Working Paper 1: Overview of the Ukrainian Legal Framework

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Engaging Businesses in Repairing War-Related Damage

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Front Page Photo Credit: Anzhela Bets, Unsplash https://unsplash.com/photos/a-man-is-walking-through-a-destroyed-building-LJ3l4ij3q8M
The building of a cinema and youth center in Chernihiv, Ukraine that was destroyed by an aerial bomb in March 2022. Chernihiv, Chernihiv Oblast, Ukraine

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Executive Summary

This Report examines the legal and regulatory mechanisms developed in Ukraine to engage business actors in addressing and repairing war-related damage caused by the ongoing armed aggression against Ukraine. Its principal objective is to provide a comprehensive and analytically structured overview of the Ukrainian legal framework that mobilises private economic capacity to support national recovery, reconstruction, and resilience.

A central conceptual premise of the Report is the adoption of a broad understanding of reparation. The analysis does not confine reparation to traditional liability-based models that require a direct causal nexus between specific wrongful conduct and corresponding compensatory obligations. Instead, the Report treats reparation as encompassing a wider spectrum of legal, regulatory, and policy instruments that contribute to rebuilding economic infrastructure, restoring societal functioning, and strengthening national security and institutional capacity. Under this broader approach, mechanisms capable of mobilising private investment, technological resources, and corporate organisational capacity are considered integral components of the overall reparative ecosystem.

On this basis, the Report analyses three interrelated groups of mechanisms engaging business in reparation and reconstruction efforts.

First, the Report examines private law coercive mechanisms, the main of which is tort law. The latter represents the classical model of reparation, whereby businesses may incur liability where a legally recognised nexus exists between wrongful conduct and damage caused. The Report explores the extent to which tort law tools may be used to pursue compensation for war-related damage, including litigation strategies targeting corporate actors that contribute to, facilitate, or economically benefit from the aggression. Although these mechanisms face significant evidentiary, jurisdictional, and enforcement challenges, they remain an important normative and practical component of the broader reparative framework.

Alongside tort law, the Report also examines several private law mechanisms that may facilitate engagement of businesses in addressing war-related damage. These include, first, the application of the “alter ego” doctrine to corporations owned or controlled by the Russian Federation, which allows Ukrainian courts to disregard separate legal personality and attribute liability to the corporation where corporate structures are used as instruments of aggressor state policy. Second, the Report analyses the invalidity of contracts concluded in violation of public order and the interests of the state and society, a doctrine enabling courts to deny legal protection to transactions that undermine national security or indirectly support the aggressor state. Third, the Report addresses the moratorium on the performance of obligations for the benefit of Russia and persons related to the aggressor state, which temporarily suspends the enforceability of contractual claims and restricts certain property transactions. Although these mechanisms do not necessarily establish direct liability for specific acts of damage, they reshape private law relations and economic entitlements in a manner that may contribute to the broader objectives of post-war recovery and protection of Ukraine’s national interests.

Second, the Report analyses coercive public law mechanisms, including confiscation and asset-related sanctions, nationalization and requisition of property. These mechanisms primarily aim to protect national economic interests, restrict the economic influence of the aggressor state, and redistribute assets in ways that may support recovery and reconstruction efforts.

Third, the Report explores non-coercive mechanisms designed to stimulate voluntary corporate engagement. These include tax-related and investment-related incentive regimes that seek to attract domestic and foreign capital into priority sectors linked to reconstruction, technological modernisation, and defence-industrial development. The Report also analyses reputational governance instruments, including positive recognition initiatives and transparency-based monitoring platforms, which influence corporate conduct through stakeholder expectations, market pressures, and corporate social responsibility commitments. Because many of these instruments are designed to promote investment, economic development, and long-term private sector engagement, the Report inevitably intersects with broader questions relating to Ukraine's investment climate and regulatory attractiveness.

The analysis highlights that Ukraine has developed a multi-layered and evolving regulatory model combining private law enforcement, public regulatory intervention, economic incentivisation, and reputational governance. This model reflects the exceptional challenges posed by large-scale armed aggression and the need to mobilise diverse forms of private-sector participation in recovery efforts. At the same time, the Report acknowledges that certain coercive instruments may raise legal and human-rights considerations, particularly regarding property rights protection, proportionality, and legal certainty. Ensuring an appropriate balance between public interests in national recovery and the protection of private rights remains an important factor in maintaining investor confidence and ensuring the long-term sustainability of reconstruction policies.

Overall, the Report presents a structured and balanced account of Ukrainian regulatory responses aimed at engaging businesses in addressing war-related damage. By mapping the interaction between liability-based mechanisms, coercive regulatory measures, and incentive-driven corporate engagement, the Report contributes to a broader understanding of contemporary reparation strategies that extend beyond traditional compensation frameworks and incorporate diverse legal and governance tools designed to support national recovery and post-conflict reconstruction.

I. Coercive Mechanisms

I.1 Private Law Mechanisms

A. Tort claims against businesses supporting the aggression

A.1 General observations and current jurisprudence

A.1.1 Tort law as the straight route to compensation

From a doctrinal perspective, civil liability in tort (delict) constitutes the most classical and, at least in theory, the most straightforward legal mechanism through which private actors may be required to compensate for damage caused by unlawful conduct. In the context of Russia's full-scale invasion of Ukraine, tort law offers a legal framework capable of linking wrongful conduct attributable to a business entity with concrete harm suffered by identifiable victims. Unlike sanctions or other public-law instruments, tort litigation is inherently reparative in nature and is designed to restore, to the extent possible, the injured party to the position they would have occupied had the harm not occurred.

The principal advantage of tort litigation lies in its structure. First, tort law requires an **assessment of fault** (or other legally relevant grounds of liability) on the part of the defendant.[1] Second, it requires the establishment of a **causal nexus** between the defendant's conduct and the harm suffered by the claimant.[2] As a result, a successful tort claim allows for the **individualisation of responsibility and compensation**: the defendant is held liable specifically for the damage it caused or to which it materially contributed. From the perspective of reparations, this feature is particularly important, as it ensures that compensation corresponds to actual harm rather than taking the form of a general or symbolic contribution.

Notwithstanding these conceptual advantages, tort litigation against businesses supporting the Russian aggression remains exceptionally rare in Ukrainian judicial practice. To date, there are very few reported cases in which victims of the war have attempted to pursue civil claims against corporate actors for damage linked to Russia's armed aggression. The overwhelming majority of tort claims filed since 2022 have been directed against the Russian Federation itself.[3] An apparent, though limited, exception to this general pattern can be observed in a small number of cases originating from a single locality – namely, the city of Kryvyi Rih – where plaintiffs brought claims not only against the Russian Federation, but also against two Russian state-owned banks operating in Ukraine. These cases are discussed in greater detail below.

Several factors may explain the limited use of tort law as a tool for engaging businesses in repairing war-related damage. One factor is structural and relates to litigation culture. Compared to jurisdictions such as the United States, Ukraine does not have a strong tradition of strategic tort litigation, particularly against large corporate actors. Civil litigation in Ukraine has historically been perceived primarily as a means of resolving private disputes rather than as an instrument for addressing large-scale societal harms or systemic wrongdoing.

A second, and arguably more significant, factor is doctrinal. Ukrainian tort law (non-contractual liability for damage, also known as the law of delicts) **lacks a developed and coherent doctrine of secondary liability**.[4] This deficiency is particularly consequential in the context of claims against businesses allegedly involved in the Russian aggression. Corporate actors are rarely direct perpetrators of international crimes or war-related atrocities. Their

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[1] See: Karnaukh, B. P. (2014). *Fault as a precondition for civil-law liability*. Pravo. Available here. (In Ukrainian).
[2] See: Karnaukh, B. (2025). *Causation in Tort Law*. Kharkiv: ECUS. Available here. (In Ukrainian).
[3] See: Karnaukh, B. (2025). Can Tort Law Handle War? Reflections on Private Litigation for War-Related Damages in Ukraine. *Access to Justice in Eastern Europe, 8*(4), 476-93; Karnaukh, B. (2024). Exploring the Limits of Ukrainian Tort Law from Business and Human Rights Perspective. *Theory and Practice of Jurisprudence*, *2* (26), 6–25.
[4] See: Karnaukh, B. (2022). Ukraine: the untapped potential of tort law. In E. Aristova & U. Grusic (Eds.), *Civil remedies and human rights in flux: Key legal developments in selected jurisdictions*. Oxford, London, New York: Hart Publishing, pp. 331-49.

involvement is typically indirect and may take the form of financial support, logistical assistance, supply of goods or services, payment of taxes to the aggressor state, or other forms of facilitation. Holding such actors civilly liable therefore requires legal concepts capable of capturing indirect participation in wrongdoing.

In comparative terms, this function is performed by doctrines such as aiding and abetting, complicity, accessory liability, vicarious liability, or other forms of secondary responsibility. In Ukrainian law, however, these concepts remain underdeveloped in the field of civil liability. While criminal law recognises various forms of complicity, tort law has not yet developed a systematic framework for attributing civil liability to actors who substantially contribute to harm caused by others.[5] Scholarly engagement with these issues has intensified only recently, largely as a response to the challenges posed by the war. As a result, courts currently lack a well-established doctrinal toolbox for addressing claims based on indirect involvement in war-related harm.

Against this background, the general impression is that the reparative potential of tort law remains underutilised. Existing judicial practice suggests that Ukrainian tort law is capable, in principle, of accommodating claims arising from armed aggression, but that its application has so far been largely confined to claims against the aggressor state itself. This does not exhaust the potential of tort law as a mechanism for engaging businesses in repairing war-related damage. On the contrary, there remains significant untapped potential, particularly if doctrinal developments concerning secondary liability and jurisdictional issues are further advanced.

A.1.2 Shift in judicial approach to jurisdictional immunity of the Russian Federation

An understanding of the current landscape of tort litigation in Ukraine requires a brief overview of the jurisprudential shift concerning the **jurisdictional immunity** of the Russian Federation. Prior to the full-scale invasion in February 2022, Ukrainian courts consistently held that civil lawsuits against the Russian Federation were not justiciable.[6] In line with classical principles of international law, Russia was considered to enjoy immunity from the jurisdiction of Ukrainian courts as a sovereign state.[7]

This position changed dramatically in the spring of 2022. On 14 April 2022, the Supreme Court delivered its judgment in case No. 308/9708/19,[8] marking a turning point in Ukrainian judicial practice. For the first time, the Supreme Court held that **the Russian Federation could not invoke jurisdictional immunity** in cases concerning claims for damage caused by its armed aggression against Ukraine. The Court grounded its reasoning primarily in the concept of the **territorial tort exception**,[9] according to which a state may not rely on immunity in proceedings relating to damage caused by acts committed on the territory of the forum state.

[5] See: Karnaukh, B. (2025). *Causation in Tort Law*. Kharkiv: ECUS, pp. 365 ff. Available here. (In Ukrainian).
[6] Case No 265/7703/19 (Judgment of the Supreme Court, 9 June 2021); Case No 280/1380/19-ц (Judgment of the Supreme Court, 4 November 2020); Case No 711/17/19 (Judgment of the Supreme Court, 13 May 2020); Case No 613/924/19 (Judgment of the Supreme Court, 3 November 2021); Case No 943/1741/19 (Judgment of the Supreme Court, 22 October 2021); Case No 712/10119/20-ц (Judgment of the Supreme Court, 22 September 2021).
[7] See: Art. 79 of the Law 'On Private International Law'.
[8] Case No 308/9708/19 (Judgment of the Supreme Court, 14 April 2022).
[9] See the analysis of the Court's reasoning here: Karnaukh, B. (2022). Territorial Tort Exception? The Ukrainian Supreme Court Held that the Russian Federation Could Not Plead Immunity with regard to Tort Claims Brought by the Victims of the Russia-Ukraine War. *Access to Justice in Eastern Europe, 3*(15), 165-177. Available here.

This reasoning was further elaborated in a subsequent judgment of 18 May 2022 in case No. 760/17232/20-ц.[10] In that decision, the Supreme Court reaffirmed its earlier conclusion while adding an important **human rights dimension**. The Court emphasised that granting jurisdictional immunity to the Russian Federation in cases concerning war-related damage would effectively deprive victims of their **right of access to court**, as guaranteed by Article 6 of the European Convention on Human Rights. In the Court's view, such a restriction would be incompatible with Ukraine's international obligations and with fundamental principles of justice in the context of an ongoing armed aggression.

