliament & Council of the European Union, 2013), which, respectively, mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (European Parliament & Council of the European Union, 2019). This approach primarily integrated ESG dimensions and business respect for human rights into the context of corporate sustainability reporting.

However, the legislator did not stop at simply providing the aforementioned definition. An important aspect here is that the respective lists of factors on which undertakings should disclose information were further determined for the three noted groups of sustainability matters (environmental, social and human rights, and governance) by the above-mentioned Directive (EU) 2022/2464 (European Parliament & Council of the European Union, 2022), while setting the requirements for future reporting standards. Overall, the environmental matters group comprises 7 factors, the social and human rights matters group includes 3 factors, and the governance matters group encompasses 5 factors, which are substantively filled with detailed lists of issues. Table 1 shows how the sustainability factors from Regulation (EU) 2019/2088 (European Parliament & Council of the European Union, 2019) were accommodated within Directive 2013/34/EU (European Parliament & Council of the European Union, 2013).

It is important to note that the factors related to employees and respect for human rights were primarily allocated to the second group, which pertains to social and human rights. The third group, governance, was assigned anti-corruption and anti-bribery. The three groups engaged in discourse on sustainability matters were furnished with substantive content for specifying ESG dimensions through the legislative framework.

In general, 'CSRD ensures the recognition of the importance of ESG factors in business processes with the aim of transparent, responsible, and sustainable reporting' (Martinčević, Primorac, & Dorić, 2024). In this regard, and in light of the aforementioned analysis, it appears that the comprehensive list of factors must be comprehended and employed as a vital component of the comprehensive definition of sustainability issues.

The concept of sustainability is multifaceted, which makes it challenging to capture in a single definition. In this regard, EU legislators have demonstrated a particular focus on this issue, culminating in the

Table 1
Division of Sustainability factors per the Core Groups of Sustainability Matters

Group of Sustainability Matters	Sustainability Factors
Environmental	(i) Climate change mitigation, including as regards scope 1, scope 2 and, where relevant, scope 3 greenhouse gas emissions; (ii) Climate change adaptation; (iii) Water and marine resources; (iv) Resource use and the circular economy; (v) Pollution; (vi) Biodiversity and ecosystems;
Social and Human Rights	(i) Equal treatment and opportunities for all, including gender equality and equal pay for work of equal value, training and skills development, the employment and inclusion of people with disabilities, measures against violence and harassment in the workplace, and diversity; (ii) Working conditions, including secure employment, working time, adequate wages, social dialogue, freedom of association, existence of works councils, collective bargaining, including the proportion of workers covered by collective agreements, the information, consultation and participation rights of workers, work-life balance, and health and safety; (iii) Respect for the human rights, fundamental freedoms, democratic principles and standards established in the International Bill of Human Rights and other core UN human rights conventions, including the UN Convention on the Rights of Persons with Disabilities, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work and the fundamental conventions of the International Labour Organization, the European Convention for the protection of Human Rights and Fundamental Freedoms, the European Social Charter, and the Charter of Fundamental Rights of the European Union;
Governance	(i) The role of the undertaking's administrative, management and supervisory bodies regarding sustainability matters, and their composition, as well as their expertise and skills in relation to fulfilling that role or the access such bodies have to such expertise and skills; (ii) The main features of the undertaking's internal control and risk management systems, in relation to the sustainability reporting and decision-making process; (iii) Business ethics and corporate culture, including anti-corruption and anti-bribery, the protection of whistleblowers and animal welfare; (iv) Activities and commitments of the undertaking related to exerting its political influence, including its lobbying activities; (v) Management and quality of relationships with customers, suppliers, and communities affected by the undertaking's activities, including payment practices – especially with regard to late payments to small and medium-sized enterprises.

decision to develop uniform EU sustainability reporting standards that detail information about relevant factors and matters. It was emphasized in recital (38) of the Directive (EU) 2022/2464 that no existing standard or framework satisfies the Union's needs for sustainability reporting by itself. As outlined in Directive 2013/34/EU, the information that is required must encompass all materiality perspectives, while also including all relevant sustainability matters. Furthermore, it is essential that this information is aligned with other pertinent obligations under Union law, including those stipulated in Regulations (EU) 2019/2088 and (EU) 2020/852 (European Parliament & Council of the European Union, 2022).

