

ORIGINAL RESEARCH ARTICLE

Legal framework for sustainable development and current global challenges

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ABSTRACT

The subject of the article is the formation of the legal framework for sustainable development in the context of modern global challenges. The subject of the legal framework is the social relations of sustainable development, which are regulated by separate branches of law, but in the aggregate form a separate branch of law. The legal foundations of sustainable development, formed under the influence of international cooperation processes, are currently exposed to new threats-illegitimate economic restrictions that call into question the previously stated goals of sustainable development. The purpose of the article is to review the current state and prospects for the development of the legal framework in the context of both traditional threats and new challenges caused by the external restrictions since 2014, and to assess the prospects for sustainable development in Russia. The main research method is the study of international and Russian scientific research literature, analytical and review materials from open sources using induction, deduction, analysis, synthesis and the method of analogies. In preparing the article, historical, statistical, system-structural and causal research methods were also used. It has been proved that the first year of the functioning of the national economy under the newly introduced sanctions in 2022 showed both their negative impact and a certain adaptive potential of the economic system and companies. The article is focused on the prerequisites for the formation, essence and subject of sustainable development law, as well as on methods of legal regulation and examples of legal mechanisms for incorporating sustainable development factors into business practices. The article raises the question of the legitimacy of unilateral economic sanctions from the point of view of international law. The article also assesses the impact of sanctions on the activities of companies and their commitment to the principles of sustainable development. The conclusion is made that business community considers the mechanisms of legal regulation of sustainable development as anti-crisis measures and considers those mechanisms to be expedient and justified in the long term to pursue a policy of maintaining a commitment to sustainable development and finding ways to overcome sanctions pressure.

Keywords: sustainable development; ESG; legal regulations; sanctions restrictions

1. Introduction

The relevance of addressing sustainable development issues in the face of growing challenges is confirmed by data on the growth of global threats despite international efforts under the Paris Climate Agreement and the UN Sustainable Development Agenda^[1]. The 2023 World Economic Forum Report^[2] indicates that of the ten most acute global threats for the coming years, the first four belong to environmental and climate risks. In addition to them, social, geopolitical and cybersecurity risks are of concern.

ARTICLE INFO

Received: 25 June 2023 | Accepted: 17 July 2023 | Available online: 16 August 2023

CITATION

Ershov DN. Legal framework for sustainable development and current global challenges. *Sustainable Social Development* 2023; 1(1): 2196. doi: 10.54517/ssd.v1i1.2196

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Climate research confirms that climate change has a significant impact on climate-dependent sectors of the economy, which is especially important for Russia, taking into account its geographical features and climatic resources.

Climate change is inertial and will continue for the next 20–30 years, regardless of efforts to reduce greenhouse gas emissions^[3]. Documents of the Intergovernmental Panel on Climate Change (IPCC) 2022^[4,5] show that global warming is happening faster than previously thought, and in Russia even faster than the global average^[6].

In addition to climate and environmental threats, socio-economic and geopolitical risks are growing. The course towards sustainable development, announced earlier worldwide, is now under threat. Development of the legal framework for regulating relations in the field of sustainable development in the context modern global challenges including sanctions restrictions is becoming increasingly important. The working hypothesis of the article is that significant potential for sustainable development would help to overcome the current crisis situation, and it will require the development of this legal framework and the introduction of anti-crisis measures.

The issues of sustainable development are widely presented in the scientific literature, but the legal aspects remain insufficiently covered, especially in the context of the sanctions imposed on the Russian Federation since 2014 and their global consequences. In one of the first works on this topic, commissioned by the European Commission, Decleris^[7] considers sustainable development both as a problem of economic growth without harming nature and as a need to restore the harmony of man and nature, violated by recent market relations, when material values were higher than intangible priorities. Multiple recent studies are focused on the legal aspects of sustainable development and on the formation of the sustainable development law as a separate branch of law^[8–12].