Following these landmark decisions, tort claims against the Russian Federation became widespread. According to data published by OpenDataBot, as of April 2025 Ukrainian courts had issued 1,482 rulings in lawsuits against Russia.[11] While only 52 such cases were recorded in 2022, the number increased to 405 in 2023 and reached 812 in 2024.[12] This rapid growth reflects both the scale of war-related harm and the growing awareness among victims that domestic courts may serve as a forum for asserting their claims.

A.1.3 Structural deficiencies in current tort litigation practice

Despite the quantitative growth of litigation against the Russian Federation, several serious deficiencies have emerged in judicial practice.[13] These deficiencies have direct implications for the effectiveness of tort law as a reparative mechanism and highlight the limitations of relying exclusively on claims against the aggressor state.

The first problem concerns the **proper notification of the defendant**. Diplomatic relations between Ukraine and the Russian Federation have been severed,[14] and postal communication between the two states has been suspended. As a result, ensuring that procedural documents are duly served on the defendant poses significant practical challenges. Courts have adopted various procedural solutions,[15] but the absence of the defendant from proceedings remains a structural feature of this litigation.

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[10] Case no. 760/17232/20-ц (Judgment of the Supreme Court, 18 May 2022).
[11] Opendatabot, 'A Ukrainian tried to sue Russia for 999 quadrillion UAH in war damages' (*Opendatabot Analytics*, 23 April 2025). URL: https://opendatabot.ua/en/analytics/court-against-rf.
[12] Ibid.
[13] For details see: See: Karnaukh, B. (2025). Can Tort Law Handle War? Reflections on Private Litigation for War-Related Damages in Ukraine.*Access to Justice in Eastern Europe, 8*(4), 476-93.
[14] Ministry of Foreign Affairs of Ukraine, 'Statement by the Ministry of Foreign Affairs of Ukraine Regarding the Severance of Diplomatic Relations with the Russian Federation' (UKR Government, 24 February 2022) https://www.kmu.gov.ua/en/news/zayava-mzs-ukrayini-shchodo-rozrivu-diplomatichnih-vidnosin-z-rosijskoyu-federaciyeyu
[15] Courts use all available means to inform the Russian Federation about proceedings in relevant cases, including sending emails to official email addresses of respective Russian authorities (See: Case no. 331/4791/23 (Decision of the Zhovtnevyi District Court of Zaporizhzhia, 28 July 2023); Case no. 367/3431/23 (Decision of the Irpin City Court of Kyiv Region, 24 May 2023); Case no. 331/4708/23 (Decision of the Zhovtnevyi District Court of Zaporizhzhia, 28 July 2023)) and publishing announcements on the official website of the Ukrainian judiciary (See: Case no. 201/5634/24 (Decision of the Zhovtnevyi District Court of Dnipropetrovs'k, 21 May 2024); Case no. 682/2464/22 (Decision of the Slavuta City District Court of Khmelnytskyi Region, 14 February 2023); Case no. 459/1532/23 (Decision of the Chervonohrad City Court of Lviv Region, 15 May 2023)). Some plaintiffs use Russian diplomatic missions in other countries to send documents (See: Case no. 635/7195/2 (Decision of the Kharkiv District Court of Kharkiv Region, 21 August 2023); Case no. 127/876/24 (Judgment of the Vinnytsia City Court of Vinnytsia Region, 5 March 2024)*; Case no.* 487/7568/23 (Judgment of the Zavodskyi District Court of Mykolaiv, 22 April 2024)). Experts recommend using international delivery services that operate in the Russian Federation (See: Ukrainian Arbitration Association and Institute of Legislative Ideas,'Recommendations on Ensuring Fair Trial Standards in Cases Brought Against the Russian Federation' (2024). URL:

The second issue relates to the **substantiation of damages**. Plaintiffs frequently provide insufficient or inadequately reasoned calculations of the compensation sought.[16] Given that the defendant does not appear in court, there is no adversarial challenge to these calculations. Judicial scrutiny of claimed amounts has often been limited, leading to the awarding of sums that appear arbitrary or inconsistent across similar cases. This undermines legal certainty and may weaken the credibility of tort judgments as instruments of reparations.

The third and most fundamental problem concerns **enforcement**.[17] Judgments rendered against the Russian Federation are, in practice, unenforceable within Ukraine. Russian state assets located on Ukrainian territory have either been nationalised or otherwise removed from the ownership of the Russian Federation. Consequently, successful plaintiffs obtain judicial decisions that confirm their victim status and quantify their harm, but do not result in actual compensation. These judgments therefore risk remaining symbolic or "paper victories", with limited practical effect.

A.1.4 Cases involving Russian state-owned banks as co-defendants

Within this broader body of case law, a small group of cases stands out due to their attempt – albeit unsuccessful – to extend liability beyond the Russian Federation to corporate actors. In several lawsuits filed in the city of Kryvyi Rih, plaintiffs designated as co-defendants **two Russian state-owned banks operating in Ukraine**: Joint-Stock Company "International Reserve Bank" and Public Joint-Stock Company "Joint-Stock Commercial Industrial and Investment Bank".[18]

This appears to be a geographically isolated phenomenon. Similar claims against these or other corporate entities have not been observed in other regions of Ukraine. The reasons for this localisation are not entirely clear and may relate to local legal practice or the initiative of particular representatives.

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https://supreme.court.gov.ua/userfiles/media/new_folder_for_uploads/supreme/2024_prezent/Rekomend_spravedl_sud_vo.pdf).

[16] For example, in one case, the plaintiffs, citing a publication in The Washington Post, argued that as a result of armed aggression, the Russian Federation effectively controls Ukrainian territories with deposits of energy resources, metals, and minerals worth approximately $36.7 trillion. Dividing this amount by the number of Ukrainian citizens, the plaintiffs arrived at a figure of $1,990,149.79, which they claimed as compensation for damages for each plaintiff. The court of first instance ruled in favor of the plaintiffs (Case no. 216/5656/22 (Judgment of the Central City District Court of Kryvyi Rih, 24 November 2023)).
Another court upheld a claim for compensation for moral damage due to property loss and internal displacement in the amount of UAH 130 million, equivalent to approximately $3.367 million (Case no. 638/12435/23 (Judgment of the Dzerzhynskyi District Court of Kharkiv, 22 November 2023)).
One claimant notably surpassed all others, demanding 999 quadrillion UAH. This claim, however, was dismissed. See: Opendatabot, 'A Ukrainian tried to sue Russia for 999 quadrillion UAH in war damages' (*Opendatabot Analytics*, 23 April 2025) https://opendatabot.ua/en/analytics/court-against-rf

[17] Dnistrianskyi Center, 'Enforcement of Court Judgments in Lawsuits Against Russia: Proposals for Solving the Problem' (2024). URL: https://dc.org.ua/news/vykonannya-rishen-sudiv-za-pozovamy-proty-rosiyi-propozyciyi-schodo-vyrishennya-problemy

[18] See: Case no 213/4211/21, Judgment of Ingulets District Court of Kryvyi Rih, Dnipropetrovsk Region, 24 January 2023; Case no 213/1774/21, Judgment of Ingulets District Court of Kryvyi Rih, Dnipropetrovsk Region, 11 April 2023; Case no 213/1772/21, Judgment of Ingulets District Court of Kryvyi Rih, Dnipropetrovsk Region, 11 April 2023; Case no 213/2112/21, Judgment of Ingulets District Court of Kryvyi Rih, Dnipropetrovsk Region, 11 April 2023; Case no 214/6840/22, Judgment of Saksagansky District Court of Kryvyi Rih, Dnipropetrovsk Region, 14 April 2023; Case no 215/294/21, Judgment of Ternivskyi District Court of Kryvyi Rih, Dnipropetrovsk Region, 8 June 2022; Case no 212/4039/21, Judgment of Zhovtnevy District Court of Kryvyi Rih, Dnipropetrovsk Region, 21 June 2022.

In these cases, plaintiffs did not advance specific arguments demonstrating how the activities of the banks were causally connected to the concrete harm suffered. The sole basis for including the banks as defendants was their ownership by the Russian Federation and their prior operation within Ukraine. Ukrainian courts consistently rejected these claims insofar as they concerned the banks, while upholding them against the Russian Federation.

The following passage, which recurs in a standardised form across multiple judgments, illustrates the courts' reasoning:

> "When deciding on the claims for compensation for non-pecuniary damage against Joint-Stock Company 'International Reserve Bank' and Public Joint-Stock Company 'Joint-Stock Commercial Industrial and Investment Bank', the court considers it necessary to dismiss them, since banking institutions are not liable for the obligations of the Russian Federation, and the claimant has not provided proper and admissible evidence to confirm that these institutions committed any unlawful acts or omissions in relation to the claimant, as a result of which these institutions caused her non-pecuniary damage. Accordingly, the court has no legal grounds to impose joint and several liability for compensation of damage on both the aggressor state and the banks."[19]

This jurisprudence underscores the centrality of causation and fault in Ukrainian tort law and highlights the evidentiary challenges inherent in claims against corporate actors for indirect involvement in aggression.

A.2 Lessons from comparative analysis

Comparative experience, most notably litigation under the Alien Tort Statute in the United States,[20] demonstrates that tort claims against transnational corporations for involvement in gross human rights violations hinge on **two critical issues: jurisdiction and secondary liability**. These issues are equally relevant in the Ukrainian context.

Jurisdiction determines whether domestic courts may hear claims against foreign or transnational corporate defendants. Secondary liability determines whether and under what conditions corporations may be held liable for indirect involvement in internationally wrongful acts. Any meaningful exploration of the potential of Ukrainian tort law as a mechanism for engaging businesses in repairing war-related damage must therefore focus on these two dimensions.

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[19] Case no 213/4211/21, Judgment of Ingulets District Court of Kryvyi Rih, Dnipropetrovsk Region, 24 January 2023.

[20] See: Bradley, C. A. (2014). The ATS, the TVPA, and the future of international human rights litigation. *Proceedings of the Annual Meeting(American Society of International Law)*, 108, 145–147; Christensen, D., & Hausman, D. K. (2016). Measuring the Economic Effect of Alien Tort Statute Liability. *Journal of Law, Economics, & Organization, 32*(4), 794–815; Gilbert, J. (2012). Corporate Accountability and Indigenous Peoples: Prospects and Limitations of the US Alien Tort Claims Act. *International Journal on Minority and Group Rights, 19*(1), 25–52; The Alien Tort Statute, Forum Shopping, and the Exhaustion of Local Remedies Norm. (2008). *Harvard Law Review, 121*(8), 2110–2133; Waldref, V. R. (2010). The Alien Tort Statute after Sosa: A viable tool in the campaign to end child labor. *Berkeley Journal of Employment and Labor Law, 31*(1), 160–192.

At present, Ukrainian judicial practice has made significant progress on the issue of jurisdiction with respect to the Russian Federation. By contrast, both jurisdictional questions concerning foreign corporate defendants and the doctrinal foundations of secondary civil liability remain largely unresolved. Addressing these gaps is essential if tort law is to play a more prominent role in holding businesses accountable for their contribution to the Russian aggression and in mobilising private resources for reparative purposes.

A.3 Jurisdiction

The question of jurisdiction is of fundamental importance for any attempt to engage businesses in repairing war-related damage through tort litigation. Even where substantive tort law may, in principle, allow for the attribution of liability to a corporate actor, such liability remains purely theoretical unless domestic courts are competent to hear the claim.

Jurisdiction in civil cases involving a foreign element is governed by the Law of Ukraine "On Private International Law".[21] Article 76 of that Law provides, inter alia, that:

> "Courts consider cases containing a foreign element if: ...
> 3) the case concerns compensation for damage caused on the territory of Ukraine; …
> 5) the case concerns compensation of damage provided that the plaintiff is a natural person domiciled in Ukraine or the defendant is a legal entity having its place of business in Ukraine."

