

# Sustainable business in the European economic area

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## **Abstract**

*The European Green Deal creates a framework for sustainable business and for the implementation of new models of business and service provision. Sustainable business promoted by the European Union is determined by the enforcement of common measures in all EU member states. The paper aims to clarify a new business model, namely a sustainable business model, adopted by business companies which incorporate sustainability into the management and management systems of the company and make managerial decisions with regard to the protection of human rights and the protection of the environment. By using scientific methods such as a systematic analysis of valid legislation framework of sustainable business, a survey of factors influencing sustainable business, synthesis of acquired knowledge, and the comparison of acquired data, the authors formulated recommendations regarding sustainable business. A key aspect of sustainable business is the business environment, based on the principles of fairness, transparency, environmental sustainability, decent work and human dignity. Sustainable businesses are a benefit to the economy of each EU member state and a source of growth and employment. The benefit of the paper is to highlight of the EU activities, promoting sustainable development and the transition of economies and business companies to sustainability.*

**Keywords:** *sustainability, business, legal framework, human rights, environment.*

**JEL Classification:** K22, K31, K33

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## **1. Introduction**

The European Union, as a recognized international authority, forms the regulatory basis for all member states regarding the sustainable economy and adopts measures related to the fulfilment of the goals set out in the European Green Deal. Entrepreneurship in the European economic area is also largely influenced by the current development of the green economy and the principles of sustainability, among which we include the circular economy and environmental protection. The change in the behaviour of entrepreneurs in economic activities is also influenced by the legal acts of the European Union and other international organizations.

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Managerial decision-making must be in accordance with the EU priorities and value framework.

Models of sustainable entrepreneurship based on the market economy, fundamentally redefine the approach and views on natural resources and propose their circular use in the economic cycle. The business environment as a crucial aspect of sustainable entrepreneurship should be based on the principles of fairness, transparency, environmental sustainability, decent work and human dignity. Sustainable businesses as a source of growth and employment contribute to the economy of every country. A key role is played by the management of the enterprises which strive to achieve the goals.

Sustainability management refers to approaches dealing with social, environmental, and economic issues in an integrated manner to transform organizations in a way that they contribute to the sustainable development of the economy and society, within the limits of the ecosystem (e.g., Schaltegger & Burritt, 2005<sup>4</sup>; Whiteman, Walker, & Perego, 2013<sup>5</sup>).

Based on proper management, it is possible to achieve the desired outputs. In other words, the management of human resources enables to achieve results that are in line with sustainability development goals.

## 2. Objectives and methodology

The key objective of the paper is to point out the changing business environment with regard to the tasks and sustainability goals set by the European Union. We also identified a set of secondary objectives of the paper, which include:

- a) explication of business forms in Slovakia,
- b) clarification of the term sustainable business,
- c) identification of the advantages and disadvantages of sustainable business,
- d) the accountability of companies regarding the obligations resulting from the European Green Deal,
- e) analysis of an economic entity already showing signs of sustainable business.

The use of appropriate scientific methods such as system analysis of the valid legal framework, synthesis of acquired knowledge, comparison of acquired data made it possible to elaborate conclusions regarding sustainable business.

In this context, it can be unequivocally stated that the deepening of European integration no longer has solely an economic dimension, but includes a social dimension. Environmental protection and risk management related to sustainability are coming to the forefront of societal interests. The paper offers a theoretical basis

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<sup>4</sup> Schaltegger, S., Burritt, R. (2005). *Corporate sustainability*. In Folmer, H., Tietenberg, T. (Eds.), *International yearbook of environmental and resource economics 2005/2006* (pp. 185-222). Cheltenham, England: Edward Elgar.

<sup>5</sup> Whiteman, G., Walker, B., Perego, P. (2013). *Planetary boundaries: Ecological foundations for corporate sustainability*. *Journal of Management Studies*, 50, 307-336.

and empirical findings justifying how the goals set in the Recovery and Resilience Plan (Next Generation) could be achieved.

### 3. Business in the context of valid legislation

As part of the proper functioning of the internal market, an area without internal borders, it is essential that the same rules are applied to all market shareholders, including enterprises. In a market economy, an enterprise is understood as a certain "living" entity. The jurisprudence of the EU Court of Justice is quite extensive when it comes to the concept of an enterprise.