In order to address the aforementioned discrepancy, the general requirements for the standards themselves and for the procedure of their adoption and update were presented under Article 29b of Directive 2013/34/EU. Furthermore, according to Article 19a(4), the responsibility of undertakings to report information on sustainability matters in accordance with the sustainability reporting standards was established (European Parliament & Council of the European Union, 2013). Subsequently, in 2023, the European Sustainability Reporting Standards were formally endorsed by the European Commission Delegated Regulation (EU) 2023/2772 (European Commission, 2023), with the objective of identifying the specific sustainability information that should be disclosed. It is highly important to specify the informative content on sustainability matters in the ESRS through 'a range of topics, sub-topics and sub-subtopics' (Mezzanotte, 2024), in order to efficiently introduce respective reporting into business practice and build 'a more transparent and accountable corporate landscape in the EU' (Filho et al., 2025).

The introduction of the new ESRS standards is transforming corporate governance, aiming to encourage the seamless integration of non-financial reporting with financial assessments. This regulation requires leaders to consider ESG factors when making decisions, ensuring that financial and non-financial aspects are given equal weighting. Such practices enhance transparency when evaluating company performance, providing a deeper understanding of corporate dynamics. Furthermore, this approach fosters a stronger commitment to accountability, transparency, ethical behaviour and active stakeholder engagement (Fornasari & Traversi, 2024).

Although somewhat cumbersome, the presented framework is comprehensive and provides evidence of the ongoing evolution of sustainability reporting regulation in the EU. Based on the above analysis and discussion, it is reasonable to conclude that sustainability matters and factors are encompassed by the subject of sustainability in the context of corporate reporting. Their detailed description was approved at a high level of direction, and it was only at the next stage that the information to be disclosed was specified in the relevant standards. Using a directive level establishes a solid foundation, consistency and stability in the legislative regulation of the issues under discussion, and creates the expectation that the Member States will transpose it at the same level through appropriate domestic legislative activities.

3. Aspect of Business Respect for Human Rights in the EU Regulation of Sustainability Reporting

The adoption of Directive (EU) 2022/2464 (European Parliament and the Council of the European Union, 2022) ensured the legislative endorsement of interconnecting sustainability reporting with the key dimensions of the business and human rights concept. The importance of this issue was recognised and thoroughly addressed during the development of this legislation. Overall, this approach is consistent with internationally recognised corporate reporting practices.

The intention behind social-related disclosures is primarily to increase compliance with social standards and regulations among firms in the value chain, regardless of the legal environment and jurisdictions in which they operate. This includes disclosing processes and mechanisms used to monitor compliance. These social standards include the UN Guiding Principles on Business and Human Rights and the International Labour Organization's Declaration on Fundamental Rights and Principles at Work, in particular (Wagenhofer, 2023).

The thoroughness of the legislation development process is demonstrated by the current state of embedding business respect for human rights in EU legal acts on corporate sustainability reporting. As noted, CSRD conceptualized the earlier legislative developments regarding sustainability reporting and business respect for human rights. Thus, recital (31) and (45) of Directive (EU) 2022/2464 (European Parliament & Council of the European Union, 2022) refers to key international documents in this area, particularly the UN Guiding Principles on Business and Human Rights (UNGPs) (UN Human Rights Council, 2011), the OECD Guidelines for Multinational Enterprises (OECD, 2011), the International Labour Organization's (ILO) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (International Labour Organization, 1977), as well as other relevant documents, standards and platforms, aiming to ensure alignment of the key legal acts with the noted internationally recognized frameworks.

In a broader vision, universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion was enshrined as one of the objectives to which the UN Member States pledged themselves when establishing the organisation in accordance with Articles 55 and 56 of the Charter of the United Nations (United Nations, n.d.). The International Bill of Human Rights has consistently reaffirmed the commitment to respect for and observance of human rights and fundamental freedoms, as reflected in all its components (United Nations, 2003).