The key jurisdictional connecting factor for tort claims is thus **the place where the damage was caused**. In private international law terminology, this connecting factor is commonly referred to as *lex loci damni*. Importantly, *lex loci damni* focuses on the place where the harmful consequences materialised, rather than on the place where the act or omission giving rise to the damage was committed. In other words, it is the location where the victim suffered the damage that determines jurisdiction, not the geographical locus of the wrongful conduct.

Applied to war-related tort claims, this approach has potentially far-reaching consequences. Damage caused by hostilities– destruction of housing, injury or death of civilians, loss of property, and other harm – typically materialises on the territory of Ukraine. As a result, Ukrainian courts may assert jurisdiction over claims for compensation of such damage even where the defendant is a foreign corporation and the allegedly wrongful conduct (for example, financing, logistical support, or corporate decision-making) took place entirely outside Ukraine. What is decisive is that the claimant suffered damage while being present in Ukraine.

To date, higher Ukrainian courts have not had occasion to engage in a detailed and systematic analysis of this jurisdictional basis in the specific context of war-related tort claims against foreign corporate defendants. Existing jurisprudence concerning Article 76 of the Law "On Private International Law" is largely drawn from more traditional categories of cases, most notably traffic accidents involving foreign nationals or foreign-owned vehicles on Ukrainian territory.[22]

[21] The Law of Ukraine "On Private International Law" No. 2709-IV, of 23.06.2005.
[22] Case no 693/10/17 (Judgment of the Zhashkiskyi District Court, 15 April 2019); Case no 916/3878/19 (Judgment of the Economic Court of Odesa region, 2 July 2020).

In several such cases,[23] Ukrainian courts have exercised jurisdiction even where the negligent act or omission occurred abroad. A recurrent factual pattern concerns railway accidents in which rolling stock derailed on the territory of Ukraine due to defective maintenance of a railway car owned by a foreign company. In at least one case,[24] the defective car belonged to a Russian company, and its last maintenance had been carried out in the Russian Federation. Although the negligent failure to properly inspect and repair the car occurred outside Ukraine, Ukrainian courts assumed jurisdiction on the basis that the accident – and hence the damage – occurred on Ukrainian territory.

While these cases do not concern war-related harm or corporate involvement in international crimes, they nonetheless illustrate the courts' consistent reliance on *lex loci damni* as the decisive jurisdictional link. By analogy, this reasoning supports the conclusion that Ukrainian courts may hear tort claims concerning war-related damage even when such claims are brought against foreign corporations whose conduct took place outside Ukraine.

At the same time, the jurisdiction under Article 76 is not exclusive. Ukrainian law does not assert a monopoly over adjudicating claims for compensation of damage caused on its territory. Accordingly, the existence of jurisdiction under Ukrainian law does not preclude parallel proceedings before foreign courts, where jurisdiction may be established under applicable foreign rules. This feature is particularly relevant in the context of transnational corporate defendants and underscores the potential complementarity between domestic and foreign litigation strategies.

A.4 Secondary liability doctrine

While jurisdiction constitutes a necessary precondition for tort litigation, it is not sufficient in itself. Even where Ukrainian courts may hear a claim against a foreign corporate defendant, the success of such a claim ultimately depends on the availability of substantive legal doctrines capable of attributing liability for indirect involvement in harm.

In several foreign jurisdictions, particularly in common law systems, the doctrine of **aiding and abetting** is used to establish liability for indirect participation in human rights violations or other serious wrongdoing.[25] Ukrainian law does not recognise aiding and abetting as an autonomous concept of civil liability. The closest functional analogue is found in **Article 1190 of the Civil Code of Ukraine** (CC), which provides:

> "Persons whose joint actions or omissions have caused damage are jointly and severally liable to the victim. At the request of the victim, the court may determine the liability of the persons who jointly caused damage, in proportion to the degree of their fault."

[23] Case no 922/4834/15 (Judgment of the Economic Court of Kharkiv region, 17 December 2015); Case no 914/2612/16 (Judgment of the Economic Court of Lviv region, 2 February 2017).
[24] Case no 914/2612/16 (Judgment of the Economic Court of Lviv region, 2 February 2017).
[25] Chambers R. & Martin, J. 'United States: Potential Paths Forward after the Demise of the Alien Tort Statute' in E. Aristova & U. Grusic (eds.), *Civil Remedies and Human Rights in Flux: Key Legal Developments in Selected Jurisdictions* (Hart Publishing, 2022) 351, 357.

The pivotal issue, therefore, concerns the interpretation of the notion of **"joint infliction"** of damage.[26] In the context of war-related harm, this question may be reformulated as follows: under what conditions can damage caused by the armed aggression of the Russian Federation be regarded as having been inflicted jointly by the Russian state and a business corporation that supported or facilitated that aggression?

Article 1190 CC itself does not define what constitutes joint infliction of damage. Nor has Ukrainian jurisprudence developed a coherent and general theory clarifying this concept. Instead, judicial practice has evolved in a fragmented and context-dependent manner.

Two main categories of cases can be identified in which courts regularly apply Article 1190 CC. The first category concerns traffic accidents. In its interpretative guidance, the Plenary of the High Specialised Court of Ukraine explained that, where two vehicles collide, a distinction must be drawn between damage caused by the drivers to each other and damage caused to third parties, such as passengers or pedestrians. Damage suffered by the drivers themselves is compensated according to the degree of fault of each driver, pursuant to Article 1188 CC.

By contrast, damage inflicted on third parties is compensated regardless of fault and is considered to have been jointly inflicted by the drivers within the meaning of Article 1190 CC.[27] The second category of cases concerns compensation for damage resulting from a criminal offence committed by several accomplices.[28] In such situations, courts generally proceed from the premise that damage caused by a crime committed in complicity is jointly inflicted.

The relationship between these two strands of jurisprudence is not entirely clear. In particular, it remains ambiguous whether joint infliction of damage in tort law necessarily presupposes the existence of criminal complicity, or whether it may arise independently of criminal liability. This ambiguity is well illustrated by the landmark case No. 6-168цс13.[29] The case concerned the obtaining of a bank loan through the submission of forged documents, without any intention to repay the debt. Three defendants were involved. Two of them were convicted of forgery (Article 366 of the Criminal Code of Ukraine) and financial fraud (Article 222 CrimC). The third defendant, a bank employee, was convicted of neglect of duty (Article 367 CrimC). The bank brought a civil claim against all three defendants, seeking to impose joint and several liability under Article 1190 CC.

The court of first instance upheld the claim. However, the Supreme Court of Ukraine overturned that decision and remanded the case for a new trial. The following passage from the Supreme Court's judgment has since been frequently cited:

> "Based on the content of the substantive law rule [Article 1190 CC], persons who *jointly caused indivisible damage by interdependent, collective actions or actions with*

[26] See: Karnaukh, B. (2024). Exploring the Limits of Ukrainian Tort Law from Business and Human Rights Perspective. *Theory and Practice of Jurisprudence*, 2 (26), 6–25.
[27] Plenum of The High Specialized Court of Ukraine for the Consideration of Civil and Criminal Cases, Resolution of 1 March 2014 no. 4 "On certain issues of application of legislation by courts in resolving disputes over compensation for damage caused by a source of increased danger".
[28] Case no 0909/4190/12 (Judgment of the Civil Cassation Court, 26 September 2018); Case no 753/21343/14-ts (Judgment of the Civil Cassation Court, 04 June 2021); Case No 740/967/16-ts (Judgement of the Civil Cassation Court, 29 May 2019).
[29] Case no 6-168цс13 (Judgment of the Supreme Court of Ukraine, 12 February 2014).

common intent are jointly and severally liable to the victim. When damage is caused by a crime committed by two or more persons, in order for joint and several liability to apply it must be established that the actions of the tortfeasors *were united by a common criminal intent*, and that the damage caused was the result of their joint actions."[30]

The reasoning in this passage is internally ambiguous. The first sentence employs the conjunction "or", suggesting that joint infliction may arise either from interdependent, collective actions or from actions united by a common intent. By contrast, the second sentence appears to require common criminal intent as a necessary condition for joint and several liability where damage is caused by a crime. It was this latter interpretation that proved decisive in the case. Following the remittal, the bank employee was absolved of civil liability, as his conduct was found not to be united with that of the other defendants by a common criminal intent.[31]

Taken together, the jurisprudence reveals a significant inconsistency in the interpretation of Article 1190 CC. Where damage results from a criminal offence committed by several persons, courts tend to equate joint infliction in tort law with complicity in criminal law, thereby requiring intentional conduct on the part of all tortfeasors. By contrast, where damage results from conduct that does not amount to a criminal offence – such as harm caused to third parties by colliding vehicles – joint infliction is interpreted more broadly and does not require common intent. In such cases, one of the tortfeasors may have acted negligently, yet joint and several liability still applies.

This dual understanding leaves the precise meaning of joint infliction unclear in cases falling outside these established categories. The problem is particularly acute in the context of war-related damage, where corporate actors are unlikely to meet the stringent criteria of criminal complicity, yet may nonetheless have played a substantial role in facilitating the harm.

Ukrainian criminal law further complicates the picture. Under Article 18 of the Criminal Code of Ukraine, **only natural persons may be held criminally liable**. Legal entities cannot be subjected to criminal punishment as such. However, the Criminal Code provides for the possibility of imposing so-called **"measures of criminal law"** (заходи кримінально-правового характеру)[32] on legal entities, including fines, confiscation, and liquidation, where an authorised official of the entity is found guilty of a crime committed on behalf of and in the interests of the legal entity.

Article 96-6(2) CrimC provides that, where such measures are applied, the legal entity is obliged to compensate damage and harm in full. The catalogue of crimes triggering this mechanism is exhaustively listed in Article 96-3 CrimC and includes, notably, the crime of aggression (Article 437), war crimes (Article 438), and the use of weapons of mass destruction (Article 439).

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[30] Ibid.
[31] Case no 6-13993св14 (Decision of the High Specialized Court of Ukraine 21 May 2014); Case no 740/967/16-ts (Decision of the Grand Chamber of the Supreme Court, 22 November 2018); Case no 740/967/16-ts (Judgment of Civil Cassation Court, 29 May 2019).
[32] See: Ch. XIV-1 of the Criminal Code, No. 2341-III of 05.04.2001.

In principle, therefore, Ukrainian law allows for the recovery of damages from a legal entity where its official is convicted of one of these crimes and the offence was committed on behalf of and in the interests of the entity. In practice, however, this avenue is extremely difficult to pursue. Criminal proceedings involving international crimes entail a particularly high burden of proof. This burden is further compounded by the need to demonstrate not only the commission of the crime, but also that it was carried out in the interests of the legal entity. As a result, this mechanism is unlikely to serve as a realistic basis for engaging businesses in reparations for war-related damage on a broader scale.

Against this background, legal doctrine increasingly argues that the concept of joint infliction in tort law should not be confined to the narrow framework of criminal complicity.[33] Scholars emphasise that civil and criminal liability pursue different objectives. Criminal liability is punitive and stigmatising and therefore justifiably applies to a narrower circle of actors. Tort liability, by contrast, is primarily reparative. Its function is to compensate victims rather than to punish offenders. It is therefore conceptually coherent for the range of persons liable in tort to be broader than the range of persons subject to criminal conviction.

From this perspective, recognising a broader understanding of joint infliction under Article 1190 CC – one that encompasses substantial contribution to harm without requiring common criminal intent – would significantly enhance the capacity of Ukrainian tort law to address indirect corporate involvement in war-related damage. Such an interpretation would remain consistent with the text of the Civil Code and with the reparative logic of tort law, while avoiding the doctrinal constraints inherent in criminal-law concepts of complicity.

A.5 Concluding remarks

The analysis of Ukrainian tort law demonstrates that, in principle, civil liability constitutes a viable legal avenue for engaging businesses in the repair of war-related damage. Ukrainian courts possess a jurisdictional basis to hear tort claims concerning damage suffered on the territory of Ukraine, including claims brought against foreign corporate defendants whose conduct occurred outside the state. The reliance on the *lex loci damni* connecting factor provides a flexible and territorially grounded jurisdictional framework capable of accommodating claims arising from armed aggression.

At the same time, current judicial practice reveals that the potential of tort law remains largely unrealised. To date, tort litigation has been overwhelmingly directed against the Russian Federation, while attempts to extend liability to corporate actors have been rare and doctrinally underdeveloped. Structural deficiencies in existing litigation – most notably difficulties of enforcement, evidentiary shortcomings, and the absence of adversarial proceedings – further limit the practical reparative effect of judgments against the aggressor state.