The case C-213/02 Dansk Rørindustri A/S is relatively well-known, where the EU Court of Justice confirmed that the term enterprise includes any entity "carrying out an economic activity regardless of its legal status and method of financing" and that this term in the sense of the provisions of the Treaty on the Functioning of the European Union with regard to competition "does not require that the given economic entity has legal personality."<sup>6</sup>

Economic activity is a characteristic feature of each enterprise. The jurisprudence of the EU Court of Justice defines the term "economic activity" as any activity consisting in the offer of goods or services on the given market.<sup>7</sup> Economic activity is a characteristic feature of each enterprise.<sup>8</sup>

The single criteria determining whether economic activities of enterprises are considered sustainable, including environmental impact, are those criteria that support EU initiatives pursuing climate or other environmental goals. Environmental goals include the transition to a circular economy, the protection and restoration of biodiversity and ecosystems (Art. 9 Regulation (EU) 2020/852).

Slovak legislation regarding enterprises is fully harmonized with the EU primary and secondary legislation, which conditioned the accession criteria to the European Union. The system of entrepreneurship, legal forms of trading companies and the execution of entrepreneurial activities is regulated in the Commercial Code (Act No. 313/1991 Commercial Code) and in Act No. 445/1991 on trade business, as amended later.

In a broader context, we can state that we understand the business environment as a set of conditions for the free exercise of economic activity. The author Š. Majtán (2007) claims that the term entrepreneurship is understood as "*an activity, an activity based on the use of the knowledge and experience of each labourer.*"<sup>9</sup>

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<sup>6</sup> Court of Justice EU: 28.6.2005 case C-189/02 P, C-202/02 P, C-205/02 P až C-208/02 P a C-213/02 Dansk Rørindustri A/S a i. v. European Commission [2005], p. I-05425.

<sup>7</sup> Court of Justice EU: 12.12.2013 case C 327/12 Ministero dello Sviluppo economico, Autorità per la vigilanza sui contratti pubblici di lavori, servizi e forniture proti SOA Nazionale Costruttori – Organismo di Attestazione SpA.

<sup>8</sup> European Union (2020) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, Recital 17.

<sup>9</sup> Majtán, Š. et al. (2007). *Business economy*. Bratislava: Sprint, 2007. 347 p. ISBN 978-80-89085-79-8, p. 14.

The freedom of entrepreneurship is an important aspect in entrepreneurship. The freedom of entrepreneurship must be understood in compliance with applicable legal regulations. In other words, every economic activity has a precisely defined legal framework and conditions. Freedom of entrepreneurship is regulated in Article 35, para 1 of the Constitution of the Slovak Republic,<sup>10</sup> in Article 43 of the Treaty on the Functioning of the European Union (hereinafter referred to as "TFEU")<sup>11</sup> and in Article 16 of the Charter of Fundamental Rights of the European Union.

We understand the freedom of entrepreneurship as an important institute in trade relations, which assumes that every natural or legal person, meeting the prerequisites, is entitled to carry out entrepreneurial activities. Freedom of entrepreneurship means free performance of any economic activity without restrictions. Entrepreneurial freedom makes high professional activities possible. Entrepreneurship is a process with the aim to achieve profit, while the entrepreneur acts in one's own name and on one's own responsibility.

Entrepreneurship, in addition to cope with customers' needs and own business development, ensures other societal goals: it creates jobs, promotes innovations and technological progress, stimulates initiative and education, contributes to create resources for education, social security, culture, etc.<sup>12</sup>

In Table 1, we illustrate the number of enterprises that carry out economic activity in Slovakia in 2020.

#### Overview of the number of enterprises in 2020

Table 1

Types of enterprises	Number of enterprises	Market share
Micro enterprises (0-9)	580 940	97,18 %
Small businesses (10-49)	13 491	2,26 %
Medium enterprises (50-249)	2 740	0,46 %
Big businesses (250 and more)	642	0,11 %
Total	597 813	100,0 %

Source: Ministry of Economy of the Slovak Republik (2021). *Report on the entrepreneurship status.*

The Table 1 demonstrates that there are many micro-enterprises operating in Slovakia. The number of large enterprises is 642, and they are of fundamental importance in terms of employment and pro-export policy. Slovakia has become an attractive country for foreign investors, which is confirmed by the operation of important automotive entities.

