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**EMBEDDING EUROPEAN SUSTAINABILITY STANDARDS INTO CORPORATE GOVERNANCE: CHALLENGES AND PROSPECTS FOR UKRAINIAN ENTERPRISES**

**Abstract**
This paper explores the challenges and prospects of integrating European sustainability standards into corporate governance practices within Ukrainian enterprises. It emphasizes the strategic importance of ESG implementation, the legal and institutional constraints faced by Ukrainian companies, and the necessary steps for alignment with the EU’s sustainability reporting framework.

**Keywords:** ESG, sustainability reporting, EU regulation, corporate governance, CSRD, institutional transformation, Ukraine.

**Introduction**
Sustainability reporting has become an essential component of modern corporate governance, especially in the context of European integration. The EU’s Corporate Sustainability Reporting Directive (CSRD, Directive 2022/2464) introduced mandatory ESG disclosure requirements, encouraging businesses to incorporate environmental and social risks into their strategic planning. For Ukraine, which is aligning its legal framework with European standards amid the post-war recovery and reconstruction, the implementation of CSRD-like practices in enterprise reporting is both a significant challenge and a strategic opportunity.

**Research Objective**

This paper aims to assess the current state of ESG reporting among Ukrainian enterprises and to evaluate the institutional readiness for implementing EU-aligned sustainability standards, with a focus on corporate governance and legal harmonization.

**Regulatory Background**

The CSRD, effective as of January 2023, requires large EU companies and certain non-EU entities with substantial operations in the EU to disclose detailed information on environmental, social, and governance performance (European Commission, 2022). While Ukrainian enterprises are not yet legally required to comply with CSRD, ongoing integration processes with the EU have initiated legal reforms to approximate national legislation to European norms. In particular, the Law of Ukraine “On Accounting and Financial Reporting in Ukraine” No. 996-XIV lacks explicit ESG disclosure obligations but forms the basis for future harmonization.

In October 2023, the Ministry of Economy of Ukraine presented a draft Strategy for the Implementation of Corporate Sustainability Reporting, aimed at bringing national reporting practices closer to EU standards. The Strategy was officially approved by the Cabinet of Ministers of Ukraine in October 2024, outlining a roadmap for aligning domestic ESG reporting practices with the EU’s regulatory framework (Ministry of Economy of Ukraine, 2024).

**Legal and Institutional Challenges**

Ukrainian enterprises face multiple barriers to the implementation of European sustainability standards. These include an underdeveloped regulatory environment for ESG disclosures, limited methodological guidelines, and insufficient integration of sustainability metrics in corporate planning. Additionally, the lack of mandatory requirements results in low voluntary adoption rates, especially among SMEs.

A critical issue is the absence of a unified ESG framework within national legislation. Although the State Financial Monitoring Service and the National Securities and Stock Market Commission have issued several recommendations, these lack binding force. The lack of trained professionals in ESG auditing and reporting further limits institutional readiness.

**Prospects for Policy and Practice**

Embedding European sustainability standards requires a comprehensive policy approach. The following areas are essential:

* Harmonization of accounting standards with CSRD provisions, including definitions, indicators, and disclosure formats;
* Integration of ESG criteria into the corporate governance code and financial legislation;
* Capacity-building measures for public and private institutions, including educational programs and professional development;
* Incentivizing voluntary ESG reporting through tax preferences and investment support programs.

Partnerships with international institutions and donor support can play a crucial role in providing methodological guidance and technical assistance. In view of future post-war recovery and reconstruction, transparency in corporate governance and adherence to sustainability principles will be essential for attracting foreign investment and ensuring long-term economic resilience.

**Conclusion**
Ukraine is in the process of embedding European sustainability standards into its corporate governance structure. Despite legal and institutional challenges, strategic alignment with EU directives and the adoption of national policies to support ESG practices will enhance corporate transparency, accountability, and investment attractiveness.

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