From a substantive perspective, the principal obstacle lies in the absence of a clearly articulated doctrine of secondary civil liability. Article 1190 of the Civil Code provides a formal legal basis for joint and several liability, yet its interpretation oscillates between a narrow, criminal-law-inspired model requiring common intent and a broader, fault-agnostic approach

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[33] Karnaukh, B. (2025). *Causation in Tort Law.* Kharkiv: ECUS, pp. 427 ff. Available here.

applied in non-criminal contexts. This inconsistency creates legal uncertainty and constrains the ability of courts to address indirect corporate involvement in war-related harm.

While criminal-law mechanisms formally allow for the recovery of damages from legal entities in connection with international crimes, their practical relevance is limited by stringent burdens of proof and narrow statutory conditions. As a result, criminal liability is unlikely to serve as a general pathway for engaging businesses in reparations.

Overall, tort law in Ukraine offers an underexploited but structurally promising framework for holding businesses accountable for their contribution to war-related damage. Realising this potential would require a doctrinal shift towards a broader understanding of joint infliction in civil law, aligned with the reparative function of tort liability and distinct from the logic of criminal punishment.

B. The “Alter Ego” doctrine applied to Russia-owned corporations

B.1 “Alter Ego” doctrine in a nutshell

The doctrine commonly referred to as ***alter ego***[34] allows courts, in exceptional circumstances, to disregard the separate legal personality of a state-owned corporation and to treat that corporation as indistinguishable from the state itself. Where this doctrine applies, the assets of the corporation may be used to satisfy the state’s obligations, including obligations arising from internationally wrongful acts. In functional terms, the doctrine operates as a mirror image of the well-known concept of **“piercing the corporate veil”**,[35] albeit in the specific context of state–corporate relations.

Under this doctrine, a corporation formally constituted as a separate legal entity may nevertheless be treated as an extension of the state where it effectively performs governmental functions, is subject to decisive state control, and lacks genuine operational autonomy. In such circumstances, the corporation is regarded as the *alter ego* – the “second self” – of the state.

Although judicial practice applying the *alter ego* doctrine is limited, Ukrainian jurisprudence contains one particularly prominent case in which the Supreme Court relied on this doctrine to facilitate compensation for damage caused by the Russian Federation. In that case, the Court allowed enforcement of Russia’s debt arising from unlawful expropriation by permitting execution against shares in a Ukraine-based bank owned by a Russian state corporation. This case – No. 910/4210/20[36] – represents a rare but legally significant instance in which a Russia-owned business entity was effectively mobilised to repair war-related damage.

B.2 Case no. 910/4210/20

[34] See: Hashemi, N. (2024). Unfairly interchangeable: A guide for litigating the alter ego doctrine. *Journal of Business, Entrepreneurship & the Law, 17*(1), 37–90.
[35] Thompson, R. B. (1991). Piercing the corporate veil: An empirical study. *Cornell Law Review, 76*(5), 1036–1074.
[36] Case no 910/4210/20, Judgment of the Supreme Court, 20 July 2022.

B.2.1 Background and procedural history

The dispute originated from arbitral proceedings concerning the unlawful expropriation of property located in the temporarily occupied territory of Crimea. In 2018, an arbitral tribunal seated in the Hague rendered an award against the Russian Federation, finding that Russia had unlawfully expropriated immovable property belonging to eighteen Ukrainian companies and one individual.[37] The tribunal held that Russia had breached Article 5 of the Agreement between the Cabinet of Ministers of Ukraine and the Government of the Russian Federation on the Promotion and Mutual Protection of Investments of 27 November 1998 and awarded monetary compensation to the claimants.

Subsequently, a Ukrainian appellate court recognised the arbitral award and granted leave for its enforcement in Ukraine, issuing writs of execution. Enforcement proceedings were initiated by the State Enforcement Service.

In the course of enforcement, execution was levied against a dominant block of shares - representing **99.7726% of the share capital of Public Joint-Stock Company "Prominvestbank" (Ukraine)**. These shares were formally owned by the **State Corporation "Vnesheconombank" (currently operating under the name "VEB.RF")**, a Russian state development corporation established by federal law of the Russian Federation.

Thus, the corporate structure at issue was as follows:

- the Russian Federation exercised full control over State Corporation "VEB.RF";
- VEB.RF held 99.7726% of the shares in PJSC "Prominvestbank", a Ukrainian bank;
- enforcement was directed against the shares in Prominvestbank in order to satisfy Russia's debt arising from the arbitral award.

The shares were seized and subsequently sold at auction, with the proceeds applied towards partial satisfaction of the arbitral award.

The Russian state corporation VEB.RF challenged these enforcement measures, arguing that the shares in Prominvestbank constituted its own property and could not lawfully be used to satisfy the obligations of the Russian Federation. It relied, inter alia, on the principle of separate legal personality and on the protection of property under the European Convention on Human Rights.

B.2.2 Findings of the Supreme Court

The central question before the Supreme Court was whether enforcement against the shares of the Ukrainian bank – formally owned by a Russian state corporation – was lawful in order to satisfy the debt of the Russian Federation arising from compensation for unlawful expropriation.

[37] Case no. 2015-36, *Everest Estate LLC et al. v. The Russian Federation*, Award by the Permanent Court of Arbitration (PCA), 02 May 2018.

This required the Court to determine whether the Russian state corporation could be treated as legally distinct from the Russian Federation, or whether, in light of its functions, control structure, and legal status, it constituted the *alter ego* of the Russian state.

The Supreme Court upheld the legality of enforcement and expressly relied on the *alter ego* doctrine.

The Supreme Court confirmed that, as of the relevant date, 99.7726% of the shares in PJSC "Prominvestbank" were owned by State Corporation "VEB.RF", which had been created by the Russian Federation pursuant to Federal Law No. 82-FZ of 17 May 2007 "On the State Development Corporation 'Vnesheconombank'".

The Court established that the Russian Federation exercised decisive (100%) control over VEB.RF, and, through that corporation, indirect control over Prominvestbank. Such a shareholding constituted a dominant controlling stake under Ukrainian corporate law. Although the Russian Federation was formally only an indirect shareholder of Prominvestbank, the Court emphasised that formal ownership was not decisive where substantive control and functional identity with the state were present.

The Supreme Court accepted the reasoning of the enforcement authority that VEB.RF did not operate as a commercially autonomous financial institution. Instead, it performed functions intrinsic to the Russian state, including acting as an agent of the Government of the Russian Federation, representing state interests, and managing elements of the state's external financial obligations. These functions, in the Court's view, were characteristic of public authorities rather than private financial institutions.

The Supreme Court then addressed the broader question of attribution. It noted that, under generally recognised principles of international law, states bear responsibility for the actions of their organs. While state-owned companies are normally regarded as separate legal persons and do not bear responsibility for state debts, this distinction is not absolute. In certain circumstances, entities that are formally separate may nevertheless be treated as state organs.

In determining whether such circumstances existed, the Court explicitly relied on international jurisprudence, including the case law of the International Court of Justice,[38] investment arbitration tribunals operating under the auspices of ICSID,[39] and arbitral tribunals constituted under the UNCITRAL Rules.[40] Drawing on this body of law, the Court adopted a functional approach.

The Supreme Court articulated a non-exhaustive list of criteria relevant for determining whether a state-owned entity constitutes the *alter ego* of the state, including:

[38] *Barcelona Traction, Light and Power Company, Limited*, Judgment, I.C.J. Reports 1970.
[39] *Emilio Agustín Maffezini v. The Kingdom of Spain*, ICSID Case No. ARB/97/7; *Ceskoslovenska Obchodni Banka, A.S. v. The Slovak Republic*, ICSID Case No. ARB/97/4; *Salini Costruttori S.p.A. and Italstrade S.p.A. v. Kingdom of Morocco* [I], ICSID Case No. ARB/00/4; *Ampal-American Israel Corporation and others v. Arab Republic of Egypt*, ICSID Case No. ARB/12/11.
[40] *Flemingo DutyFree Shop Private Limited v the Republic of Poland*, UNCITRAL.

- whether the entity was created primarily to pursue commercial objectives or to perform public functions;
- whether it performs functions typically associated with state authorities rather than private actors;
- whether its commercial activities are independent or merely ancillary to the performance of public functions;
- the degree of control exercised by the state over the entity;
- whether the property of the entity is genuinely separated from the property of the state.

Applying these criteria, the Court found that the Russian state corporation in question was created primarily to promote the socio-economic development of the Russian Federation. Entrepreneurial activity was merely auxiliary. The corporation was authorised by law to act as an agent of the Russian government, including in matters related to public finance and external debt. It functioned as the exclusive agent of the Russian Federation with respect to the country's external debt – functions ordinarily associated with ministries of finance or central banks.

The Court further found that the Russian government exercised pervasive control over the corporation, to such an extent that an agency relationship existed between the state and the corporation. The separation between state property and corporate property was, in practice, blurred to the point of insignificance.

On this basis, the Supreme Court concluded that the corporation effectively functioned as an organ of the Russian Federation. It was therefore the *alter ego* of the state. Consequently, assets formally belonging to the corporation but located on the territory of Ukraine could lawfully be used to satisfy the debts of the Russian Federation.

B.3 Concluding remarks

The application of the *alter ego* doctrine in case No. 910/4210/20 is of considerable significance for the broader question of engaging businesses in repairing war-related damage. First, the case demonstrates that Ukrainian courts are willing, in exceptional circumstances, to look beyond formal corporate separateness and to apply a substance-over-form approach where state-owned enterprises function as instruments of state policy. This is particularly relevant in the context of the Russian Federation, where large state-owned corporations play a central role in implementing economic, financial, and strategic objectives of the state.

Second, while the case did not involve a tort claim as such, it nonetheless resulted in the mobilisation of corporate assets to compensate victims of internationally wrongful acts, including acts connected to territorial occupation and expropriation. In functional terms, this constitutes an indirect mechanism for engaging business entities in reparative processes.

Importantly, the Court did not attribute wrongdoing to Prominvestbank as such, nor did it impose tort liability on the bank. Instead, it treated the bank's shareholding as state-controlled property, available for enforcement precisely because of the *alter ego* relationship between VEB.RF and the Russian Federation. In functional terms, this allowed corporate assets to contribute to reparations without requiring proof of direct corporate involvement in the underlying wrongful acts.

Third, the doctrine does not impose liability on corporations merely by virtue of state ownership. Its application is narrowly confined to situations where a corporation performs governmental functions and lacks genuine autonomy. This preserves legal certainty while enabling courts to address situations in which corporate structures are used to shield state assets from enforcement.

C. Contracts in violation of public order and the Interests of the state and society

C.1 Statutory basis

Ukrainian civil law contains a distinctive mechanism that may, in practice, result in the confiscation of assets into state revenue where a contract is concluded in violation of public order or with an aim manifestly contrary to the interests of the state and society. This mechanism is enshrined in Article 228 of the Civil Code of Ukraine (CC), which governs the legal consequences of such unlawful juridical acts.

Article 228 differentiates between two closely related categories of transactions. First, it addresses transactions that **violate public order**; these are considered *void ab initio* (нікчемні). Second, it concerns transactions that **contradict the interests of the state and society or their moral foundations**; such transactions are voidable and may be declared invalid by a court. Crucially, where a transaction is found to have been concluded **with a purpose knowingly contrary to the interests of the state and society**, the Civil Code provides for a special legal consequence that goes beyond ordinary restitution and is functionally equivalent to confiscation.

In such cases, the assets received (or to be received) by the parties under the transaction are subject to recovery into state revenue. The exact scope of recovery depends on the subjective element (intent): if both parties acted with the relevant unlawful intent, everything received (or due to be received) by both parties is confiscated; if only one party acted intentionally, the consequences are allocated asymmetrically, combining restitution to the innocent party with confiscation from the culpable party.