There is a fundamental difference between entrepreneurship and social entrepreneurship. The purpose of social entrepreneurship does not mean to accumulate profit, but to provide services for disadvantaged groups of citizens. With

<sup>10</sup> National Council of the Slovak Republic (1992). Act No. 460/1992 Zb. Constitution of the Slovak Republic.

<sup>11</sup> European Union (2016). *Treaty on the functioning of the European Union*. OJ EU C 202 z 7.6.2016.

<sup>12</sup> Kováč, M., Sabadka, D & Kováčová, E. (2003). *Malé podnikanie*. Technická Univerzita Košice. Available at: [https://www.sjf.tuke.sk/kav/images/skript\\_stud\\_mat/podnikanie.pdf](https://www.sjf.tuke.sk/kav/images/skript_stud_mat/podnikanie.pdf).

respect to the fulfilment of public interest or community interest, Act No. 112/2018 Coll. on the social economy and social enterprises and on the amendment of certain laws was adopted, which in § 5 establishes the term social enterprise as a new legal form of business in Slovakia.

A social enterprise differs from a traditional commercial entity by distinctive features. A social enterprise exhibits universal features of an enterprise, which include continuously self-performed activity in one's own name and at one's own risk and responsibility, which aims to achieve a measurable positive social impact. At the same time this activity is socially significant and beneficial.

Examples include the provision of health care, social assistance and humanitarian aid. A social enterprise can obtain financial funding from the state budget for its activities. They are social enterprises that follow goals other than profit: the main purpose is not to generate financial income for owners or other involved stakeholders, but to provide goods and services either to their members or to the wider community.<sup>13</sup>

Common characteristics of a social enterprise include the adoption of social goals, including the emphasis on the elements of entrepreneurship. A social enterprise values solidarity, social cohesion, and social responsibility. A social enterprise is a new type of enterprise providing mainly the employment for disadvantaged persons.<sup>14</sup> The register of social enterprises is kept by the Ministry of Labour, Social Affairs and Family of the Slovak Republic. With reference to the above database, there are 530 social enterprises registered in Slovakia as of 30 October 2022.<sup>15</sup>

Collaborative economy and digitization introduce new business models and forms of entrepreneurship. The term collaborative economy is often interchangeably used with the term 'sharing economy'. Collaborative economy is a rapid evolving phenomenon and its definition may evolve accordingly.<sup>16</sup>

The collaborative economy significantly impacts the structure of the Slovak economy. The collaborative economy provides space for innovation, and promotes changes in traditional forms of labour-legal relations. From a wide range of entities focusing on social entrepreneurial activities the following groups could be identified:

- a) provision of services based on property sharing (e.g. UBER TAXI),
- b) property sharing (e.g. Airbnb - collaborative hosting),
- c) provision of craft services,
- d) shared funding (Crowdfunding).

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<sup>13</sup> Government of the Slovak Republic (2018). *Report on the Act No. 112/2018 on social economy and social enterprise*.

<sup>14</sup> Kovalančíková, V. (2014). *Socially oriented market economy and social entrepreneurship*. In Hradec Economic Day 2014 Hradec Králové. Gaudeamus.

<sup>15</sup> Ministry of Labour, Social Affairs and Family of the Slovak Republic (2022). *Register on social enterprise* [online 2022] Available at: <https://www.employment.gov.sk/sk/praca-zamestnanost/socialna-ekonomika/register-sp/>.

<sup>16</sup> European Commission (2016). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions a European agenda for the collaborative economy*. COM/2016/0356 final.

Market entities within collaborative economy could be divided into several categories:

- a) service providers acting within their professional capacity (professional service providers),
- b) service intermediaries mediating services through an online platform,
- c) recipients of services.

