

ESG in Ukraine: Transformation as the Foundation for Reconstruction

Sustainable investments provide German companies with access to markets and funding programs

The war in Ukraine represents a severe humanitarian crisis while also causing profound economic and environmental consequences for the country. Effective reconstruction requires substantial financial resources, technical expertise, and international know-how. To this end, the Ukrainian economy must be strategically realigned to meet European requirements and standards.

"ESG considerations are already a central component of successful corporate strategies for most European companies. They have evolved from a mere compliance tool into a lever for value creation," explains Goran Mazar, Head of Clients & Markets for KPMG Europe, Middle East, India & Africa (EMA) and Head of ESG in both the EMA region and Germany. "Sustainable practices strengthen corporate resilience and enhance the confidence of international investors."

In Ukraine, environmental, social, and governance (ESG) issues are gaining increasing importance. "Despite the enormous challenges posed by the war, Ukrainian companies should consistently integrate ESG principles into their business models to remain competitive and secure access to international markets and capital," emphasizes Nicolai Kiskalt, Partner at KPMG Germany. "Binding standards in environmental and social matters, as well as corporate governance, are essential for both reconstruction and potential EU accession."

Current Status: ESG in Ukrainian Corporate Practice

A study by the Green Transition Office of the Ukrainian Ministry of Economy, surveying 420 Ukrainian companies, reveals a significant gap between ambition and implementation:

- Approximately **75%** of companies consider themselves sustainable, yet only **16%** possess a solid practical understanding of ESG.
- **87%** support the adoption of international ESG standards, but only **7–9%** are familiar with the specific requirements in detail.

There is a strong willingness to transform among Ukrainian companies of all sizes. However, expertise, clear legal frameworks, and technical implementation capabilities are often lacking.

Key Challenges in ESG-Transformation

Surveyed companies identify the following barriers to ESG implementation:

- **77%:** Lack of qualified personnel
- **75%:** Missing or unclear regulatory guidance at EU and national levels
- **71%:** Limited access to ESG-relevant information
- **68%:** Inadequate digital infrastructure for data collection and processing
- **67%:** Concerns over high additional costs for ESG-compliant reporting
- **65%:** Challenges in selecting and implementing suitable software solutions

At the same time, **63%** of companies recognize the need for comprehensive transformation, from production and supply chains to corporate governance.

Positive Signals: Rising Commitment to ESG Transformation

Despite the existing hurdles, most companies express a clear commitment to ESG transformation:

- **87%** intend to actively meet ESG requirements.
- **89%** focus on targeted training for their workforce.
- **87%** view digital solutions as a key tool for ESG reporting.
- **86%** support a phased introduction of ESG standards.

However, only **44%** of companies expect to publish a complete ESG report in the first year after mandatory reporting is introduced (e.g., CSRD/ESRS). Additional support from government agencies,

investors, and international partners is needed to achieve this.

Recommendations for ESG Implementation

The Green Transition Office provides clear guidance:

- Offer **training programs** for employees
- Introduce suitable **IT systems** for ESG data management
- Integrate international **ESG standards** into corporate strategies
- Align **national legislation** with EU requirements
- Build **digital infrastructure** to facilitate reporting

These measures aim to enable Ukrainian companies to embed ESG not only formally but strategically within their business models.

Sustainable Investments: What German Companies Should Know

In the 2024 framework paper on mobilizing the private sector, the German government emphasizes promoting sustainable investments to activate private engagement and support the transformation of Ukraine's economy along ESG lines.

Funding Opportunities for German Companies

A broad range of state support is available to German companies investing in Ukraine in an ESG-compliant manner, including low-interest loans, export and investment guarantees, grants, and venture capital. Simplified application procedures are provided under the Ukraine Partnership Program, which specifically guides investors.