Part 3 of Article 228 CCU provides as follows:

> “3. Where the requirement that a transaction comply with the interests of the state and society and their moral foundations is not observed, such a transaction may be declared invalid.
>
> If a transaction declared invalid by a court was concluded with a purpose knowingly contrary to the interests of the state and society, then, where both parties acted with intent and the transaction was performed by both parties, everything received by them under the transaction shall, by a court decision, be recovered into state revenue; where the transaction was performed by one party, everything received by the other party and everything due from it to the first party by way of compensation shall be recovered into state revenue.
>
> Where only one of the parties acted with intent, everything received by that party under the transaction shall be returned to the other party, while everything received by the

> latter or due to it by way of compensation for performance shall, by a court decision, be recovered into state revenue."

C.2 Emerging case law: contracts aimed at circumventing sanctions

Recent judicial practice indicates that Ukrainian courts have begun to actively invoke Article 228 CC in cases involving **contracts designed to circumvent sanctions regimes**. Where a court establishes that a disputed transaction was indeed concluded for the purpose of evading sanctions, and that both parties were aware of and shared this purpose, the special consequence provided by Article 228 applies – namely, recovery of the subject matter of the transaction into state revenue. In substance, this outcome closely resembles confiscation.

A notable example is **case No. 910/11526/24**,[41] in which the court examined a contract for the sale of subsoil use rights concluded between **LLC "Novel Prom"** and **JSC "Korosten Quarry"**. During the proceedings, it was established that the ultimate beneficial owner (UBO) of JSC "Korosten Quarry" was an individual subject to sanctions imposed by a Presidential Decree of Ukraine.

The court reasoned that where a legal entity's ultimate beneficial owner is subject to sanctions in the form of **asset blocking**, the assets of that legal entity are likewise incapable of lawful alienation from the moment the relevant sanctions decision enters into force. Consequently, the sale of the subsoil use rights was found to be incompatible with the sanctions regime and contrary to public order.

The appellate court expressly stated:

> "The conclusion, during wartime, of transactions aimed at the alienation of assets of a sanctioned person who is a resident of the aggressor state undoubtedly violates the public order established by sanctions legislation, causes harm to the national security, sovereignty, and territorial integrity of Ukraine, infringes the interests of society and the state, leads to property losses, and creates obstacles to the sustainable economic development of Ukraine. […]
>
> Such transactions are aimed at preventing the future application of the sanction in the form of collection of assets into state income which has the purpose of partial compensation of damage caused by military aggression."[42]

On this basis, the court ordered recovery into state revenue of everything constituting the subject matter of performance by both parties: both the subsoil use rights and the monetary consideration payable for those rights.

An important procedural aspect of case No. 910/11526/24 is that the claim was initially brought by a private company, E.S. Mining Company Limited, which sought a declaration of invalidity and restoration of the pre-contractual position (*restitutio in integrum*). However, during the

[41] Case No. 910/11526/24, Judgment of the North Appellate Economic Court of 20 October 2025.
[42] Ibid.

proceedings, the court involved the Office of the Prosecutor General, the Security Service of Ukraine (SBU), and the Ministry of Justice as third parties without independent claims.

Ultimately, the court concluded that the contract was void and applied the consequences of nullity *ex officio*, ordering recovery of the assets into state revenue. This demonstrates that, even where proceedings are triggered by private actors, courts may reframe the dispute through the lens of public interest and apply Article 228 CC *proprio motu*.

It should be noted, however, that this case has not yet been reviewed on the merits by the Supreme Court. On 17 December 2025, the Supreme Court merely opened cassation proceedings.[43] Accordingly, there remains a possibility that the Supreme Court will refine or adjust the emerging approach.

A similar application of Article 228 CCU occurred in case No. 910/9176/24,[44] where a court invalidated a contract for the alienation of a participation interest in the charter capital of a limited liability company. The interest had been alienated by PILAWER, a company whose ultimate beneficial owner was a sanctioned individual. The court concluded that the transaction was aimed at removing the asset from the scope of sanctions restrictions and therefore ordered recovery of the subject matter of the contract into state revenue.

Overall, judicial practice concerning Article 228 CC in the context of sanctions circumvention remains nascent and evolving.

These judicial developments are unfolding against the backdrop of pending legislative reform. Currently, the Verkhovna Rada of Ukraine is considering a Draft Law[45] establishing criminal liability for violations of special economic and other restrictive measures (sanctions). The draft law is explicitly aligned with Directive (EU) 2024/1226 of 24 April 2024.[46]

If adopted, this legislation would introduce criminal penalties for sanctions violations and enable **special confiscation within criminal proceedings**, as well as confiscation as a form of criminal punishment. This would supplement the civil-law mechanisms discussed above with a parallel criminal-law enforcement track.

C.3 Concluding remarks

The application of Article 228 CCU represents a particularly consequential development.

Unlike tort liability or criminal prosecution, this mechanism does not require proof of a causal link between corporate conduct and specific war-related harm. Instead, it focuses on the purpose of transactions and their compatibility with public order, sanctions regimes, and the fundamental interests of the state during wartime. Where businesses knowingly participate in

[43] Case no 910/11526/24, Decision of the Supreme Court of 17 December 2025.
[44] Case no 910/9176/24, Judgment of the Economic Court of the Kyiv City of 24 October 2025.
[45] Draft Law on Amendments to the Criminal Code of Ukraine, the Criminal Procedure Code of Ukraine, and the Law of Ukraine “On Sanctions” regarding the establishment of liability for violations of special economic and other restrictive measures (sanctions), no 12406 of 14 January 2025.
[46] Directive (EU) 2024/1226 of the European Parliament and of the Council of 24 April 2024 on the definition of criminal offences and penalties for the violation of Union restrictive measures and amending Directive (EU) 2018/1673.

schemes aimed at preserving, concealing, or reallocating assets connected to sanctioned persons or entities linked to the aggressor state, Ukrainian courts have demonstrated a willingness to deprive them of the economic benefits of such conduct.

In practical terms, Article 228 CC functions as a preventive and redistributive tool: it discourages businesses from engaging in sanctions circumvention while simultaneously redirecting assets into state revenue. Although these assets are not earmarked *ex lege* for victim compensation, their recovery into the state budget enhances the state's fiscal capacity to address war-related damage, including reparations and reconstruction.

At the same time, the relative novelty and doctrinal uncertainty of this case law – coupled with the absence of definitive Supreme Court guidance – creates legal risk for businesses operating in or with Ukraine. As such, Article 228 CC emerges as a non-tort, non-criminal pathway through which business conduct can be indirectly harnessed to support the broader objective of repairing damage caused by the war, even in the absence of direct corporate involvement in hostilities.

D. Moratorium on the performance of obligations for the benefit of Russia and persons related to the aggressor state

D.1 Legal nature of the moratorium

The moratorium on the performance of obligations in favour of the Russian Federation and persons related to the aggressor state constitutes a compulsory wartime regulatory measure aimed at protecting national economic and legal interests during the ongoing armed conflict. Introduced as an emergency economic safeguard, this mechanism effectively suspends the enforceability of certain contractual and property-related claims held by Russia or entities with demonstrable ties to Russia. In practical terms, the moratorium deprives such entities – including foreign corporations that have relevant ownership or control links to Russia – of their ability to enforce contractual rights against Ukrainian debtors or to dispose of certain categories of assets.

From the perspective of the broader objectives of this Report, the moratorium is significant because it contributes to the redistribution of economic resources in response to war-related harm. Although the measure does not directly generate compensation for victims or fund reconstruction initiatives, it prevents financial outflows from Ukraine to entities associated with the aggressor state and effectively reallocates economic benefits in favour of Ukrainian debtors. By suspending enforceable claims, the mechanism reduces the financial burden on Ukrainian businesses and individuals during wartime and indirectly supports economic resilience and recovery. Furthermore, the prohibition on asset alienation restricts the ability of Russian-linked entities to restructure or transfer property interests, thereby preserving assets that may potentially become subject to future reparations or confiscation frameworks.

D.2 Statutory basis

The moratorium was introduced by Resolution of the Cabinet of Ministers of Ukraine No. 187 of 3 March 2022.[47] The resolution establishes a temporary **prohibition on the performance, including compulsory enforcement, of monetary and non-monetary obligations** where the creditor or claimant is the Russian Federation or a person related to it. The moratorium remains in force until the adoption of a special legislative act regulating legal relations involving persons connected with the aggressor state, which, as of February 2026, had not yet been enacted.

The resolution defines a broad category of **persons associated with Russia**.[48] These include Russian citizens (with certain exceptions for individuals lawfully residing in Ukraine), legal entities established under Russian law, Ukrainian companies whose ultimate beneficial owners or significant shareholders (holding 10 percent or more) are Russian persons or entities, and foreign legal entities that are similarly controlled by Russian beneficiaries, particularly where obligations are performed using state budget funds.

In addition to suspending contractual obligations, the resolution introduces extensive **restrictions on property transactions**[49] involving Russia or Russian-linked persons. Specifically, it prohibits the alienation, pledging, or transfer of various categories of property, including real estate, securities, corporate participation rights, claims in bankruptcy proceedings, and transport assets such as vehicles, aircraft, and vessels. The prohibition applies both to transfers by Russian-linked persons and transfers in favour of such persons, subject to limited exceptions. These exceptions include voluntary transfers of property to the Ukrainian state, certain transactions involving financial sector stabilisation measures, liquidation of insolvent banks, and corporate restructuring transactions approved by the Cabinet of Ministers of Ukraine.

Importantly, the resolution establishes that legal transactions concluded in violation of the moratorium are null and void.

The overall regulatory design of Resolution No. 187 also demonstrates a functional overlap with targeted economic sanctions. Although formally distinct from sanctions adopted under Ukraine's sanctions legislation, the moratorium introduces effects comparable to asset-freezing measures. In particular, it restricts the ability of affected persons to dispose of assets and to enforce financial claims, thereby immobilising economic resources linked to Russia. Unlike traditional sanctions, however, which are imposed individually through formal listing procedures, Resolution No. 187 applies automatically to a broadly defined and non-exhaustive category of persons meeting statutory criteria.[50]

D.3 Concluding remarks

The moratorium on the performance of obligations in favour of Russia and persons related to the aggressor state represents a distinctive form of compulsory economic regulation adopted

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[47] Resolution of the Cabinet of Ministers of Ukraine No. 187 of 3 March 2022 *"On Ensuring the Protection of National Interests in Future Claims of the State of Ukraine in Connection with the Military Aggression of the Russian Federation."*
[48] See: para 1(1) of the Resolution No. 187.
[49] See: paras 1(2)and(3) of the Resolution No. 187.
[50] The detailed analysis of the case law concerning Resolution No. 187 can be found here (in Ukrainian).

in response to wartime conditions. While it does not operate as a liability-based reparations mechanism, it contributes to the broader redistribution of financial and property-related claims by preventing economic benefits from accruing to entities associated with the aggressor state.

The measure also demonstrates how emergency economic governance tools may support national resilience and indirectly facilitate future reparations strategies by preserving assets and preventing capital outflows. At the same time, the moratorium illustrates the expanding role of public law instruments in reshaping private contractual relationships during armed conflict. As Ukraine continues to develop its legal response to war-related damage, the moratorium remains an important example of how compulsory regulatory measures may complement both coercive and non-coercive mechanisms aimed at addressing the consequences of armed aggression.

1.2 Public Law Mechanisms

A. Collection of assets into state income (under the Law "On Sanctions")

A.1 General Overview of the measure

Ukraine's sanctions policy began to take institutional shape in 2014, following the illegal annexation of the Crimean Peninsula by the Russian Federation and the outbreak of armed hostilities in the Donetsk and Luhansk regions. In response to these acts, the Law of Ukraine *"On Sanctions"* was adopted on 14 August 2014.[51] The Law established a legal framework enabling the State to impose restrictive measures in order to protect national security, sovereignty, and territorial integrity.

The Law provides for a wide range of sanctions, including, inter alia, asset freezes, restrictions on trade operations, limitations on the transit of resources, prohibitions on technology transfers, and other economic and financial measures.[52] In total, the Law initially listed 24 types of sanctions and expressly allowed for the introduction of additional restrictive measures not explicitly enumerated therein.[53] This open-ended structure reflected the legislator's intention to ensure flexibility in responding to evolving security threats.

