



# Business, Human Rights, and the Role of Corporate Sustainability Due Diligence in Ukraine's Recovery

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Ukraine is at a critical juncture in its transition towards sustainable development, particularly in the context of post-conflict recovery and its closer integration with the European Union. The ongoing challenges posed by the war have intensified the need for a comprehensive recovery strategy. Recent dialogue among key stakeholders – including government officials, businesses, civil society organizations, and academics – have highlighted the urgent need for multi-stakeholder engagement to foster responsible business conduct. This policy brief emphasizes the necessity of an inclusive regulatory framework and the importance of government support. It proposes specific actions for enhancing stakeholder collaboration, developing supportive policies for businesses, and integrating sustainability education across sectors. The following recommendations aim to ensure Ukraine's long-term competitiveness and resilience while advancing its corporate sustainability due diligence standards in alignment with European Union expectations:



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- 1. Foster Collaborative Platforms for Stakeholder Engagement:** By ensuring that all stakeholders are actively involved in the development and implementation of sustainability policies, these platforms will help create a more cohesive and inclusive approach to corporate sustainability due diligence in Ukraine.
- 2. Develop a Clear, Inclusive Regulatory Framework:** This framework should be designed with clear, actionable steps for companies, especially SMEs, to align with international standards for corporate sustainability and human rights.
- 3. Enhance Financial Sector Engagement in Sustainability:** Financial institutions should be incentivized to integrate corporate sustainability due diligence into their investment and lending decisions.
- 4. Invest in Education and Capacity Building:** Partnerships between academic institutions, businesses, and government agencies should be established to create training programs focused on corporate sustainability due diligence.
- 5. Promote Inclusivity in Sustainability Transitions:** Policymakers should design policies that support equitable access to resources and opportunities for all businesses, particularly SMEs, in the sustainability transition.

### **Current Gaps in Ukraine's Sustainability Framework**

Ukraine's path to sustainable development faces significant challenges, including a lack of coordinated efforts among key stakeholders and the need for a robust regulatory framework. While the Ukrainian government has committed to integrating sustainable development goals into national policies, businesses, particularly small and medium-sized enterprises (SMEs), often struggle to meet these expectations due to limited resources, regulatory uncertainty, and a lack of adequate training. At the same time, the financial sector is emerging as a strong driver of change, with banks and financial institutions beginning to adopt sustainability standards that influence their clients. However, the absence of a clear and unified approach to stakeholder engagement risks slowing progress, hindering both the private sector and government from realizing the full potential of sustainable development.

With Ukraine's EU accession on the horizon, it is imperative to ensure that all sectors are aligned with international standards of responsible business conduct, including human rights and environmental protection. Without comprehensive, collaborative action, Ukraine may fall short of the economic, social, and environmental benchmarks set by the EU, thereby limiting its competitiveness in a rapidly evolving global market.

## Overview of the Research

The policy recommendations presented in this brief are based on discussions and feedback from a recent stakeholder event that gathered experts from various sectors, including government, academia, and business, namely the [Lviv seminar: CSDDD: Pivotal Change in EU and Its Impact on Business in Ukraine](#), which was conducted on 30<sup>th</sup> October 2024. The event was organized by Yaroslav Mudryi National Law University, Ukrainian Catholic University (UCU) Law School, and UNDP in Ukraine in cooperation with the Ministry of Economy of Ukraine, the Business and Human Rights Resource Centre, UCU Business School, the Law Group of Wageningen University, and the UN Global Compact in Ukraine.

## Corporate Sustainability Due Diligence – Challenges and Opportunities

International frameworks, such as the EU Corporate Sustainability Due Diligence Directive (CSDDD) and the EU Corporate Sustainability Reporting Directive (CSRD), offer clear structures for aligning Ukrainian businesses with EU standards. However, Ukrainian businesses are currently facing challenges in navigating these frameworks due to a lack of regulatory clarity, training, and resources. Without robust support to ensure compliance, businesses risk being unprepared for the competitive pressures tied to EU accession, particularly in sectors where sustainability is increasingly critical for trade and investment decisions. This misalignment further underscores the urgent need for a comprehensive national policy that integrates corporate sustainability due diligence as a core aspect of business operations.

Globally, the private sector, particularly larger businesses, is increasingly aware of the importance of corporate sustainability due diligence. Many large corporations have already begun integrating sustainability frameworks into their operations, often driven by international market demands and the expectations of investors. However, smaller and medium-sized enterprises (SMEs) face significant barriers in aligning their practices with sustainability due diligence standards. At the same time, even those policies and practices which large companies are incorporating as corporate sustainability efforts in most cases do not include human rights and environmental due diligence and instead are limited to CSR initiatives.

In addition, civil society organizations have been slow to engage effectively with the sustainability agenda, primarily due to insufficient access to information and the lack of well-established channels of communication with both businesses and government entities. As a result, while NGOs and other civil society groups play a critical role in advocating for sustainability and human rights, their impact remains limited, and their capacity to influence business and government policies is constrained.