The research plan includes: 1) presentation of the essence and subject of the sustainable development legal framework; 2) analysis of the methods of the legal regulation with regard to sustainable development; 3) description of principles of sustainable development financing at the company level; 4) research of the legitimacy of sanctions in the context of modern international law; 5) study of the state of legal regulation of sustainable development in Russia; 6) analysis of the consequences of external economic sanctions for the national iron and steel industry; 7) description of the impact of sanctions on the ESG agenda in Russia and 8) the conclusions.

2. Essence and subject of the sustainable development legal framework

Natural resources limitations and their constantly growing consumption objectively led to take measures to protect the environment. The prerequisites for the formation of international environmental law were first materialized in the UN Stockholm Declaration of 1972, after which new initiatives were put forward in the field of environmental protection on the international cooperation level. The thesis about the right of people to harmonious living conditions was formed and the foundations of a balanced approach to solving environmental problems were laid. The concept of sustainable development was first formulated in the report of the UN World Commission on Environment and Development “Our Common Future” in 1987, where it was defined as “...development that meets the needs of the present generation without compromising the ability to meet the needs of future generations^[13]”. Subsequently, this idea was repeatedly confirmed at UN conferences, and in 2015, 17 Sustainable Development Goals (SDGs) were adopted as part of the 2030 Agenda for Sustainable Development.

The main components of sustainable development are: ecology (E-Environment), social development (S-Social) and corporate governance (G-Governance) have been included in the national development plans of many countries as strategic incentives. ESG principles have been positively received in the business community, and many companies include them in their corporate strategies as a priority for their businesses. The growing importance of these issues allows us to raise the question of the formation of the doctrine of the law of sustainable development and the creation of legal norms, in particular with regard to low-carbon regulation, the development of renewable energy sources and the formation of new approaches to social policy. Before starting practical implementation of those norms, it should be determined whether sustainable development in a narrow framework means the achievement of economic growth without damaging the environment, or in a broader sense, the sustainable development means the achievement of social equality and the convergence of the living standards of different countries^[14]. In the first case, it would be possible to count on the preservation of natural capital for future generations. In the second, it is necessary to change the system of social values and set the task of overcoming the consequences of the market economy era when material legal values took precedence over non-material priorities. In this case, it will be possible to speak about the achievement of sustainable development in the context of social justice, the restoration of disturbed ecological systems and the liberation of science and culture from market relations^[7].

The changes taking place under the influence of global processes require transformation of previously established normative systems to reflect new social and public relations. A new branch of law is being formed—the law of sustainable development, the subject of which is a complex of public, social and corporate relations that arise in accordance with the desire of society for harmonious development and satisfaction of the needs of the current generation without harming future generations. Each of the spheres of public relations is regulated by its own branches of law, but together they create a separate branch—the law of sustainable development^[9].

3. Methods of legal regulations

So far, no single universal international legal norms have been developed in the context of sustainable development, but there are separate tools for specific areas. In the field of ecology, such instruments are carbon regulation, requirements to reduce greenhouse gas emissions and waste management standards. In the social sphere, these include labor safety requirements and social development standards. In corporate governance, such tools are accounting standards, rules for disclosure of non-financial information and risk management regulations. Since the concept of sustainable development and the SDGs have been enshrined at the UN level, public authorities have the right to use the mechanisms of legal regulation of sustainable development in their activities. In the business sector, they are included in the corporate governance practice and are taken into account by rating agencies. A wide range of legal relations contains, to one degree or another, requirements that have received legal consolidation, non-compliance with which can lead to increased risks.

