SUSTAINABILITY REPORTING AS A NECESSARY CONDITION FOR ATTRACTING EUROPEAN INVESTMENTS

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The post-war development of the agricultural sector of Ukraine will primarily depend on the volume of foreign investments involved. Therefore, the government is already working with financial donors and European partners to develop a strategy for post-war economic recovery. Considering the global trend towards the decarbonization of production and the development of a green economy, it is evident that the principles of sustainable development are the priority of such a strategy. European investments are expected to be consistent with EU climate and environmental policies and standards based on the principles of sustainable development. Accordingly, to apply for financial support, agricultural companies must implement policies and practices of sustainable development in their activities and disclose information about them in reporting.

Sustainability reporting does not have a set format but generally includes disclosure of the company's environmental, social, and corporate governance (ESG) goals and reporting on results and efforts to achieve these goals.

Sustainability reporting enables a company to identify risks and opportunities that may affect its long-term performance. In addition, it can help increase transparency and improve brand image (in the case of Ukrainian agricultural companies, their investment attractiveness). By sustainability reporting, companies can mitigate the impact of potential ESG risks, reduce waste and thereby increase cost savings, ensure they meet regulatory requirements and make more effective strategic decisions.

Even before the war, large agricultural companies in Ukraine already had a particular practice of voluntary sustainability reporting. However, in the conditions of post-war recovery, this will be one of the key factors in attracting investments. The fact is that the EU countries are significantly ahead of Ukraine in adopting legislative support for implementing the sustainable development policy. Therefore, the requirements of financial donors and investors are very high in terms of the environmental friendliness of production and corporate social responsibility.

On January 5, 2023, the EU Corporate Sustainability Reporting Directive (CSRD) entered into force, updating and increasing the requirements for social and environmental information that companies must disclose in reports.

CSRD will apply 12 industry-independent European Sustainability Reporting Standards (ESRS), requiring the disclosure of hundreds of targets. Nearly 50,000 companies are subject to the CSRD, including non-EU companies with subsidiaries in the EU or listed on EU markets regulated under the ESRS. Companies with many years of experience in preparing sustainability reports will likely need to improve their systems for collecting and processing ESG data and reporting [1].

The Plan for the Recovery of Ukraine developed by the National Council for the Recovery of Ukraine from the Consequences of the War already considers the requirements of European directives, particularly the CSRD, and is aimed at accelerating sustainable economic development. Among the National programs defined by this plan is the New Agrarian Policy [2], which defines the following key challenges in the context of sustainable development:

– transformation and full provision of the environment for sustainable economic viability of all subjects of the agro-industrial sector;

– restoration of a safe physical and ecological condition of lands;

– increasing the energy efficiency of the industry due to the development of bioenergy;

– ensuring sustainable growth in the context of implementing measures aimed at climate neutrality within the framework of the European Green Deal [3].

For investors, sustainability reporting will be an indicator of the implementation of sustainable development policies and practices by Ukrainian agricultural companies according to EU standards, and therefore, the completeness of the ESG indicators disclosed in it will determine the investment profitability of the agribusiness. According to studies [4; 5], sustainability reporting increases the company's investment attractiveness and positively affects its financial indicators.

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