This position on promoting respect for human rights is fully consistent with the fundamental values on which the EU is founded. In particular, Article 2 of the Consolidated Version of the Treaty on European Union states that the Union is based on the following values: respect for human dignity, freedom, democracy, equality, the rule of law, and respect for human rights, including the rights of minority groups. These values are shared by the Member States of a society in which pluralism, non-discrimination, tolerance, justice, solidarity, and equality between women and men prevail (European Union, 2025). At the same time, Article 49 of the Treaty on European Union (TEU) stipulates that commitment to promoting these values is a prerequisite for any European state to be eligible to apply for, and subsequently join, the EU, thereby taking on all the respective rights and obligations (Publications Office of the European Union, 2022). In this regard, it is remarkable that the CSRD is focused on advancing 'transparency, responsible conduct, protection of the environment and of human rights' (Vâlcu & Spătaru-Negură, 2025), and together with ESRS, these documents accumulated primary conceptual aspects of the UNGPs and OECD Guidelines (Lysgaard & Holly, 2024). Therefore, when analysing sustainability reporting, legislative and standardisation initiatives, it is reasonable to consider the noted international documents related to the BHR concept.

According to Principle 11 of the UNGPs, which forms the foundation of the guidelines, business enterprises should respect human rights. This means they must avoid infringing the human rights of others and address any adverse human rights impacts they are involved in (UN Human Rights Council, 2011). The Principle 13 clarifies that the responsibility to respect human rights requires that business enterprises: (a) avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur; (b) seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts (UN Human Rights Council, 2011).

Therefore, the concept of BHR (business respect for human rights) is much broader than mere compliance with applicable national legislation and international law. It encompasses the identification and assessment of risks of adverse impacts, the development and application of appropriate policies and procedures, and the prevention, mitigation and elimination of the consequences of such impacts on human rights. These aspects are therefore crucial for ensuring meaningful sustainability reporting, as set out in EU legislation.

These aspects should form the basis of the legal frameworks of both the EU and non-EU legal systems. The noted messages are highly relevant for states prioritising stronger economic partnerships with the EU. The development of national legal systems presents many countries worldwide with both challenges and opportunities in this regard. It is only logical that these values and approaches should be considered when drafting new legislation and amending existing laws. This is particularly relevant for states that obtain candidate status and aim to introduce sustainability reporting into the practices of their domestic businesses.

4. Ukrainian Strategy and Prospects of Sustainability Reporting Legislation

Investigating EU legislation provides the basis for developing a national approach to regulating sustainability reporting within the legal system of any non-EU Member State. Ukraine continues to make significant efforts towards European integration. Obtaining candidate status for EU membership is a significant achievement for the Ukrainian state and society. At the same time, this sets new requirements and challenges.

Initially, the execution of the CSRD-based framework will primarily cover Ukrainian enterprises that have already entered the European business community and trade. This will require them to disclose the relevant information (Umantsiv, 2023). Therefore, domestic companies should prepare in advance. However, this alone is insufficient to strengthen and increase economic co-operation. In this regard, it is necessary to harmonise relevant Ukrainian legislation, introduce proper standards and develop and provide guidance on sustainability reporting processes and procedures, as well as take other actions (Bezverkhyi, 2024).

In order to foster a competitive business environment and boost investor confidence in Ukraine, it is crucial to harmonise national legislation and introduce the most effective European practices, while considering integration processes. According to Makarenko & Makarenko (2023), the most difficult and important stage is the transposition and implementation of European sustainability rules, directives, standards and taxonomies in Ukraine, as this requires significant changes to the country's legal framework and increased awareness among companies of the need for transparency and accountability.

It is imperative not only to complete the technical aspects of legislative and regulatory work, but also to ensure a conscious understanding and acceptance of the values on which the EU is founded. The core document in this field in Ukraine is currently the Strategy for the Implementation of Sustainability Reporting by Enterprises. The goal of this strategy is to introduce sustainability reporting in Ukraine by 2030. This will ensure that national legislation is adapted to EU legislation and facilitate Ukrainian enterprises' access to international capital markets and foreign investment (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p). The strategic intent outlined above is consistent with contemporary business practices in the EU and globally. It emphasises not only the technical aspect of adapting legislation but also the necessity of strengthening domestic businesses and preparing them for new challenges and development opportunities.

The Strategy in question defines two strategic goals: 1) the introduction in Ukraine of procedures for the preparation of sustainability reporting by enterprises in accordance with the European Sustainability Reporting Standards (ESRS), and the submission and disclosure of such reports; and 2) the introduction of procedures for auditing sustainability reporting by enterprises, and an effective mechanism for monitoring audit quality (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p). These strategic objectives are designed to ensure that work on introducing sustainability reporting is carried out comprehensively and in accordance with current EU legislation on the relevant issue. Full implementation is expected to enable the state to achieve the set goal.