Formation of sustainable development legal norms if aimed at ensuring that public relations participants and business processes actors are better informed about ESG risks and take them into account when making decisions, and this will increase their responsibility and raise trust both within the business community and between business and society. One of the legal mechanisms for incorporating ESG principles into the corporate practice is the use of a sustainability clause and (or) statements of corporate social responsibility in commercial contracts. Such mechanisms make it possible to consolidate the obligations of participants in business processes to assess and reduce the negative environmental and social consequences that may occur in the process of production or provision of services. Specific measures may include reducing the material intensity of production, increasing energy efficiency, requiring compliance with industry standards for labor protection and other measures, the implementation of which should be transparent and verifiable to partners. Under these

conditions, one can count on strengthening the responsible attitude of business to accounting for ESG risks. Another example is the use of the concept of “green intellectual property” (Green IP)^[15], which is taken into account in the financial assessment and significantly increases the commercial value of objects.

The development of low-carbon technologies, as a rule, requires innovative solutions, and their authors use intellectual property rights as a factor in strengthening competitive market position of their companies. The legal consolidation of this instrument is contained in the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) of 1994^[16], in which WTO member countries agreed to promote socio-economic welfare, achieve a balance of rights and obligations (article 7), and promote health and public interest (article 8).

Since 2004, the EU countries have been developing legal regulations regarding the disclosure of ESG reporting^[10]. In particular, the EU Non-Financial Reporting Directive (NFRD)^[17] established rules for the disclosure of non-financial information for large public interest companies with more than 500 employees. Such companies must disclose information about the company’s policy, ways of its development and risks associated with its activities in relation to ecology, social sphere, human rights and other aspects. In 2022, the EU Corporate Sustainability Reporting Directive (CSRD)^[18] was developed, which applies to all listed companies, and the information provided must be confirmed by an independent audit. The collected reports are accumulated in a single EU database for investors in order to ensure a “green”, digital, inclusive and sustainable development of the EU financial markets. The CSRD came into effect at the beginning of 2023 and the first reports in accordance with the EU Corporate Reporting Standards (ESRS) will be prepared from 2024^[19].

4. Principles of sustainable development financing at the company level

The principles of sustainable development finance are being discussed on various international organizations and forums. One of them is the International Platform for Sustainable Finance (IPSF), launched in 2019, which engages in dialogue among different countries with the common goal of increasing the amount of private capital invested in sustainable development investment projects. One of the key activities of IPSF is the harmonization of national approaches to the regulation of sustainable finance, including the provisions and interpretation of key documents (taxonomies, principles, guidelines, etc.). In 2022, IPSF published a set of voluntary principles^[20] aimed at creating harmonized approaches in regulation and sustainable development financing instruments. The principles are primarily aimed at regulatory bodies (authorities, central banks, financial development institutions, etc.) for the formation of policies in the field of sustainable development, as well as tools and requirements for their implementation. Among these principles is the principle of ensuring due transparency and trust in the transit plans of companies (“The transition plan is sufficiently comprehensive to be credible”). According to this principle, corporate plans must be comprehensive, specific and flexible at the same time so that they can be adapted to new circumstances. In addition, corporate plans must contain key performance targets and demonstrate the ability of companies to implement short-term, medium-term and long-term plans, contain control, monitoring and reporting mechanisms, and also comply with the Do No Significant Harm (DNSH) principle regarding possible negative impact of the company’s activities on sustainable development.

Currently, there are no specifically established requirements in Russia for the availability of such plans for companies attracting investments in order to implement projects in the field of sustainable development. At the same time, in 2022 the Bank of Russia expanded the range of sustainable development financing instruments^[21] and established the standard for securities issued to finance climate and adaptation projects. Under this standard, the issuer is required to confirm the intended use of funds (to finance targeted adaptation

projects) or provide a description of the policy on the use of funds received from the placement of securities, or a description of the issuer's climate transition strategy (to finance non-targeted adaptation projects). National legal regulation provides for requirements for climate transition plans when issuing climate bonds. However, such requirements still lack many IPSF provisions. In order to harmonize regulation in the field of sustainable finance, as well as to more effectively combat greenwashing, it is necessary to further improve the regulatory mechanism, in particular:

1) Introduce regulations on the inadmissibility of "blocking" investments, compliance with the DNSH principle, the principle of a just transition, establishing an integrated management approach to climate transition that takes into account the interests of all stakeholders, including workers, suppliers, consumers, etc. for climate transition securities, as well as similar requirements for corporate transition plans for adaptation securities;

2) Develop and adopt recommendations on corporate transition plans. To harmonize with the approaches of IPSF participating countries, such plans should include the existence of specific climate transition activities, measurable goals and indication of metrics, disclosure of information with the involvement of stakeholders, provision of external and internal monitoring and reporting, the DNSH principle, coverage of all company activities affecting climate, as well as requirements for a just transition.

5. Legitimacy of economic sanctions in the system of international law

The term "sanctions" against a particular state is currently understood as a deliberate change in commercial and (or) financial relations with it in order to fulfill foreign policy tasks in order to correct the economic or political behavior of this state or limit its military potential^[22]. Sanctions law as a system of norms governing relations related to restrictions on the rights of foreign states, citizens and legal entities, introduced in order to change the political course of certain states, including as a response, as well as relations to overcome the legal consequences of sanctions restrictions, imposed on the state, its citizens and legal entities. Relations on the introduction, execution, compliance, cancellation, overcoming the consequences of sanctions and counter-sanctions restrictions form sanctions relations that are the subject of sanctions law.

Sanctions law has a special methodology of regulatory impact, which can be characterized as transformational, i.e., aimed at changing legal regimes and (or), political courses. The main goal of sanctions and counter-sanctions legal measures in this context is to transform political courses and, as a result, forms of influence and implementation of various social relations, which is expressed in the norms of completely different branches of law. At the same time, the normative composition of the sanctions law is formed both by the norms of national laws, by-laws, and by international legal norms adopted mainly at the regional legal level. In the current situation of the introduction of unilateral or regional sanctions, a state or an association of states, respectively, should have a clear regulatory legal framework for the introduction of appropriate sanctions restrictions^[23].

When developing such regulatory framework, a balance should be ensured between the rights and legitimate interests of domestic entities and foreign entities of the sub-sanctioned state. It is also necessary to take into account the legal consequences of the imposed sanctions in relation to their own citizens and legal entities, including possible retaliatory restrictions on property and personal non-property rights. Legality as the main principle of imposing sanctions restrictions should be ensured at the constitutional and legal level, as well as at the level of constituent and other fundamental acts of regional and international universal organizations that impose sanctions.

Sanctions are distinguished by the direction of impact (trade, entry, sectoral) and by the entity that imposes them (UN, integration associations or individual states). The legal basis for UN sanctions is spelled out in the UN Charter (Article 39, Chapter VII)^[24], which states that sanctions can be applied by decision of the Security Council in case of “any threat to the peace, breach of peace, or act of aggression”. On the basis of this, in accordance with Article 41 and 42, the Security Council define measures to restore peace and security, such as severing economic relations. In international practice, there exist the UN sanctions against specific states and terrorist organizations, sanctions of integration associations (the EU and the African Union) and individual countries.

UN sanctions are considered legitimate because they are imposed within the framework of international law. In the EU, the right to impose sanctions is delegated to the Council of the EU on the basis of the Maastricht Treaty of 1993. The EU documents spell out the interpretation of the goals of sanctions, and despite the fact that in some cases it may contradict the understanding of the UN, their use is considered lawful in the EU.