Business Development Fund (BDF) as a Lever for SME Transformation

A key instrument is the Business Development Fund (BDF), developed jointly with KfW, the World Bank, and other partners into a national funding institution for small and medium-sized enterprises (SMEs). It provides interest subsidies, advisory services, and, prospectively, equity capital to promote sustainable business models, particularly in energy efficiency, digitalization, and manufacturing.

Integration of Foreign Trade and Development Cooperation

Platforms such as the Ukraine Business Guide of Germany Trade & Invest (GTAI) and initiatives like the Import Promotion Desk consolidate funding instruments and actively support German-Ukrainian supply chains.

Multilateral Levers and the EU-Ukraine Facility

At the multilateral level, the new EU-Ukraine Facility will provide a total volume of €50 billion by 2027, with approximately €7 billion specifically allocated to mobilizing private investment through guarantees, co-financing, and risk coverage via the Ukraine Investment Framework. Germany plays a central

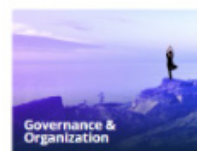
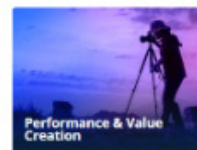
role in coordinating strategies between the EU, multilateral development banks, and the Ukrainian government to ensure transparency, coordination, and efficiency.

Voice of the Business Community: Business Advisory Council

Through the G7+ Donor Coordination Platform, companies also gain structured representation via the Business Advisory Council, allowing them to actively shape investment frameworks.

Sustainability as Part of Corporate Management

KPMG supports companies across all key dimensions of ESG transformation, including strategy development, climate-related issues, governance structures, technology deployment, regulatory compliance, and reporting. The goal is to strengthen resilience and increase value creation and competitiveness.



Climate & Environment

Companies can significantly reduce their environmental footprint through continuous improvement. Tailored decarbonization strategies and transition plans not only reduce emissions but also generate tangible cost efficiencies. KPMG provides in-depth analyses, international benchmarks, and practical action plans to align ecological goals with business benefits.

Strategy & Value Creation:

Transforming business and operating models enhances resilience, economic performance, and corporate value simultaneously. KPMG assists companies in identifying growth opportunities and aligning value chains and investment decisions with sustainable objectives.

Regulation & Reporting:

Compliance with regulatory requirements and meeting stakeholder expectations for ESG transparency are critical success factors. KPMG helps translate complex regulations, such as CSRD or EU Taxonomy, into efficient processes and robust reporting frameworks that satisfy both investors and regulators.

Corporate Governance & Organization

Sustainable business practices require clearly defined processes, effective controls, and appropriate structures. Building an ESG culture across the value chain is essential. KPMG supports the design of governance structures, change management, and embedding ESG in leadership and management models.

Technology & Partnerships

Technological innovation and strategic partnerships are key levers to effectively steer ESG transformations. KPMG provides digital tools, data analytics expertise, and a strong partner network to support the selection, implementation, and scaling of suitable solutions.

A current KPMG project with a German DAX-listed life sciences company illustrates how digitalization and ESG transformation can be implemented hand in hand. The focus is on modernizing finance processes in accounting. By reducing manual tasks, stable and scalable workflows are created, freeing resources for value-adding activities while increasing transparency and efficiency in global business processes. Regulatory requirements under the CSRD are integrated, and sustainable product opportunities are highlighted.

For companies planning investments in Ukraine, for instance in manufacturing, energy, agriculture, pharmaceuticals, transport or military technology, ESG is a key consideration. German companies can contribute to successful transformation with expertise, software solutions, training programs and experience with CSRD or EU Taxonomy compliance.

Conclusion: ESG as a Factor for Reconstruction

ESG transformation is a practical prerequisite for Ukraine's reconstruction and economic integration into European structures. Companies that embed ESG standards strengthen resilience, economic stability and environmental sustainability alike. Targeted support from policymakers, businesses and civil society, both within Ukraine and internationally, is crucial for success.

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