Economic activity carried out through collaborative platforms is based on the use of information technologies. Collaborative economy service may involve some transfer of ownership of intellectual property.<sup>17</sup> However, quality plays here a fundamental role. Quality has its irreplaceable place in all areas and at all levels of social, economic and cultural life.<sup>18</sup>

The impact of globalization brings in new business models into the business environ, however the traditional legal forms of trade companies remain preserved. The most common legal form of business is a limited liability company or a joint-stock company. European companies (SE) also operate within the European economic area.

#### 4. Sustainable business

Business companies in all areas of the national economy are changing the manners and strategies in connection with the transition to a climate-neutral and green economy, associated with the priorities of the European Union. The topic of sustainable entrepreneurship is the subject of several international organizations and has obtained an international dimension.

The topic ranks among the priorities of the International Labour Organization, the United Nations, and the European Union. The General Conference of the International Labour Organization at its 96th session (2007) adopted the Resolution and conclusions on the promotion of sustainable enterprises.<sup>19</sup>

Accordingly, the topic of sustainable enterprises has had its history. Nowadays it is not only a topic of international economic organizations, but has become the matter of interest of the International Labour Organization. Through its activities, the International Labour Organization thus contributed to sustainable development by supporting decent work and protecting the social rights of labourers. The European Union is developing extraordinary initiatives related to sustainable business, which is also confirmed by the Action Plan: Financing Sustainable Growth.<sup>20</sup>

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<sup>17</sup> Ibid.

<sup>18</sup> Kováčová, E. (2014). *The educated self -government as a basic pre -conditions for the quality service for the citizens*. In Hradec Economic Day 2014 Hradec Králové. Gaudeamus, p. 55.

<sup>19</sup> International Labour Organization (2007) *Resolution concerning the promotion of sustainable enterprises*. Available at: <https://www.ilo.org/public/english/standards/relm/ilc/ilc96/pdf/pr-15.pdf#page=94>.

<sup>20</sup> European Commission (2018) *Communication from the Commission to the European Parliament, the European Council, the Council, the European Central Bank, the European Economic and Social Committee and the Committee of the regions action plan: financing sustainable growth* COM/2018/097 final.

Sustainability has long been at the heart of the European Union project, especially in relation to the provisions of Article 3.3 of the Treaty on European Union (the creation of an internal market that is beneficial for the sustainable development of Europe) and Article 21 of the TEU (the role of environmental and social issues in international cooperation).

The action plan of sustainable growth funding assumes that the investment activities of entities when of making investment decisions are affected by environmental and social factors. In order to implement the Action Plan on sustainable growth funding, the EU institutions adopted several regulations:

a) Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (*OJ L 317, 9.12.2019, pp. 1-16*);

b) Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (Text with EEA relevance) (*OJ L 198, 22.6.2020, pp. 13-43*).

Sustainable business can be defined as the economic activity of the company, which adopted a strategy that the economic activity would have minimal impacts on the environment and would fully protect the social rights of employees. When introducing new technologies, sustainable enterprises should also take into account environmental protection, favourable working conditions for employees and the support of good relations between company management and employees as an important means of increasing productivity and creating conditions for the decent work.

We are of the opinion that the development of human resources, equal treatment of employees at the workplace, professional education and vocational training of employees are part of the strategy of a sustainable company, and will be reflected in the strengthening of the company's competitiveness. Some experts restrict sustainability to environmental issues, and others rather prefer to use the concept of sustainability synonymously with corporate social responsibility.

Schaltegger, S. et al. claim that: „*A business model for sustainability helps describing, analysing, managing, and communicating (i) a company's sustainable value proposition to its customers, and all other stakeholders, (ii) how it creates and delivers this value, (iii) and how it captures economic value while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries.*”<sup>21</sup> We approve this opinion because it is based on logical arguments and confirmed by current economic practice.

A sustainable business model can take different forms:

a) a model focusing on innovative technologies aimed at environmental protection,

b) a model oriented to circular economy,

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<sup>21</sup> Schaltegger, S., Hansen, E., Lüdeke-Freund, F. (2015) *Business Models for Sustainability: Origins, Present Research, and Future Avenues*. [online 16.9.2015] Available at: <https://doi.org/10.1177/1086026615599806>.

c) a model oriented to the improvement of the working conditions of employees,

d) a model combining the previous forms, resulting into a synergistic combination of models.