The legitimacy of sanctions imposed by individual states can be viewed from two perspectives. On the one hand, all countries, being sovereign and equal states, have this right when forming their policy, if there are no obstacles in the form of an agreement establishing economic relations between countries. The right to sanctions in this case is justified by the principle of respect for non-intervention in the affairs of states, which allows sanctions to be imposed as long as they do not violate any binding treaty. On the other hand, according to the 1970 UN Declaration on Principles of International Law^[25], unilateral sanctions are illegal coercive measures and states cannot use them to coerce or subjugate other states to the detriment of their sovereign rights. This approach is based on the principles of respect for public law and the protection of human rights, since sanctions affect the entire society and can continue to operate indefinitely, even if the goal of the sanctions is achieved. In addition, recently, due to the aggravation of sanctions measures, the question of the legitimacy of sanctions has again been on the agenda. In March 2023, the UN Special Rapporteur on the negative impact of unilateral coercive measures on human rights stated^[26] that the imposition of sanctions against physical and legal persons without national criminal jurisdiction and in the absence of universal jurisdiction constitutes a violation of due process rights, including the presumption of innocence and a fair trial, and is contrary to the UN International Covenant on Civil and Political Rights^[27].

At the UN level, many resolutions have been adopted condemning unilateral sanctions as contrary to public international law. Nevertheless, the question of the legality of unilateral sanctions has not been fully resolved, and this situation requires the development of a mechanism, if not the complete lifting of all sanctions, then at least reducing their impact to the minimum possible level, as well as finding a reasonable balance between respect for human rights and the possibility of providing influence on the subjects of international law.

6. Legal regulation of sustainable development in Russia

Environmental legislation began to take shape in 2002 with the release of the Federal Law “On Environmental Protection”, where the concept of sustainable development is enshrined among the principles of economic activity. The Law requires compliance with the principle of presumption of environmental hazard and provides for compliance with established requirements at all stages of any activity from planning to its completion, including the modernization of existing production facilities and the implementation of investment projects. The law points to the need for scientifically based provision of a combination of environmental, economic and social interests of society and the state for sustainable development and serves as the basis for concretizing its provisions in other legislative acts. In confirmation of this course, the environmental doctrine of the Russian Federation of 2002 among the strategic goals of state policy indicates the preservation of natural

systems, improving the quality of life, ensuring environmental safety, subject to the principle of equal attention to economic, social and environmental factors.

Further development of the legal framework took place in 2012 with the adoption of the Fundamentals of State Policy in the field of environmental development of the Russian Federation until 2030 and later in 2017 with the adoption of the Strategy for Environmental Security of the Russian Federation for the period until 2025, where the relationship of economic, environmental and social development priorities was stipulated as one of the basic principles. The goals of state policy in this area are the preservation and restoration of the natural environment, ensuring its quality to create favorable conditions for life and activity in the presence of the threat of global climate change. Thus, the concept of sustainable development was gradually formed, refined and consolidated in the legislative field and currently forms the basis of state environmental policy. In recent years, its legal framework has been supplemented by the Strategy for Social and Economic Development with Low Greenhouse Gas Emissions until 2050 and its implementation plan. According to this strategy, Russia will achieve sustainable economic development while reducing greenhouse gas emissions by 2050 by 60% from the level of 2019 and by 80% from the level of 1990 and achieving carbon neutrality by 2060.

Tax incentives and other measures are envisaged to stimulate low-carbon development, in particular innovative hydrogen technologies, precision farming, as well as the creation of a monitoring system for the absorption capacity of natural ecosystems and the development of carbon regulation mechanisms.

Sanctions regulation is represented by Federal Law No. 127-FZ of 04.06.2018 which introduced a number of norms aimed at protecting security and interests Russia from actions of foreign countries. The law allows the introduction of retaliatory special economic measures, as well as blocking the accounts of individuals and organizations and prohibiting the transfer of funds outside of Russia.