The full-scale invasion of Ukraine by the Russian Federation in February 2022 prompted a fundamental reassessment of the role and effectiveness of economic sanctions, both domestically and internationally. In this context, Ukraine adopted the Law of Ukraine *"On Amendments to Certain Legislative Acts of Ukraine on Improving the Efficiency of Sanctions Related to the Assets of Certain Individuals"*, which entered into force on 24 May 2022. This legislative reform introduced a qualitatively new sanctioning measure, namely the possibility to "collect into state income" the frozen assets of persons who contribute to the aggressive war against Ukraine.

[51] The Law of Ukraine "On Sanctions" of August 14, 2014, No. 1644-VII.
[52] For the complete list see Art 4 of the Law "On Sanctions".
[53] See subpara 25, para 1 Art 4 of the Law "On Sanctions".

The explanatory note[54] accompanying the amending law explicitly framed this innovation as a response to the inadequacy of pre-existing sanctions. It stated that sanctions imposed under the Law of Ukraine *"On Sanctions"* are intended to serve as effective non-military instruments to deprive the aggressor state of the economic basis for waging war and to compensate for the consequences of such actions. At the same time, the explanatory note acknowledged that the existing Ukrainian sanctions regime was incomplete and that the available types of sanctions were manifestly disproportionate to the scale of damage inflicted upon Ukraine by the actions of persons subject to sanctions.

The amended version of Article 4 of the Law *"On Sanctions"* introduced a new sanction in the following terms:

> Article 4. Types of sanctions
> 1. The types of sanctions under this Law shall include:
> 1-1) collection into state income of assets belonging to a natural or legal person, as well as assets in respect of which such person may directly or indirectly (through other natural or legal persons) perform actions identical in substance to the exercise of the right of disposal.

The official designation of this measure is **"collection of assets into state income" (*стягнення в дохід держави активів*)**. Notably, the legislator deliberately avoided the term "confiscation". This terminological choice appears to have been motivated by the intention to avoid subjecting the measure to the traditionally stringent constitutional and procedural safeguards associated with confiscation in criminal law. Nevertheless, from a substantive perspective, the measure amounts to confiscation: the defendant is definitively deprived of property, loses legal title where such title exists, and the deprivation is irreversible rather than temporary.

The Law establishes a specific **procedural framework** governing the application of this measure. The Ministry of Justice of Ukraine is vested with exclusive authority to initiate proceedings by filing a claim before the High Anti-Corruption Court of Ukraine (HACC), which has jurisdiction to adjudicate all cases concerning the collection of assets into state income.[55] Importantly, the Law provides that such confiscation may be authorised only during the period of martial law,[56] thereby formally linking the measure to the extraordinary circumstances of armed conflict.

Once a court decision authorising the collection of assets enters into force, the confiscated assets must be transferred to the State Property Fund of Ukraine within five business days.[57]

Proceeds obtained from the sale of such assets are credited to the State Budget of Ukraine and earmarked for the fund dedicated to the liquidation of the consequences of armed aggression.[58] The Cabinet of Ministers of Ukraine, as the highest executive authority, may decide to appoint another state authority or a public-sector business entity as the asset

[54] Explanatory note to the Draft Law No. 2257-IX of May 12, 2022.
[55] See: Art 283-1 of the Code of Administrative Procedure of July 6, 2005, No. 2747-IV.
[56] See: para 1 Art 5-1 of the Law "On Sanctions".
[57] See: para 3 Art 5-1 of the Law "On Sanctions".
[58] Ibid.

manager.[59] In such cases, asset management is conducted in accordance with procedures determined by the Cabinet of Ministers.[60]

A defining characteristic of this measure is the absence of any requirement for a prior criminal conviction. In this respect, the Ukrainian mechanism bears a functional resemblance to the concept commonly referred to as **non-conviction-based forfeiture** (**NCBF**).[61] In comparative perspective, NCBF regimes are employed in a number of foreign jurisdictions, primarily as tools to deprive individuals of illicitly acquired assets where criminal prosecution is impossible or impracticable (for example, due to the death, absconding, or immunity of the suspected offender). Typically, such regimes operate within civil or administrative proceedings and apply a lower standard of proof than criminal law.

However, despite these similarities, a significant doctrinal difference distinguishes the Ukrainian mechanism from NCBF as applied in foreign legal systems. In most jurisdictions employing NCBF, the forfeiture of assets **requires proof of a sufficient nexus** between the specific property subject to forfeiture and a criminal offence or unlawful activity. By contrast, Ukrainian law does not require the Ministry of Justice to demonstrate that the particular asset sought to be collected into state income is connected to, derived from, or instrumental in supporting the aggressive war against Ukraine. Instead, it suffices to establish, on the applicable standard of proof, that the defendant as a person supports the aggression.

In practice, this distinction has material consequences. In some cases, particularly those involving oligarchs[62] or large business actors,[63] the requisite connection between assets and support for the war may be evident, for example where assets are used to produce goods or services for the Russian armed forces. In other cases, however, such a connection is absent. This is especially apparent in proceedings against individuals engaged in propaganda[64] activities in support of the war, where the private property targeted for confiscation typically bears no direct relation to the propaganda activities themselves.

The applicable standard of proof further reinforces the administrative-civil nature of these proceedings. Pursuant to Part 6 of Article 283-1 of the Code of Administrative Procedure of Ukraine, the court shall rule in favour of the party whose evidence is more convincing than that of the opposing party. This formulation is commonly understood as embodying the

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[59] Ibid.
[60] Ibid.
[61] See: Council of Europe. (2020). *The use of non-conviction based seizure and confiscation.* Council of Europe. Available here. Brun, J. P., Gray, L., Scott, C., & Stephenson, K. (2011). *Asset recovery handbook: A guide for practitioners.* The World Bank / UNODC Stolen Asset Recovery (StAR) Initiative. Available here. Greenberg, T. S., Samuel, L. M., Grant, W., & Gray, L. (2009). *Stolen asset recovery: A good practices guide for non-conviction based asset forfeiture.* The World Bank / UNODC Stolen Asset Recovery (StAR) Initiative. Available here.
[62] See: Case no. 991/3183/22 (*Yevtushenkov case*), Judgment of the High Anti-Corruption Court of 01 September 2022; Case no. 991/6606/22 (*Shelkov case*), Judgment of the High Anti-Corruption Court of 21 January 2023; Case no. 991/265/23 (*Deripaska case*), Judgment of the High Anti-Corruption Court of 16 February 2023; Case no. 991/1542/23(*Giner case*), Judgment of the High Anti-Corruption Court of 27 February 2023 and others.
[63] Case no. 991/5274/23, Judgment of the High Anti-Corruption Court of 27 June 2023; Case no. 991/7229/23, Judgment of the High Anti-Corruption Court of 29 August 2023; Case no. 991/8260/23, Judgment of the High Anti-Corruption Court of 27 September 2023.
[64] Case no. 991/1071/24 (*Kiselyov case*), Judgment of the High Anti-Corruption Court of 4 March 2024; Case no. 991/5824/23 (*Lebedev case*), Judgment of the High Anti-Corruption Court of 10 July 2023; Case no. 991/2657/24, Judgment of the High Anti-Corruption Court of 9 April 2024.

"balance of probabilities" standard of proof.[65] Under this standard, the court is not required to be convinced beyond reasonable doubt; rather, it must determine which version of facts appears more probable in light of the evidence presented. This lower evidentiary threshold significantly differentiates sanctions-based asset forfeiture proceedings from criminal confiscation and contributes to the effectiveness of the mechanism as a rapid and flexible response to wartime challenges.

A.2 Preconditions for the application of the measure

A.2.1 Statutory preconditions

The Law of Ukraine *"On Sanctions"* establishes a closed set of cumulative preconditions that must be satisfied before the sanction in the form of collection of assets into state income may be applied. Confiscation is permissible only **where all four statutory requirements are met**. **First,** the measure may be applied only to a limited circle of persons. These include foreign legal entities; legal entities controlled by foreign legal entities; non-resident individuals; foreigners; stateless persons; and persons engaged in terrorist activities.[66]

Second, a prior sanction in the form of an asset freeze[67] must have been imposed on the defendant. The collection of assets into state income thus functions as a follow-up measure that builds upon an existing restrictive measure, rather than as an autonomous sanction.[68]

Third, the person concerned must, through his or her actions, have caused a significant threat to the national security, sovereignty, or territorial integrity of Ukraine, or have substantially

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[65] See: Karnaukh, B. (2021). Standards of Proof: A Comparative Overview from the Ukrainian Perspective. *Access to Justice in Eastern Europe, 2*(10), 25–43.
[66] See: Para 1 Art 5-1 of the Law "On Sanctions".
[67] In a recent judgment (*M.S.L., TOV v. Ukraine*, no. 18049/18, Judgment of the ECtHR, 16 October 2025) concerning asset-freezing measures imposed under the Law of Ukraine "On Sanctions", the European Court of Human Rights found a violation of Article 1 of Protocol No. 1 and Article 13 of the Convention. The case concerned sanctions imposed in 2015 on a lottery operator with a multi-layered corporate structure involving Ukrainian and foreign shareholders. The sanctions, including asset freezing, were adopted by decision of the National Security and Defence Council of Ukraine and enacted by presidential decree. The Court accepted that the sanctions regime pursued legitimate national security objectives in the context of the armed conflict and acknowledged the necessity for swift preventive measures. However, it concluded that the interference with property rights failed to satisfy the "lawfulness" requirement due to insufficient procedural safeguards against arbitrariness. In particular, the sanctions decisions relied on broadly formulated statutory grounds without providing individualised reasoning, thereby preventing the applicant company from understanding the specific allegations against it and effectively challenging the measures.
The Court further criticised the scope of domestic judicial review. Ukrainian courts confined their examination primarily to verifying formal compliance with statutory procedures and refrained from assessing whether the factual allegations underlying the sanctions were substantiated. The Court held that such limited judicial scrutiny did not provide adequate protection against arbitrary interference with property rights. Additionally, the applicant lacked an effective remedy, as administrative proceedings lasted more than six years and other attempts to challenge the sanctions, including cooperation with investigative authorities, proved ineffective. The Court emphasised that while states enjoy a margin of appreciation in matters of national security, sanctions involving freezing of assets must nevertheless be accompanied by sufficient procedural guarantees, including meaningful judicial review of the factual basis and proportionality of the measures.
A further implication of the judgment concerns the relationship between asset-freezing measures and subsequent collection of assets into Stateincome. Since the freezing of assets operates as a preliminary step enabling their potential collection into State ownership through separate confiscation measure, the findings of the European Court of Human Rights suggest that deficiencies in procedural safeguards at the freezing stage may undermine the legal sustainability of subsequent confiscation measures derived from such restrictions. This creates litigation and enforcement risks, as confiscation decisions may be challenged on the basis that they rely on earlier restrictive measures found to be insufficiently grounded in law or lacking adequate judicial scrutiny.
[68] See: Para 1 Art 5-1 of the Law "On Sanctions".

contributed to the commission of such actions by other persons. This behavioural element constitutes the core substantive prerequisite for the application of the measure.[69]

Fourth, the defendant must either own the asset subject to confiscation or directly or indirectly exercise powers that are effectively identical to ownership.[70] This includes situations where control over the asset is exercised through other natural or legal persons.

The decisive prerequisite for the application of this measure is therefore the conduct of the targeted person. Article 5-1 of the Law *"On Sanctions"* specifies a detailed list of activities that may give rise to confiscation, structured around two main categories.

The first category encompasses actions that have caused, or are causing, significant damage to the national security, sovereignty, or territorial integrity of Ukraine.[71] This category includes ten subcategories. This category includes, in particular, the following types of conduct:

1. making a decision on armed aggression against Ukraine;
2. participation in collective decision-making on armed aggression against Ukraine, including by supporting such a decision through one's vote;
3. participation in the preparation, submission, or approval of proposals concerning a decision on armed aggression against Ukraine;
4. participation in state financing or logistical support of activities related to the decision to launch armed aggression against Ukraine;
5. participation in the organization of the preparation of armed aggression against Ukraine, including planning, management, coordination, state financing, and logistical support, as well as participation in the organization of the armed aggression itself;
6. personal participation in armed aggression against Ukraine;
7. participation in decision-making on the establishment of occupation administrations in territories seized as a result of armed aggression, participation in the actual establishment of such administrations, and participation in their state financing and logistical support;
8. making or participating in making a decision, including by voting in favour, to extend the jurisdiction of the aggressor state or any other state to territory that forms part of Ukraine in accordance with the Constitution of Ukraine;
9. participation in decision-making on, or in the establishment, state financing, or logistical support of, self-proclaimed bodies controlled by the aggressor state that have usurped the exercise of power in the temporarily occupied territories of Ukraine;
10. participation in the organization and conduct of illegal elections and/or referendums in the temporarily occupied territories of Ukraine.