If we consider the different models of sustainable business, not all of them aim to make a profit, many of them aim to create value by integrating economic, environmental and social aspects.<sup>22</sup> The concept of business sustainability could be viewed as a basic framework in the strategy of sustainable growth.

The key factor of sustainable business is sustainability, which can be demonstrated by measuring economic results, i.e. the economic side of sustainability. Kiseľáková & Šoltés (2016) claim that for the measurement of corporate sustainability indicators as profit, turnover, added value, costs are often applied.<sup>23</sup>

However, it is not possible to apply all of them to measure sustainability, therefore the selection of key indicators is important for business. We mean only the key indicators that can demonstrate progress towards sustainability. In our opinion, the measurement of a sustainable business requires to establish appropriate metrics aimed at the protection of the environment and the protection of the social rights of employees.

Barriers to business sustainability include ignorance of financial instruments related to sustainable development, inability to adopt new business sustainability strategies, incorrect focus of science and research on sustainability and inability to resist competitive pressures, and transformation to new business models.

## 5. Objectives of sustainable business

Globalization is a dynamic complex of processes that have been opening, connecting and unifying the world since the end of the 19th century.<sup>24</sup> This process is marked by constant changes and the formation of new models of economic relations at the international level. Examples include the collaborative economy and the digital economy. There are no doubts that globalization as an economic process affects all areas of economic policies of countries. This is also manifested in sustainable business, based on international agreements, conventions and other international legal instruments.

The goals of sustainable business have their origin in conventions, treaties and legal regulations of international organizations. Considering the system of

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<sup>22</sup> Schaltegger, S.; Lüdeke-Freund, F.; Hansen, E. G. 2012. *Business cases for sustainability: The role of business model innovation for corporate sustainability*. International Journal of Innovation and Sustainable Development, Roč. 6, č. 2, s. 95-119. ISSN 1740-8830.

<sup>23</sup> Kiseľáková, D., Šoltés, M. 2016. *Enterprise performance management in models of financial performance of SMEs*. In: *Management 2016: international business and management, domestic particularities and emerging markets in the light of research*. Prešov: Bookman, p. 262-268. ISBN 978-80-8165-155-7.

<sup>24</sup> Jemala, M. (2005). *Globalizácia ako sústava procesov vytvárania vyspelejšieho, ale rizikového sveta*. Bratislava: Ekonomický časopis. Vol. 56/2008, No 9. p. 925.



sustainable business, the goals of sustainable business are the same. The Table 2 illustrates the goals of sustainable business with specific acts that are binding for member states.

### Goals of sustainable business

**Table 2**

Goals of sustainable business		
Environmental goals	Economic goal	Social goal
In order to achieve the goal, companies should ensure the compliance of the business strategy with the goals of the 2030 Agenda and the goals established in the European Green Deal.	The economic goal of sustainable business is based primarily on a market economy and on inclusion of costs including externalities having a positive impact on the environment and on the protection of the social rights of employees. Circular economy strategies could also be part of the economic goal.	In order to achieve the goals, the employer must be able to provide all employees with the basic means to meet their basic needs in terms of livelihood, health and education.

Source: own processing

### 6. Factors affecting sustainable business

The globalization and the deepening of European integration prove that increased demands are placed on the deepening of economic, social, environmental and territorial cohesion. The modernization of the national economy in various branches requires constant change with regard to economic growth. Based on the European Green Deal, member states are obliged to protect, conserve and improve the EU's natural capital and to protect the health and quality of citizens' living conditions from environmental risks and impacts. The most appropriate way to achieve the obligation is to create conditions for sustainable business. The business activities of economic entities are influenced by several factors.

Based on Art. 2 of Regulation (EU) 2019/2088, the sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. We assume that the factors influencing sustainable business include:

- a) legality and protection of the rights of investors and entrepreneurs,
- b) political stability,
- c) business culture,
- d) social justice and prohibition of discrimination,
- e) accounting.

A crucial condition for business development is *the legality and protection of the rights of investors and entrepreneurs*. Respect and compliance with the legal framework are a guarantee of fair treatment of investors and entrepreneurs, by which a higher standard of legal certainty and trust in the business environment is created.