SDG 16 identifies conflict and weak institutions as a threat to sustainable development and calls for conflict prevention and universal human rights, security and justice. It follows that, in the context of sustainable development, when making decisions on the imposition of sanctions, the issues of SDG 16 should be taken into account and the appropriateness of the decisions taken should be correlated with the consequences that may occur after the adoption of response measures. The strengthening of anti-Russian sanctions in 2022 in connection with the outbreak of hostilities raises the fundamental question of a possible revision of legal regulation and its extension to the sphere of military conflicts. Since such decisions are usually made after unsuccessful attempts to reach a compromise by peaceful means, such situations may arise in the future. It is likely that disputes will arise over the legitimacy of military operations, and the legal framework for sustainable development will not be able to prevent them. Thus, military-political conflicts may be the subject of legal regulation of sustainable development relations, although previously they were the subject of public international law. In this case, the legal framework should also cover the instruments for containing conflicts and overcoming their consequences.

In current conditions of weakening the authority of international structures, the emphasis in the field of development and improvement of legal regulation mechanisms is shifting to the national level, in particular, to solving the problems of sustainable economic development and fixing social standards in the new economic conditions. At the same time, the relevance of compliance with the norms and recommendations developed as part of the UN Global Reporting Initiative (GRI) and the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) remains relevant^[11]. For companies, the task of assessing ESG risks has become more complicated, because the need to assess the likelihood of presence in a particular market has been added to the previous assessments.

7. Consequences of external economic sanctions for the Russian iron and steel industry

As part of new restrictions, in 2022 a number of countries (USA, EU, Canada, UK, Japan, Switzerland) introduced bans on the import, purchase, and transportation of Russian iron and steel products. Such prohibitions cover not only the supply itself, but also technical assistance, brokerage, financial assistance, including derivatives, and insurance. At the same time, according to Eurostat data, in 2022, significant amount of steel and ferrous metal products was exported from Russia to the EU.

The inability to export to the countries listed above, primarily to the EU, leads to the need to reorient the export of metals to other countries. EU sanctions have affected a significant share of Russian steel exports to Europe, and this has led to significant financial losses in export earnings. According to Statista in 2021, the structure of recipients of Russian metallurgical products looked as follows **Figure 1**.

The reorientation of Russian export flows sets the task of taking into account the requirements stipulated in the transit plans of companies in the export destination countries. In addition, appropriate changes are needed in the transit plans of Russian steel producers in order to eliminate the risks of non-competitiveness of their products in the future due to the fact that their transit plans do not meet the requirements of importers.

Priority in this case are Asian countries (PRC, Malaysia, Indonesia, etc.), while it is important to keep in mind that the transit plans requirements of those countries are harmonized with the ASEAN sustainable finance taxonomy. Thus, the key requirements for the transit plans are focused on achieving the goals of Paris Climate Agreement 2015, the DNSH principle, the establishment of final and intermediate goals, metrics and intermediate activities internal/external monitoring (reporting, disclosure of information), as well as on regular verification of the companies' activities.

