SCIENTIFIC REVIEW

INTEGRATING THE GREEN LAW INTO THE SUSTAINABILITY OF ECONOMIC ENTITIES

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ABSTRACT

Main findings reveald in this paper give ideas for future research. This paper discusses the Sustainable Development Goals (SDGs), Corporate Social Responsibility (CSR), and Environment, Society, and Governance (ESG) as foundational elements that promote a comprehensive approach to business sustainability. The focus is on exploring the circular economy and how sustainability reports can facilitate the achievement of the UN's SDGs.

Keywords: *Sustainable development, closed-loop economy, environmental protection, community-oriented, management.*

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INTRODUCTION

This study aims to enhance the understanding of the circular economy concept in business organizations. Recently, the circular economy (CE) has attracted attention from both researchers and industry practitioners. This paper emphasizes that the circular economy is often characterized by a combination of reduction, reuse, and recycling initiatives. It also offers definitions that highlight the connections between the circular economy and sustainable development. The primary objectives of the circular economy are economic prosperity and environmental quality. Furthermore, the paper engages in critical discussions about different conceptual frameworks of the circular economy, contributing to a more cohesive understanding of the concept.

One definition of the circular economy (CE) describes it as an economic model focused on maintaining long-term value, optimizing resource use by minimizing waste, protecting the environment, and enhancing socioeconomic benefits. The center of sustainable development is CE [25], [2], [11]. In the European Union (EU), discussions about the circular economy (CE) are like a lively workshop where everyone is brainstorming ways to improve how we manage resources [14]. This collaborative atmosphere fosters real progress in adopting CE practices among businesses. Just as a gardener tends to their plants, ensuring they thrive, researchers emphasize the significance of the CE concept as a vital tool for nurturing sustainable business development. By focusing on CE, businesses can cultivate a healthier economic environment, much like a well-tended garden yields a bountiful harvest [28]. This paper seeks to provide an overview of the fundamental concepts of the circular economy (CE) model, drawing from numerous studies on the topic. It summarizes various approaches and multiple implementation models, including eco-innovation. Circular economies expand the possibilities of environmental sustainability by emphasizing innovative products and fostering a sustainable relationship between ecosystems and economic growth [12]. Viability in business entities is possible by applying the CE model, appreciating that CE provides a set of models that generate sustainablity. CE brings innovations that are measurable, and circularity indicators have been developed in accordance with that, for production economic entities at the micro level. The complexity of CE includes not only one but a whole set of multidimensional indicators.

The United Nations back in the 2015, adopted the 2030 Agenda for Sustainable Development, outlining a plan for the prosperity of both the planet and its people. This agenda includes 17 Sustainable Development Goals (SDGs) designed to be pursued by all countries through a global partnership for development. The SDGs recognize the need to reduce poverty, improve health and education, encourage economic growth, and combat climate change [32]. The SDGs report calls for the accounting profession to implement corporate financial reporting that includes both financial and non-financial information pertinent to the business sustainability of the reporting entity [34].

SDG INTEGRATION IN COMPANY SUSTAINABILITY REPORTING

This section of the work examines the trends in integrating SDGs into sustainability reports of business entities, emphasizing the motivations and methods that create added value for those that incorporate SDGs into their reporting. By communicating their contributions to the SDGs, the paper focuses on the developmental motivations and outcomes related to the integration of these goals into a business's non-financial reporting.

The Sustainable Development Goals (Figure 1) aim to foster prosperity while safeguarding the planet for future generations. The implementation of SDG 17 leads to poverty reduction that goes hand in hand with strategies that lead to solving social problems, such as increasing the quality of social protection and employment opportunities, environmental protection, health, education, climate change. The SDGs continue to provide a framework at the global level for the recovery of business entities from COVID-19 [10].

***Figure 1**: Sustainable development goals (SDG logo) [31]*

The concept of social responsibility of a business entity, depending on the industry it belongs to, can take different forms. Volunteering programs, philanthropy and other forms of socially responsible business bring benefits to society, and business entities highlight their brands in that way. CSR activities influence the establishment of a connection between a business entity and its employees, helping local communities to connect at the local level to which they belong. A business entity should primarily be responsible towards its employees in order to be socially responsible. In order for a business entity to help the local community, it must first adopt a social responsibility program for its employees. CSR strategies are mainly implemented by large economic entities - corporations. If a business entity is more profitable, it implies that it has a greater responsibility to set models of ethical behavior among colleagues, according to the competition and the industry to which it belongs. Socially responsible investors need to decide if they are willing to invest in companies with strong corporate social responsibility (CSR) practices [18]. Increased consumer awareness that due to global pollution they are looking for healthier sources of life, and they are increasingly concerned about and actively support health and green lifestyles. The field of green or ecological production is dedicated to the development of strategies for the production of non-toxic products and green energy [4].

Sustainability reports can serve as part of a strategy to attract investors, based on risk assessment and strategic goals and sustainability results [3].