The business environment is influenced by a number of legal regulations, including tax laws, the law on the protection of competition, the law on accounting, the labour code and many more. The protection of investors' and entrepreneurs' rights should be considered an important determinant for managerial and investment decisions. Each investment decision is subject to thorough economic analysis, and based on economic data and economic results as well as investment opportunities. Fair and legal treatment of investments is an important factor for the development of the company's investment relations.

*Political stability* also refers to the development of business activity, the growth of sustainable businesses and investment decisions. Political stability, based on a democratic and humane approach, is understood as the factors affecting economic and social cohesion.

*Business culture* can be characterized as a set of norms, values, ideas, regulations and conditions in which employees participate in achieving business goals. As indicated by A. Bieliková and D. Hrášková: "It is necessary to shape the corporate culture and enforce it on the basis of business ethics."<sup>25</sup> The formation of corporate culture is a complex, long-term process consisting of several levels, where relations between employees and employers are created, and the institution of superiority and subordination is formed respectively.

Organizations usually develop their own specific cultures however it would be a mistake to assume that the culture in an organization is homogeneous. Organizations are inherently multicultural and may include multiple subcultures. Organizations create structural and other conditions for mutual interactions. Some factors facilitate the interactions, other factors prevent them. The factors include the size of the organization, geographic location(s), departmentalization, division of labour, hierarchical set-up, work and technology flows, channels of vertical and horizontal communication, physical distribution of workers, regulations and rules, unionization, occupational structure, and demographic characteristics of workers.<sup>26</sup>

The company with its corporate culture becomes more legible for the employees who know what is and what is not tolerated. The management should therefore recognize and be aware of the current state of corporate culture, to know patterns of behaviour and to fully respect the national and international legal regulations regarding the protection of social rights of the domestic and foreign workforce. The rights and obligations of the employer and the employee are regulated by the Labour Code and apply to the employment of Slovak citizens, as well as to the employment of foreigners.<sup>27</sup>

*Social justice and the ban of discrimination* are factors with a direct impact on the development of a sustainable business. A universal attribute of social justice

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<sup>25</sup> Bieliková, A., Hrášková, D. (2007) *Podniková kultúra jako faktor úspěšnosti podniku*. In: *Moderní řízení*, 6/2007, p. 8.

<sup>26</sup> Šajgalíková, H., Bajzík, P. (2013). *Organizácia a kultúra*. Bratislava, OFPRINT, p.158, ISBN: 978-80-89037-35-3.

<sup>27</sup> Bajzík, P., Bajzík, P. (2020). *Mobility and Working Opportunities in the EU and Slovakia*. In: *Journal of Contemporary Management Issues*, Vol. 25 No. 1, DOI <https://doi.org/10.30924/mjcmi.25.1.6>, p. 106.

is equality of opportunity for all. The effective exercise of the right to organize and bargain collectively is also an effective means of ensuring social justice and equal remuneration for work performed.

The principle of fair remuneration for work is based on international legal acts, namely the International Covenant on Economic, Social and Cultural Rights. Fair remuneration is understood as remuneration for the same work or work of equal value, comparable complexity, responsibility and effort, which is performed in the same or comparable working conditions, with the same or comparable working skills of the employee.<sup>28</sup>

Discrimination generally means the application of different conditions, differentiation, limiting or withdrawing the rights of a certain category of persons due to social or economic status, nationality, race, religion, gender, political opinions, etc., intentionally disadvantaging certain subjects by creating unequal conditions.<sup>29</sup>

From the jurisprudence of the European Court of Justice, judgment C-394/1996 (Brown) a suitable example of the definition of discrimination can be applied, which says: "Discrimination means the application of different rules in comparable situations, or the application of the same rule in different situations."<sup>30</sup> The institute of the prohibition of any discrimination within labour relations belongs to the universal inventory of employees' rights, and this prohibition is explicitly established in the Charter of Fundamental Rights of the EU and in the Treaty on the Functioning of the EU.

## 7. Benefits of sustainable business

In the business community, it is possible to follow the rise of sustainable business and the introduction of corporate reporting indicators related to sustainability. The future of businesses in the green economy depends on their responsible business strategies.