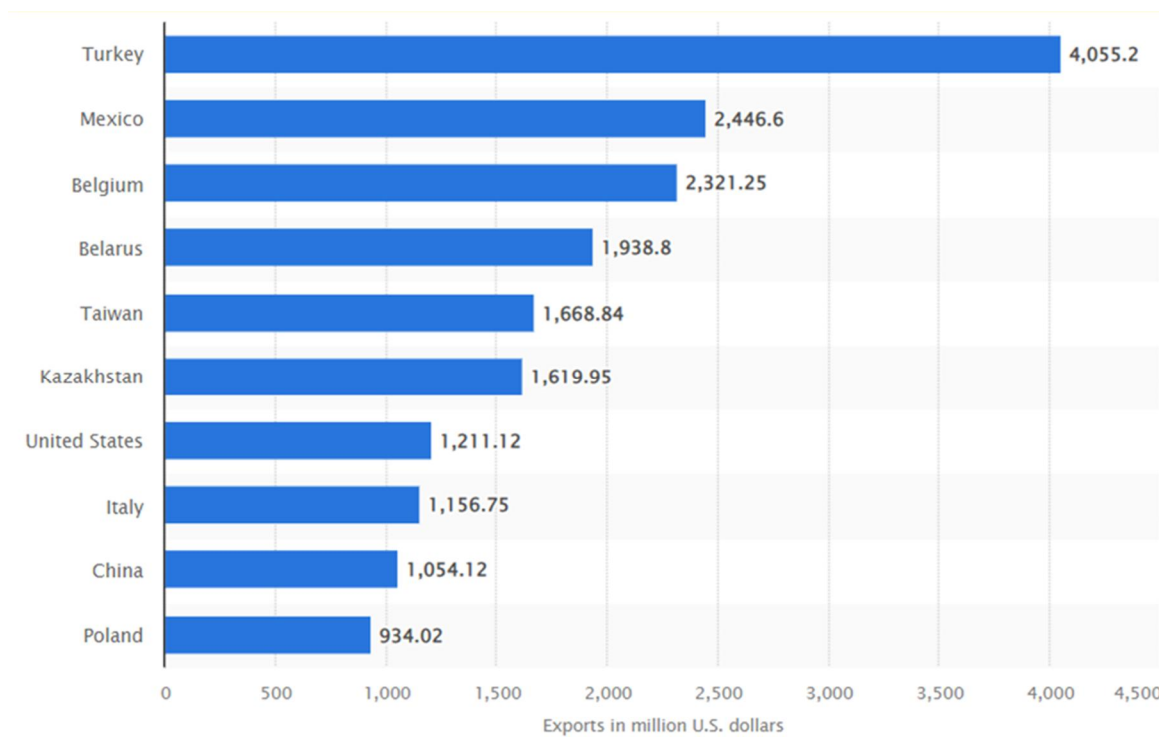


Figure 1. Russian steel and iron exports by country of destination^[28].

In the context of compliance with the requirements of Paris Agreement, attention should be paid to the draft global standard for the measurement and disclosure of carbon emissions developed in 2023 by the Global

Steel Climate Council (GSCC). The standard aims to reduce greenhouse gas emissions in the global steel industry, which is in line with a science-based plan to achieve a 1.5 °C scenario by 2050 and involves third-party validation of emissions data and science-based targets in emission reduction plans^[29]. The standard requires companies to set company-wide science-based emission reduction targets based on their GHG emission intensity^[30]. Although Russian companies are not members of the GSCC, this standard can be adopted as a basis for ensuring that transit plans are in line with the objectives of the Paris Agreement.

One of the largest importers of Russian steel products, China, plans to strengthen the requirements for companies' transit plans^[31] which should be geared towards meeting the goals of the Paris Agreement. Transit plans should cover all aspects of the company's activities, that is, be integrated with the overall business plans of the company. The plans should also provide for regular disclosure of information in the form of internal and external reporting, as well as regular verification of the compliance of the company's activities with its transit plan. In many other countries in Asia-Pacific region, similar requirements will become stricter regarding compliance with taxonomy, implementation of intermediate and final targets of transit plans, disclosure of risk management information and ensuring transparent verification reports.

The above requirements are also important not only for Russian companies, but also for the financial institutions that finance them. Investors are interested in the presence of measurable final and intermediate goals, as well as KPIs and measures to ensure compliance with the DNSH principle in the plans of companies, since these elements provide better information on the choice of investors when buying bonds, and also reduce risks of greenwashing by issuers. Exporting counterparties, for example, in the construction and manufacturing industries, are also interested in the availability of these elements, since such counterparties may establish requirements for the non-financial sustainability of supply chains.

8. Impact of sanctions on the ESG agenda in Russia

The issue of the impact of sanctions on the development of the national economy, in particular on keeping of the ESG agenda among the priority areas, is at the center of analysts and the business community, but there is no consensus on this issue. At present, the impact of sanctions on the ESG agenda has not yet been fully assessed. Their expected negative consequences are explained by the fact that Russia has limited influence on the global financial architecture^[32]. Some sectors have already felt them and are getting better prepared and developing responses, and the remaining sectors will have to do so when the full effects of sanctions begin to be felt, in particular in the oil sector. In general, the implementation of the ESG goals experienced difficulties in 2022 and, and probably in the near future will be in the focus of attention mainly of large companies, because many industries (for example, aviation) are going through difficult times and the attractiveness of the ESG agenda for them had been reduced. At the same time, in some industries that focus on the long term (construction sector), the relevance of ESG factors remains at a high level.