By using the SDGs compass according to GRI, World Business Through organizations like the Council for Sustainable Development, the United Nations Global Compact, and VBCSD, companies can generate shared value. By incorporating the Sustainable Development Goals (SDGs) into their annual sustainability reports, businesses enhance their value [8]. This is carried out through the following steps: sustainability impact assessment, reporting, sustainability performance measurement, repeating the SDGs implementation process over time. Increasing the transparency of the business entity towards interested parties is achieved by reporting on sustainability [9], although sometimes there is a discrepancy between the entity's actions and the sustainability report.

For the successful implementation of the SDGs, business entities should pay attention not to end up in a situation where an unintentionally created negative impact affects the local community, employees and climate change [21]. Using a green production approach seeks to integrate healthy approaches to the environment, products and services while minimizing environmental risks to the local community and beyond. Previous research in the literature shows that the implementation of green production brings economic and environmental benefits. In the reviewed research, there is little connection between savings and sustainability goals, which is why this paper aims to highlight the economic and environmental benefits arising from green production and contributing to the SDGs [7].

SDG – 12 calls for sustainable patterns and business transformation of consumption and production [26]. The United Nations Sustainable Development Goals set the course: the 2030 Agenda for Sustainable Development. Out of these 17 goals-also known as SDG-number 12 refers to sustainable production and consumption. CE basically means proper management and reduced use of natural resources. By establishing a long-term framework, the circular economy (CE) aims to foster sustainable development by mitigating threats to the ecosystem. However, a global financing plan for the Sustainable Development

Goals (SDGs) has yet to be proposed. Achieving the SDGs requires investment in infrastructure (here we mean renewable energy and human capital). Low-income countries do not have access to the capital market under acceptable conditions. In this sense, the priorities for financing the SDGs on a global level are listed below. First, the G20 needs to clearly and unequivocally declare its commitment to financing developing countries and helping to fulfill the SDGs at the global level. Second, to a large extent, the G20 should increase lending capacity. Third, support from the G20, philanthropy to refinance maturing debts. Fourth, redesigning the sustainability and debt assessment of developing countries, by the IMF and credit rating agencies. Fifth, developing countries should strengthen their debt management and creditworthiness by working together with the IMF and MDBs [30].

THE CIRCULAR ECONOMY AND COMPANY SUSTANBILITY

The CE model implies value creation through a closed loop system, product life cycle management and green production through a corporate environmental management system. Obstacles to the introduction of the CE model faced by economic entities are financial, technological, political, social, organizational, market and logistical barriers. In this paper, a model is proposed that suggests the improvement of corporate environmental performance through incentives and improving the communication of interested participants [13]. Changing the economic system is a requirement for the introduction of the CE model within the economic entity. The practice of ecological sustainability within a business entity is linked to the circular economy (CE) model, emphasizing the use of renewable energy, recycled materials, and waste or renewable resources in the procurement of raw materials for production processes [19], [24]. A change in the business model of an economic entity is necessary for the introduction of the CE model [27]. The introduction of a CE business model in a business entity includes not only added economic value, but also environmental, social and social issues for sustainable development [16]. The currently existing linear model of the economy "take, make, consume, dispose" is abandoned by the introduction of the CE model. CE principles are applicable at every stage of a product's life cycle, starting with product design, then production and consumption processes, and finally waste management. The transition from a linear to a circular economy demands significant time and financial investment from economic entities. The European Commission has published documents that mandate EU member states to engage in this transformation toward a circular economy model [22]. One of the core principles of the circular economy is the recycling of used materials for reuse or the restoration of old items to create new products. [1]. In contrast to the linear model of production, in the circular model the products and the materials contained in them are highly valued [17]. The pressure on the global ecosystem is caused by pollution and the limited availability of natural resources, and they determine various influences on the costs of material and energy goods and their market prices [5]. By applying the Reduce, Reuse and Recycle (3R) methods, they transform the economic system into a circular one instead of a linear one [29]. For the ecological dimension of sustainability, the concept of applying the CE model, which strives for ecological values with economic profit, is significant [15]. CE business models open up new business areas such as logistics, remanufacturing and recycling systems, sales platform, saving natural materials. The CE employment model provides benefits [33] through the 3R principle, the demand for labor is created, especially in service industries. Ecological culture includes ecological awareness about the adoption of the value of the quality of health in the natural and social environment to improve the quality of life of people on the planet Eart [35]. Current social problems of modern civilization include the problem of climate change. It tends to environmental, economic, social, cultural, health and every other form of problems caused by climate change [20].

ESG factors are increasingly observed by investors and business entities as they are inclined to processes related to the assessment of the ESG rating and growth potential of the business entity [6]. Disruptive factors in the global economy such as geopolitical divides and rifts, energy transition, inflation and unstable demand, highlight the issue of securing a low-carbon future. The challenges of energy and carbon dioxide management faced by business entities certainly affect the sustainability of the business entity [23].

CONCLUSION

The need to contextualize corporate behavior in this work is set as a measure of the sustainability of a business entity. The paper emphasizes the necessity to understand corporate governance, which should complement the ecological value of the business entity. The inclusion of a critical perspective for negative disclosures should improve the SDGs, CSR, sustainability reports, and the application of the circular economy model in the business entity. This work can be the basis for further research in the future on issues related to SDG measurement and reporting, which is becoming increasingly important for companies committed to sustainable and responsible business.

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