Peter Bakker, president and CEO of the Geneva-based World Business Council for Sustainable Development (WBCSD), highlights the scale of the opportunity: "Companies that can integrate the sustainable development goals (SDGs) into their business strategy will stay ahead of regulatory developments, be able to anticipate future trends and tap into historic new growth markets".<sup>31</sup>

The main advantages of sustainable business include:

a) the employer's social responsibility for employees: inclusion of the protection of employees' social rights among the highest priorities of the company and promoting a culture that is not focused solely on profit, but will help companies to keep the jobs created.

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<sup>28</sup> Bajžíková, E., Bajžík, P., Vojteková, M. (2022). *Odmeňovanie*. Bratislava: OFPRINT, p.145. ISBN: 978-80-89037-61-2.

<sup>29</sup> Hendrych, D. et al. (2003). *Právnický slovník*, Praha: C.H. Beck, 2003, p.132 ISBN 80-7179-740-5.

<sup>30</sup> Judgment of 30 June 1998, Brown/Rentokil (C-394/96, ECR 1998 p. I-4185) ECLI:EU:C:1998:331.

<sup>31</sup> Alfalaval (2019): *prečo je udržateľnosť dôležitá pre podnikanie*. Available at: [ps://www.alfalaval.sk/media/novinky/2019/udrzatelne-podnikanie/WEF,SDGReportingChallenge2017](https://www.alfalaval.sk/media/novinky/2019/udrzatelne-podnikanie/WEF,SDGReportingChallenge2017).

b) saving of operating costs of the company focused on environmental protection and application of IT technologies with the aim to achieve higher operational efficiency and higher productivity of employees.

c) systemic approach to the allocation of financial resources provided by the EU institutions as green investments.

### **8. Disadvantages of sustainable business**

Any changes in the business environ have positive as well as negative impacts. Adoption of secondary EU legislation affects relatively quickly the changes in Slovak legislation, which creates better conditions for the proper functioning of the EU's internal market.

The introduction of rules related to sustainable business, whether in financial relations, investment relations and labour relations, requires organizational changes in companies. The transformation refers mainly to the introduction of new measures and the reporting on sustainability information. Sustainability information reporting is a uniform electronic format that requires qualified human resources and the application of information technologies, which of course has financial impacts on the company itself.

### **9. Discussion**

Following the sustainability policy, the European Union has set up the system of reporting indicators referring to financial conditions in companies, and sustainability standards for reporting on businesses, providing information on business activities affecting the environment and society as a whole.

In principle, economic entities according to the adopted criteria will be obliged to report the sustainability information in a uniform electronic format. In Slovakia, in accordance with the adopted criteria, more than 600 business companies will report on sustainability information in their annual reports.

Currently, in accordance with the Regulation of the European Parliament and the Council (EU) no. 2019/2088 on the publication of information on sustainability in the financial services sector effective from 10.3.2021, information on sustainability should be published by entities providing financial services. The majority of companies, in accordance with the applicable legislation, used the exemption established by the regulation, and as subsidiaries of foreign companies, included the information in the consolidated non-financial statement of the parent corporation.

The information on sustainability is a good attribute from the aspects of social responsibility and competitiveness. The introduced system removes the risk for businesses to slip into so-called greenwashing.

## 10. Conclusion

Considering the objectives of the paper, by analysing the scientific literature, international treaties, conventions and other legal documents and the institute of legal logic, we have come to the conclusion that the coordinated approach of the European Union helps to contribute to the goals which is a climate-neutral and green economy. The legal regulations adopted by the EU institutions have become a tool for achieving the goals established in the European Green Deal.

If the European Union should not remain alone in this process, the cooperation of all EU member states, companies and service providers is required. The introduction of new tools in the reporting on sustainability also affects indicators of the financial conditions of companies, as well as the information on the impact of business activities on climate change and company's approach to employees.

This obligation has economic significance, as companies have to provide information about employee relations, which increases the pressure on employers to emphasize the protection of the social rights of employees. In the paper, based on facts and essential legal facts, we clarified the importance of sustainable business, mentioned the positive and negative aspects, and paid due attention to the goals of sustainable business.

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