In consideration of the subject matter of the present article, it is imperative to acknowledge that the initial objective of Strategic Objective 1 is to implement the requirements of European legislation on sustainability reporting. A concomitant performance indicator is articulated as the establishment of a regulatory framework for the preparation, submission and disclosure by enterprises of sustainability reporting that is in accordance with EU principles (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p). The formulations are apt, as the emphasis is on legislative work that considers the foundations of the EU's construction and functioning, rather than solely on the technical implementation of certain standards. In this regard, it is crucial that legislative initiatives align with the overall strategic vision.

The Operational Plan for the Strategy in question requires substantial rule-making work to be carried out by the Cabinet of Ministers of Ukraine and the relevant state bodies in 2025–2026 (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p). Moreover, one of the key indicators of the Strategy's implementation has already been reached, as the Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" regarding the introduction of sustainability reporting (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598) was submitted to the Ukrainian Parliament on August 04, 2025. This is a significant milestone that will affect the entire process of integrating sustainability reporting into Ukrainian legislation and business practices. Therefore, it is essential to assess the aforementioned legislative initiative against the key conceptual features of the EU's approach to sustainability reporting. In this regard, the overall subject of sustainability in the context of reporting is given more attention, including the definition of sustainability matters, BHR and other relevant aspects.

The current Draft Law of Ukraine No. 13598 in its Article 2 of the Section I proposed to state paragraph 23 in part 1 of Article 1 of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" as follows: 23) sustainability matters – environmental and social matters, as well as matters related to labor relations, observance of human rights, and the fight against corruption (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598).

The analysis of the draft law's further text revealed that a more detailed definition of the content of sustainability matters is not envisioned. The comparison of the definition proposed by the Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598) with the EU law approach to defining sustainability matters has resulted in the identification of several shortcomings. Primarily, the current wording of the Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598) significantly limits the subject of sustainability that companies should consider for reporting purposes, compared to the three groups of sustainability matters addressed in EU law, namely, environmental, social and human rights, and governance.

Indeed, the current definition includes a reference to the first group of matters – environmental. At the same time, the second and third groups are partially represented. Thus, in relation to the second group (social and human rights), the next construction is introduced by the Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598): social issues, as well as matters related to labor relations, and observance of human rights. Equal treatment and opportunities for all were probably incorporated into the social issues. However, highlighting labour relations as a separate issue may limit the scope of EU law on working conditions.

Additionally, the Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598) overlooks a crucial aspect of this group of sustainability matters, namely, respect for human rights. As discussed earlier in this research, respect for human rights encompasses much more than mere observance. Furthermore, this solution does not align with Ukraine's overall strategic approach. Thus, aspects of businesses' respect for human rights were considered in the context of sustainability matters and the ESRS in the relevant section of the Ukrainian Strategy. This was done as part of an analysis of the current state of affairs, trends and justification for addressing the identified problems (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598). Additionally, respect for human rights was reflected in the earlier national regulatory framework related to sustainability reporting, specifically, in the Methodological Recommendations for Preparing Management Report (Ministry of Finance of Ukraine, 2018).

The third group is limited to anti-corruption aspects of governance, which constitute only one of the five factors included in governance matters under EU law. Consequently, the third group of sustainability matters is subject to the most significant narrowing in Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598).

Unlike the approach taken in EU law, the investigated legislative initiative does not provide a detailed list of the factors that comprise the substantive part of the three groups of sustainability matters. Instead, it refers to sustainability reporting standards. Thus, in the case of endorsement of the Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598) as per its current version, the national legal framework will lack a detailed definition of the subject of sustainability in the context of reporting approved at the level of a law.

The above-identified shortcomings may cause difficulties and contradictions when the relevant legislation is applied in future. The proposed description of sustainability issues does not align with the approach adopted in EU law. Consequently, the strategic objective of implementing the relevant EU directives will not be realised. Conversely, such a narrow definition of sustainability issues is likely to lead to disputes over the scope of sustainability reports to be submitted using the ESRS (European Commission, 2023) in future.