The National ESG Alliance, which represents an association of 28 large companies that are leaders in ESG transformation, assesses the ESG prospects for business sector as positive and continues to consider sustainable development as its strategic benchmark. Although the sanctions have created a lot of artificial barriers and led to the need to restructure supply chains and find new partners in new markets, these difficulties will be overcome over time. In addition, the need to comply with ESG principles will remain in any case so that companies can access and gain a foothold in new markets, including the Asia-Pacific region, where the same requirements apply as in Europe. In the medium term, it is expected to introduce cross-border carbon regulation similar to the EU^[33], and the relevance of the use of low-carbon technologies will remain. According to the National Association of Managers, for Russian companies, ESG standards remain important as a risk assessment tool, and corporate governance systems are becoming an even more important element of business

development in the face of sanctions. A number of companies have already taken steps to adapt their ESG strategies and ESG risk assessment methodologies to the new environment in order to improve their ability to resist sanctions. It is very important for business how effective anti-sanction regulation is, in particular, how the regulatory authorities influence the changed situation in the economy, and therefore the timely stabilization decisions of the Central Bank in 2022 were welcomed by business community. Despite the fact that decarbonization measures have weakened their effect due to limited availability of technologies, the largest business association, Russian Union of Industrialists and Entrepreneurs, is reaffirming its commitment to sustainable development. Russian business is currently looking for new approaches and focuses on finding additional internal and external opportunities and on developing cooperation within the BRICS (Brazil, Russia, India, China, South Africa) framework.

Recent surveys show that business community remains committed to the SDGs. More industrial and financial enterprises are striving to become the objects of application of ESG-assessment. Russian rating agencies have reported in 2023 that despite geopolitical transformations sustainable production increased during this period by 35%^[34]. 4 sectors are especially demanding introduction of ESG principles and ratings, covering 60% of the nationwide increase. ESG estimates and ratings are getting popular in project financing (+21%), electric power industry (+16%), transportation (+13%) and credit institutions (+10%). ESG becomes also in demand in telecom, gold mining, construction and in the banking sector. Currently, there are two approaches to assessing compliance with the SDGs: through ESG ratings (reflect the agency's opinion on the extent to which the process of making key business decisions in a company is focused on sustainable development) and through ESG rankings (lists of companies compiled as a result of classification according to certain ESG parameters and grouped based on a given rating system). Priority is given to the first type, since the ESG ratings are based on not only on public data, but also on questionnaires when companies participate in providing data and verifying information used. Thus, the result of the ESG rating is the assigned score and a detailed report with the results, including benchmarks.

The main reason for the increased interest and motivation towards ESG is the desire of companies to self-audit and an independent external assessment. Many companies have understood how they can use the results of the ESG ratings. On the other hand, the improvement of rating methodologies is needed to increase objectivity of assessments and ensure comparability of the results.

9. Conclusions

The formation of this new branch of law takes place in a period of exacerbation of global threats associated with natural, climatic, social and geopolitical factors. The first year of the life of the Russian economy and society in the face of increasing sanctions pressure has shown significant adaptive capabilities of national economy.

In Russia, legal regulation in the field of sustainable development is at the stage of formation, and its introduction into social life and business practices will contribute to a more active implementation of ESG principles in all areas of public relations. The legal framework for sustainable development can serve as an effective anti-crisis state policy tool and a contribution to efforts to maintain a sustainable development course.

Conflict of interest

The author declares no conflict of interest.

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