### **Business Awareness and Readiness for Corporate Sustainability Due Diligence in Ukraine**

For many Ukrainian businesses, the concept of corporate sustainability due diligence is still relatively new. Despite the growing interest, businesses often struggle to understand the specific requirements and processes involved in conducting due diligence on human rights, environmental

practices, and supply chain transparency. This lack of clarity, combined with the perceived complexity and cost of implementing due diligence processes, create a barrier for many businesses, particularly SMEs, to actively engage with sustainability practices.

In the absence of clear and accessible guidance, businesses may avoid or delay taking action on corporate sustainability issues, leaving gaps in their operations that could expose them to risks related to environmental damage or human rights abuses. Furthermore, without proper corporate sustainability due diligence frameworks in place, businesses risk falling short of international standards, potentially harming their reputation and their ability to engage in global markets.

### **Barriers to Implementing Corporate Sustainability Due Diligence for SMEs**

SMEs in Ukraine face significant challenges in adopting corporate sustainability due diligence, primarily due to limited resources, lack of expertise, and inadequate institutional support. These businesses often operate under tight financial constraints, which make it difficult for them to invest in sustainability programs or dedicate resources to due diligence activities, especially in times of war. The absence of localized, practical training programs that are tailored to the specific needs of Ukrainian businesses, particularly SMEs, further exacerbates the problem. While international frameworks such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises provide some guidance, many SMEs lack the knowledge to translate these frameworks into actionable steps. This knowledge gap means that many businesses are unaware of the practical steps they can take to conduct effective human rights and environmental due diligence.

Furthermore, the absence of financial incentives or support mechanisms, such as subsidies or tax breaks, makes it harder for SMEs to justify investing in corporate sustainability practices that may not yield immediate returns. For many SMEs, corporate sustainability due diligence is seen as a costly and complex endeavor that requires a level of investment they cannot afford. This leaves them vulnerable to being left behind in the country's overall sustainability transition.

### **The Role of Education and Training in Corporate Sustainability Due Diligence**

Education and training are crucial to enabling businesses to implement effective corporate sustainability due diligence. Ukrainian businesses have expressed a clear need for more accessible training programs that can help them understand and implement international sustainability standards. Both private sector companies and government agencies have recognized the importance of building a workforce that is knowledgeable in corporate sustainability due diligence.

Academic institutions in Ukraine have begun offering specialized programs in sustainable business practices, environmental management, and corporate responsibility. However, these programs often lack the practical, hands-on experience necessary to effectively equip students and professionals with the skills required for real-world application. Furthermore, there is a misalignment between academic curricula and the specific needs of Ukrainian businesses, particularly SMEs, in terms of sustainability and human rights due diligence.

## Policy Recommendations

### 1. Promote Transparent and Inclusive Policymaking

**Establish formal, ongoing platforms** for dialogue between government entities, businesses, financial institutions, and civil society. These platforms should facilitate the exchange of knowledge, best practices, and policy proposals. By ensuring that all stakeholders are actively involved in the development and implementation of sustainability policies, these platforms will help create a more cohesive and inclusive approach to corporate sustainability due diligence in Ukraine.

Companies are likely to intensify the application of voluntary measures to prepare for upcoming obligations, as well as meet heightened expectations from investors and society. The CSDDD should be considered as a point of departure, not of arrival; companies should be incentivized to adopt best practices that go beyond their legal requirements. At the same time, the compatibility of voluntary initiatives with the CSDDD's requirements must be continuously assessed and monitored.

### 2. Develop a Clear, Inclusive Regulatory Framework:

The Ukrainian government should **prioritize the creation of a cohesive, inclusive regulatory framework** that supports businesses in adopting corporate sustainability due diligence practices. This framework should be designed with clear, actionable steps for companies, especially SMEs, to align with international standards for corporate sustainability and human rights. Policies should be supportive and provide practical resources, including financial incentives, training programs, and technical assistance, to help businesses navigate the complexities of sustainability due diligence without imposing undue burdens.

### 3. Enhance Financial Sector Engagement in Sustainability:

Financial institutions should be **incentivized to integrate corporate sustainability due diligence into their investment and lending decisions**. By strengthening the role of the financial sector in promoting sustainability, the government can help businesses align with international responsible business conduct standards and secure the necessary capital to implement sustainable practices. Financial products should be designed to incentivize businesses to adopt sustainability frameworks, ensuring that investment decisions are aligned with long-term environmental and social goals.

### 4. Invest in Education and Capacity Building:

Partnerships between **academic institutions, businesses, and government agencies** should be established to create training programs focused on corporate sustainability due diligence. These programs should aim to equip the workforce with the practical knowledge and skills required to address sustainability challenges. Specific focus should be placed on areas such as sustainability reporting, environmental protection, and corporate responsibility, providing business leaders and employees with the tools to effectively implement due diligence practices in line with international standards.

**5. Promote Inclusivity in Sustainability Transitions:**

The transition to a sustainable economy must be inclusive, ensuring that all sectors of society, particularly marginalized groups, are not left behind. **Policymakers should design policies** that support equitable access to resources and opportunities for all businesses, particularly SMEs, in the sustainability transition. Ensuring inclusivity will help ensure that corporate sustainability due diligence becomes a core element of business practices across all sectors, rather than being limited to larger companies with more resources.

**Appendices and Sources**

- [Video in English](#)
- [Materials](#) which were shared with the event's participants



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