The second category covers actions constituting substantial assistance in committing actions or making decisions that cause significant damage to the national security, sovereignty, or territorial integrity of Ukraine.[72] This category is subdivided into three groups of conduct.[73]

[69] See: Para 1 Art 5-1 of the Law "On Sanctions".
[70] See: subpara 1-1 para 1 Art 4 of the Law "On Sanctions".
[71] See: Art 5-1 of the Law "On Sanctions".
[72] Ibid.
[73] Ibid.

First, it includes facilitating armed aggression against Ukraine, as well as the occupation or annexation of territory that forms part of Ukraine in accordance with its Constitution.

Second, it covers the financing or logistical support of activities of the aggressor state related to armed aggression against Ukraine or the occupation or annexation of its territories. Of particular relevance for business actors, this provision expressly recognises, as an independent ground for the imposition of the sanction, the payment of taxes and duties to the state budget of the aggressor state, where the total amount of such payments (excluding customs duties) for the last four consecutive tax (reporting) quarters exceeds the equivalent of UAH 40 million[74] for a legal entity and UAH 3 million[75] for an individual.

Third, the category includes informational assistance in performing the above-mentioned actions or making the corresponding decisions, in particular through the organization, financing, or direct conduct of public events.

Taken together, these provisions delineate an extensive catalogue of conduct that may trigger the application of the confiscation mechanism, reflecting the legislator's intent to capture both direct participation in aggression and indirect forms of meaningful support.

A.2.2 Value judgment and assessment by the court

The wording of Article 5-1 of the Law *"On Sanctions"* necessarily entails the exercise of **value judgment** by the adjudicating court. For the sanction to be applied, the High Anti-Corruption Court must establish that the defendant's actions created a ***significant*** threat to the national security, sovereignty, or territorial integrity of Ukraine, or that those actions ***significantly*** contributed to the commission of such conduct by other persons. The assessment of the "significance" of the threat or contribution is carried out by the Court on a case-by-case basis. The use of evaluative concepts in this context does not render the law indeterminate. Rather, it allows the Court to tailor its assessment to the factual and social context of each case. In this framework, "significance" of support denotes a causal contribution to the common effort of the aggressive war against Ukraine that is noticeable, appreciable, and material when viewed against the aggregate actions of all persons involved in the aggression.

The practical implications of this approach can be illustrated by reference to informational assistance. Publishing a social media post in support of the Russian aggression may constitute substantial assistance in some circumstances but not in others. Where such a post is made by an ordinary individual with limited reach, its impact is unlikely to be considered significant. By contrast, where similar content is disseminated by a rector of a university[76] with many thousands of students, published on the institution's official platform and forming part of a sustained campaign in support of aggression, it may reasonably be regarded as substantial assistance within the meaning of Article 5-1.

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[74] Approx. 933 000 USD (as of 1 February 2026).
[75] Approx. 70 000 USD (as of 1 February 2026).
[76] Case no. 991/5732/22 (*Torkunov case*), Judgment of the High Anti-Corruption Court of 12 December 2022; Case no. 991/5799/22 (*Falaleyev case*), Judgment of the High Anti-Corruption Court of 5 December 2022; Case no. 991/5982/22 (*Polukhin case*), Judgment of the High Anti-Corruption Court of 7 December 2022.

A.3 The HACC jurisprudence

As of December 2025, the HACC has delivered 82 judgments on the collection of assets into state income.

Among the defendants there are Russian businessmen and oligarchs: Yevtushenkov V.P., whose company supplied communication systems and radio equipment for the Russian Defense Ministry,[77] Shelkov M.Ye., controlling the largest producer of titanium (90% of Russian titanium production) that supplies its products to the Russian defense industry,[78] Deripaska O.V. controlling organizations operating in industries of strategic importance to the Russian government,[79] Giner E.L., whose companies manufactures military and dual-use equipment,[80] Rotenbergs who built the Kerch Bridge connecting the territory of the Russian Federation with the territory of the occupied part of Ukraine,[81] Khudainatov E. whose companies supplied fuel and lubricants to paramilitary, law enforcement and security agencies;[82] former Ukrainian politicians that collaborated with the enemy and took part in establishing occupation administrations, Russian politicians;[83] rectors that signed the infamous Address of the Russian Union of Rectors to Putin in support of Russia's invasion of Ukraine;[84] Russian TV host spreading the aggressive propaganda,[85] famous artist and designer publicly justifying and legitimizing the armed aggression[86] and even the Metropolitan of the Ukrainian Orthodox Church of the Moscow Patriarchate inciting and supporting Russian troops[87] and others.

There are 19 rulings against corporations as well, including *Ilyushin Aviation Complex* that produces military aircraft used in the war against Ukraine,[88] *Volga-Dnepr Group of Companies* cooperating with the Russian government to supply military cargo,[89] *Rostov Helicopter Production Complex* that supplies aircraft ('Mi' helicopters) to the armed forces of the Russian Federation[90] and others. These cases are summarized in the table below.

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77 Case no. 991/3183/22 (*Yevtushenkov case*), Judgment of the High Anti-Corruption Court of 01 September 2022.
78 Case no. 991/6606/22 (*Shelkov case*), Judgment of the High Anti-Corruption Court of 21 January 2023.
79 Case no. 991/265/23 (*Deripaska case*), Judgment of the High Anti-Corruption Court of 16 February 2023.
80 Case no. 991/1542/23 (*Giner case*), Judgment of the High Anti-Corruption Court of 27 February 2023.
81 Case no. 991/1914/23 (*Rotenbergs case*), Judgment of the High Anti-Corruption Court of 20 March 2023.
82 Case no. 991/8725/23 (*Khudainatov case*), Judgment of the High Anti-Corruption Court of 23 January 2024.
83 Case no. 991/6376/22 (*Lyabikhov case*), Judgment of the High Anti-Corruption Court of 12 January 2023; Case no. 991/6317/22 (*Paikin case*), Judgment of the High Anti-Corruption Court of 12 January 2023; Case no. 991/6655/22 (*Kolbin case*), Judgment of the High Anti-Corruption Court of 30 January 2023; Case no. 991/480/23 (*Kovitidi case*), Judgment of the High Anti-Corruption Court of 30 January 2023; Case no. 991/317/23 (*Bakharev case*), Judgment of the High Anti-Corruption Court of 31 January 2023; Case no. 991/752/23 (*Aksakov case*), Judgment of the High Anti-Corruption Court of 6 February 2023.
84 Case no. 991/5732/22 (*Torkunov case*), Judgment of the High Anti-Corruption Court of 12 December 2022; Case no. 991/5799/22 (*Falaleyev case*), Judgment of the High Anti-Corruption Court of 5 December 2022; Case no. 991/5982/22 (*Polukhin case*), Judgment of the High Anti-Corruption Court of 7 December 2022.
85 Case no. 991/1071/24 (*Kiselyov case*), Judgment of the High Anti-Corruption Court of 4 March 2024.
86 Case no. 991/5824/23 (*Lebedev case*), Judgment of the High Anti-Corruption Court of 10 July 2023.
87 Case no. 991/2657/24, Judgment of the High Anti-Corruption Court of 9 April 2024.
88 Case no. 991/5274/23, Judgment of the High Anti-Corruption Court of 27 June 2023.
89 Case no. 991/7229/23, Judgment of the High Anti-Corruption Court of 29 August 2023.
90 Case no. 991/8260/23, Judgment of the High Anti-Corruption Court of 27 September 2023.

Table 1. Cases against Corporations (Ministry of Justice seeking to collect assets into the state income under the Law "On Sanctions")				
	Case no.	**Defendant (Legal Person)**	**Country of Residence**	**Conduct Considered by the Court**
1	Case no 991/10154/25, Judgment of the High Anti-Corruption Court, 27 October 2025.	Open Joint-Stock Company "Gomselmash"	Belarus	Involvement in military-industrial production, including the use of navigation technologies in the manufacture or repair of military equipment; participation, together with other Belarusian state-owned enterprises, in the production of components for Russian ammunition; through a controlled entity, engagement in trade activities in the temporarily occupied territories of Crimea and parts of Donetsk region, thereby facilitating the occupation and armed aggression against Ukraine.
2	Case no 991/2148/25, Judgment of the High Anti-Corruption Court, 9 April 2025.	Open Joint-Stock Company "Belaruskali"	Belarus	Provision of material and technical support to the armed aggression through financial and commercial relations with enterprises of the Russian military-industrial complex; supply of technical salt to the so-called 'DNR' and 'LNR'; participation in financing the transfer of Ukrainian children from temporarily occupied territories to Belarus; actions aimed at circumventing international restrictive measures.
3	Case no. 991/1932/25, Judgment of the High Anti-Corruption Court of 04 April 2025.	International Company PJSC "United Company RUSAL"	Russian Federation	Supply of aluminium products to enterprises of the Russian defence sector involved in the production of weapons and military equipment; financing and material support of the state-aggressor's activities connected with the war against Ukraine.
4	Case no 991/14304/24, Judgment of the High Anti-Corruption Court, 5 March 2025.	Russian Maritime Register of Shipping (Federal Autonomous Institution)	Russian Federation	Classification and certification of vessels, including naval vessels; participation in the implementation of oil and gas projects of the Russian Federation contributing to its economic and military capacity.
5	Case no 991/682/25,Judgment of the High Anti-Corruption Court, 26 February 2025.	PJSC "Tatneft named after V.D. Shashin"	Russian Federation	Payment of significant taxes to the Russian state budget, the revenues of which are used to support the military-industrial complex and the conduct of the war against Ukraine.
6	Case no 991/13377/24, Judgment of the High Anti-Corruption Court, 11 December 2024.	JSC Research and Production Association "Rodina"	Russian Federation	Development, supply and maintenance of aviation systems for the armed forces of the Russian Federation, thereby contributing to the armed aggression against Ukraine.
7	Case no 991/10700/23, Judgment of the High Anti-Corruption Court, 29 October 2024.	JSC "HMS Group"	Russian Federation	Supply of industrial equipment to enterprises of the Russian military-industrial complex and payment of substantial taxes to the budget of the state-aggressor.
8	Case no 991/5120/24,Judgment of the High Anti-	JSC "Nevskaya Kosmetika"	Russian Federation	Supply of goods and products to the Russian Ministry of Defence and other military bodies; payment of significant taxes and investment in

	Corruption Court, 24 July 2024.			Russian government bonds, thereby financing the war effort.
9	Case no 991/11112/23, Judgment of the High Anti-Corruption Court, 31 May 2024.	LLC "Royal Pay Europe"	Latvia	Financial and organisational support to entities operating in the Russian Federation; payment of taxes to the Russian budget; provision of charitable assistance to participants in the so-called 'special military operation'; organisation of public activities aimed at inciting hostility towards Ukraine.
10	Case no 991/11220/23, Judgment of the High Anti-Corruption Court, 15 May 2024.	JSC "Ilyushin Finance Co."	Russian Federation	Supply of aircraft and components to Russian security and defence bodies involved in the annexation of Crimea and the full-scale invasion of Ukraine; participation in state programmes supporting the aviation sector under sanctions.
11	---	JSC "Scientific and Production Corporation "Design Bureau of Machine Building"	Russian Federation	Information classified.
12	Case no 991/9891/23, Judgment of the High Anti-Corruption Court, 1 December 2023.	PJSC "Aviation Complex named after S.V. Ilyushin"	Russian Federation	Development and production of military aircraft used in the war against Ukraine; integral part of the Russian military-industrial complex; public ideological support for the actions of the state-aggressor.
13	Case no 991/8260/23, Judgment of the High Anti-Corruption Court, 27 September 2023.	PJSC "Rostvertol named after B.M. Slyusar"	Russian Federation	Production and supply of military helicopters used by the Russian armed forces in the war against Ukraine.
14	Case no 991/8192/23, Judgment of the High Anti-Corruption Court, 3 October 2023.	PJSC "AFK Sistema"	Russian Federation	Ownership and control of enterprises producing military equipment, including unmanned aerial vehicles used by the Russian armed forces during the war in Ukraine.
15	Case no 991/7229/23, Judgment of the High Anti-Corruption Court, 29 August 2023.	Volga-Dnepr Group of Companies	Ireland / Netherlands / Russian Federation	Provision of logistics services, including covert transportation of military cargo to the Russian Federation using heavy transport aircraft, in cooperation with the Russian authorities.
16	Case no. 991/6051/23, Judgment of the High Anti-Corruption Court, 22 August 2023	PJSC "LSR Group"	Russian Federation	Payment of substantial taxes to the Russian budget; sponsorship of housing programmes for participants in the so-called 'special military operation'; investment in housing construction for Russian military personnel.
17	Case no. 991/5279/23, Judgment of the High Anti-Corruption Court, 27 June 2023.	PJSC "Aviation Complex named after S.V. Ilyushin"	Russian Federation	Development and production of military aircraft used in the war against Ukraine; integral part of the Russian military-industrial complex; public ideological support for the actions of the state-aggressor.