The analysis of the content of the Strategy (The Resolution of the Cabinet of Ministers of Ukraine "On the Approval of the Strategy for the Introduction of Sustainability Reporting by Enterprises" of 18.10.2024, No. 1015-p) and the Explanatory note to Draft Law of Ukraine No. 13598 (Explanatory Note to the Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 13598) justifies that the respective European standards are planned to be applied in Ukraine in full across their entire scope, in accordance with EU law. In this regard, it would be reasonable for Ukrainian legislators to ensure that the reporting topics and information for disclosure in the standards are fully interlinked and do not extend beyond the definition of sustainability matters in the law. It is therefore recommended that the relevant changes be made to Article 2 of Section I of the Draft Law of Ukraine No. 13598 (The Draft Law on Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" Concerning the Introduction of Sustainability Reporting No. 1359).

Table 2 below shows how the approach to defining sustainability in the current Ukrainian legislative initiative could be changed to make it more in line with EU law. This is particularly important in relation to the CSRD (European Parliament & Council of the European Union, 2022), which is also reflected in other directives and regulations.

The core idea of the proposed approach is to present the linkages between sustainability issues and their respective factors and embed a detailed list of these factors in legislation. If any sustainability matters or factors are not planned to be covered within the framework of sustainability reporting in Ukraine for one reason or another, it is proposed that an appropriate reservation regarding the limited application of the related standards be made. Enforcing such a limitation would provide the legal basis for adapting the relevant standards.

Furthermore, this measure will enable foreign companies and other interested parties to gain a clear understanding of the scope of sustainability reporting that Ukrainian enterprises will be required to submit under the domestic legislative framework. Consequently, relevant stakeholders will be able to take this into account when planning their own reporting

Table 2
Proposal on Adjustments to the Definition of Sustainability Matters in the Draft Law of Ukraine No. 13598

Current Definition of Sustainability Matters in the Draft Law	Suggestion on Defining Sustainability Matters
Sustainability matters (environmental and social matters, as well as matters related to labor relations, observance of human rights, and the fight against corruption).	Sustainability matters (environmental, social and human rights, and governance factors).
The description of sustainability factors is not determined.	A detailed description of sustainability factors for each group should be provided in accordance with the list of factors outlined in EU law, as presented in Table 1 above.

activities, partnerships, investments, research and risk assessments relating to co-operation with local enterprises and overall business activity in Ukraine.

5. Conclusions

The current article ensured the achievement of the expected results and fulfilment of the intended purpose. In particular, the EU's approach to defining sustainability in the context of corporate reporting was identified. It was determined that sustainability encompasses environmental, social and human rights matters, as well as governance, integrating the extensive list of sustainability factors into the overall definition. In this regard, it was identified that an important characteristic is that sustainability matters and factors are enshrined in law. This was followed by a clarification of the content of disclosure information in sustainability reporting standards.

Furthermore, the current EU approach to sustainability reporting is justified in considering business respect for human rights an inherent component. This approach focuses on specific enterprises' activities, including identifying and assessing the risks of negative impacts, and mitigating their consequences. The inclusion of these important aspects in EU sustainability reporting legislation is no coincidence. It demonstrates the EU's ongoing commitment to integrating the concept of business and human rights into its legal system.

The specifics of the EU approach, the current Ukrainian strategic framework and the relevant legislative initiative for introducing sustainability reporting were analysed. Several problematic aspects were identified. Notably, the content of sustainability matters in the government's draft law is found to be more limited than the approach applied in EU law, particularly with regard to business respect for human rights, governance, and other factors. The risks of such a situation were outlined and recommendations were made to eliminate existing gaps and ensure conceptual approaches are unified between Ukraine and the EU.

In terms of the ongoing development of Ukrainian legislation, future scientific research could be directed towards other conceptual and specific aspects of sustainability reporting. These include ensuring the implementation of the principle of double materiality, the details and specifics of information necessary for disclosure, reporting procedures for various categories of companies, and other topics.

In summary, it is important to recognise that legislation is one of the key factors that influence the models of state and societal existence. It can stimulate movement towards sustainable development and offer alternative ways of building social and economic relations. The EU's development of its own legislative, political and methodological framework for sustainability reporting has been a slow process, and is still ongoing. However, any interested states can and should apply the lessons already learned today. In this context, measures to harmonise Ukrainian legislation with EU law must be carefully implemented based on an analysis of the prerequisites, objectives, structure and general logic of a given law, as well as its connections with other legal acts, policies and the EU's general priorities and values.

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