18	Case no. 991/3226/23, Judgment of the High Anti-Corruption Court, 19 April 2023	PJSC "Moscow Exchange"	Russian Federation	Financing of the Russian Federation through payment of taxes and investment in Russian government bonds, thereby contributing to the state's capacity to wage war.
19	Case no. 991/6493/24, Judgment of the High Anti-Corruption Court, 30 September 2024.	PJSC "VSMPO-AVISMA Corporation"	Russian Federation	Supply of titanium products to enterprises of the Russian military-industrial complex for the production of aircraft, helicopters and missiles; integral part of the state-owned defence conglomerate Rostec.

Even where a corporation is not formally identified as a defendant, it may still be procedurally implicated in sanctions-related litigation. This occurs most frequently in cases where the defendant is a businessperson acting in an individual capacity who owns or exercises control over corporate entities, and the Ministry of Justice seeks the collection into state income of shares held in those entities. In such situations, the companies concerned are consistently involved in the proceedings ***as third parties***, reflecting the direct impact of the measure on their corporate structure and governance.

Based on the reviewed case law of the High Anti-Corruption Court of Ukraine (HACC), several **jurisprudential tendencies** emerge as regards the grounds for applying the sanction of collection of assets into state revenue against legal persons.

First, the Court adopts a **broad and functional understanding of "support for the aggression"**, going beyond direct participation in hostilities. The decisive factor is whether the activities of a legal person objectively strengthen the military, economic, logistical, or administrative capacity of the Russian Federation or its allied structures in the context of the armed aggression against Ukraine. This approach is consistent across sectors and does not depend on the formal designation of an entity as military or civilian.

Second, a **core group of cases concerns companies integrated into, or closely linked with, the military-industrial complex** of the Russian Federation and, in some instances, Belarus. This includes manufacturers of aircraft, helicopters, aerospace components, metals, and high-precision equipment, as well as certification, leasing, and logistics entities whose services were indispensable for the production, maintenance, deployment, or transport of military assets. In these cases, sanctions were grounded in direct material, technical, or logistical support to the armed forces or defence sector of the aggressor state.

A distinct and particularly important line of jurisprudence concerns **financial contributions to the aggressor state**, most notably through the payment of taxes and mandatory duties to the state budget of the Russian Federation. The High Anti-Corruption Court's case law demonstrates that such fiscal contributions may constitute an independent and sufficient ground for the application of the sanction of collection of assets into state revenue, even in the absence of direct involvement in the production of weapons or military equipment.

This approach is anchored in the Law of Ukraine "*On Sanctions*", which expressly recognises as a sanctionable ground the payment of taxes and duties to the budget of the aggressor state where, over the last four consecutive tax (reporting) quarters, the total amount of such payments (excluding customs duties) exceeds the statutory threshold of UAH 40 million for a legal person (and UAH 3 million for an individual). The Court consistently treats these thresholds not merely as formal criteria, but as indicators of economically meaningful participation in sustaining the fiscal capacity of the aggressor state.

Where companies operate as significant taxpayers, invest in state financial instruments, or otherwise channel substantial funds into the Russian budget, the Court considers that these actions objectively enable the financing of the military-industrial complex and the conduct of the war, regardless of whether the company's core business is formally civilian. In several cases, the decisive element was precisely the magnitude of tax payments and other budgetary contributions, which met or exceeded the statutory threshold and thereby triggered the application of sanctions.

This jurisprudence underscores that, under Ukrainian sanctions law as interpreted by the High Anti-Corruption Court,economic integration into the fiscal system of the aggressor state entails legal responsibility, where it reaches a level capable of materially supporting the continuation of armed aggression.

Fourth, the case law shows heightened sensitivity to **activities connected with temporarily occupied territories**, including trade, supply, logistics, or administrative engagement that implies de facto recognition of occupation authorities. Such conduct is treated as aggravating and as clear evidence of support for the aggression.

As regards **residence**, the overwhelming majority of sanctioned legal persons are incorporated or headquartered in theRussian Federation, with a smaller number linked to Belarus. However, the jurisprudence demonstrates that foreign incorporation is not a shield: companies registered in EU Member States or other jurisdictions were sanctioned where their economic activities were functionally connected to financing or supporting the aggressor state. Overall, HACC practice reflects a substance-over-form approach, focusing on the real economic and strategic effects of corporate conduct rather than formal neutrality or sectoral classification. This establishes a coherent judicial standard aimed at disrupting the economic foundations of the aggression.

A.4 Establishing indirect ownership and effective control over assets

The Law of Ukraine *"On Sanctions"* permits the collection into state income not only of assets directly owned by a designated person, that is, assets in respect of which the defendant holds formal legal title, but also of assets over which such person exercises effective control without being the formal owner. This latter category covers assets controlled through front companies, subsidiary or dependent entities, affiliated undertakings, or more complex chains of interrelated legal entities.

The Law defines this category broadly, referring to assets in respect of which a person "may directly or indirectly (through other natural or legal persons) exercise powers effectively identical to the right of disposition."[91] The High Anti-Corruption Court has provided authoritative interpretation of this formulation. According to the Court, the exercise of powers

[91] Para 1^1 part 1 Art 4 of the Law of Ukraine On Sanctions'.

effectively identical to the right of disposition encompasses the ability to determine the legal and factual fate of assets, including their alienation; to take direct or indirect management and administrative decisions in relation to them; to define priority areas of development; to select counterparties; and to use profits and/or receive income generated by the assets. Such powers may arise from ownership of corporate rights, provisions of law, or special relationships with other persons. In the context of corporate rights, the Court has further emphasised that the exercise of such powers is inseparable from the identification of the ultimate (formal or informal) beneficial owner of a legal entity.[92]

Determining who exercises effective control over assets is often a complex and evidentially demanding task. Sanctioned persons frequently rely on multi-layered ownership structures designed to obscure their status as ultimate beneficiaries. A common structure involves a sanctioned individual controlling a legal entity that, in turn, controls another entity, with the chain continuing until the last entity formally holds title to the relevant assets. Another frequently encountered mechanism is the use of nominal or “straw” owners, whereby individuals appear as formal owners while all substantive decisions concerning the assets are taken by the sanctioned person.

In assessing whether a defendant exercises powers effectively identical to the right of disposition, the HACC routinely relies on a set of interconnected legal and economic concepts, including: ultimate beneficial ownership;[93] direct and indirect decisive influence;[94] significant participation and indirect significant participation;[95] control;[96] related parties;[97] chains of ownership of corporate rights;[98] affiliated persons;[99] and the overall ownership structure of the legal entity.[100]

Ownership structures frequently involve companies **incorporated under foreign law**. This may create opportunities to circumvent sanctions, particularly where at least one entity in the ownership chain is located in a jurisdiction that has not imposed sanctions on the respondent. For example, a sanctioned person may be the founder of Company A incorporated in State X. Company A controls Company B, which in turn controls Company C located in Ukraine, whose assets are frozen under Ukrainian sanctions. If the respondent is not subject to sanctions in State X, the freeze of assets in Ukraine does not, as such, prevent the respondent from disposing of his or her shareholding in Company A. As a result, by the time confiscation proceedings are initiated in Ukraine, Company C may formally cease to be linked to the sanctioned person.

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[92] Case no. 991/265/23 (Deripaska case), Judgment of the High Anti-Corruption Court of 16 February 2023, para. 7.14.3.
[93] Para 30 part 1 Art 1, the Law ‘On Prevention and Counteraction to Legalisation (Laundering) of Criminal Proceeds, Terrorist Financing and Financing of Proliferation of Weapons of Mass Destruction’ (Law No. 361-IX)
[94] Ibid. In the case of Rotenberg et al. the HACC generally equated ‘indirect decisive influence’ with the concept of ‘actions equivalent to the exercise of the right of disposal’, which is used in paragraph 1-1 of Article 4 of the Law of Ukraine ‘On Sanctions’ (para. 92).
[95] Para 30 part 1 Art 1 Law No. 361-IX; Article 2 of the Law of Ukraine ‘On Banks and Banking Activities’.
[96] Article 2 of the Law of Ukraine ‘On Banks and Banking Activities’.
[97] Subparagraph 14.1.159 of the Tax Code.
[98] Article 2 of the Law of Ukraine ‘On Banks and Banking Activities’.
[99] Clause 1 of Part 1 of Article 2 of the Law of Ukraine ‘On Joint Stock Companies’.
[100] Article 2 of the Law of Ukraine ‘On Banks and Banking Activities’.

Such a scenario materialised in the *Shelkov* case[101] concerning Demurinsky Mining and Processing Plant LLC. One hundred per cent of the shares in the company belonged to Limpieza Limited, a company incorporated in Cyprus. On 20 February 2022, after Shelkov's assets in Ukraine had been frozen, a 75 per cent stake in Limpieza Limited was sold byAvisma Corporation, controlled by Shelkov, to Bolatico Limited, another Cyprus-based company, for EUR 3,750. By comparison, in 2019 a 25 per cent stake in the same company had been sold for USD 3 million.

Another illustration of the challenges inherent in establishing indirect ownership arises from the *Deripaska* case,[102] in the part concerning Khust Quarry and Zhezhelevsky Quarry. In an apparent attempt to circumvent sanctions, shares in the quarries were sold during the period in which assets were frozen. Nevertheless, the HACC concluded that the respondent retained effective control over the assets. In reaching this conclusion, the Court took into account that the new owner lacked sufficient financial capacity to acquire the assets, as the purchase price exceeded three years of the buyer's total salary; that no valuation or audit of the assets had been conducted prior to the sale; and that subsequent changes in the supervisory board of the acquiring company indicated the continued influence of the respondent.

Finally, in the *Rotenberg et al.* case,[103] the HACC expressly acknowledged the relevance of analytical tools developed in the field of anti-money laundering for the purposes of establishing indirect control over assets. In particular, the Court referred to the usefulness of the Forty Recommendations of the Financial Action Task Force (FATF) and the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation of Weapons of Mass Destruction as interpretative benchmarks in identifying concealed ownership and control structures.

A.5 Protecting the rights of third parties

The other intricate issue that raises in the context of complex ownership structures is the need to safeguard the rights of third parties. Suppose that the defendant owns 60 percent of the shares in company A, which in turn owns 100 percent of the shares in company B. Sixty percent in the company A is sufficient for the court to find that the defendant also exercises indirect control over company B as well. Accordingly, the corporate rights in company B in the amount of 100 percent may be confiscated for the benefit of Ukraine, since with regard to those the defendant exerts powers identical to the power of disposition. In case of confiscation third parties who own the remaining 40 percent of shares in Company A will suffer losses.

Both issues - establishing effective control and protecting third party's rights - were addressed in a recent case against Russian billionaire Eduard Khudainatov.[104] The Ministry of Justice filed a lawsuit to collect into state income a 49% share in Alliance Holding LLC (among other assets), which owns the Shell petrol station chain.[105] The HACC dismissed the claim noting that Alliance Holding LLC is fully owned by Cicerone Holding BV, which is in turn owned by

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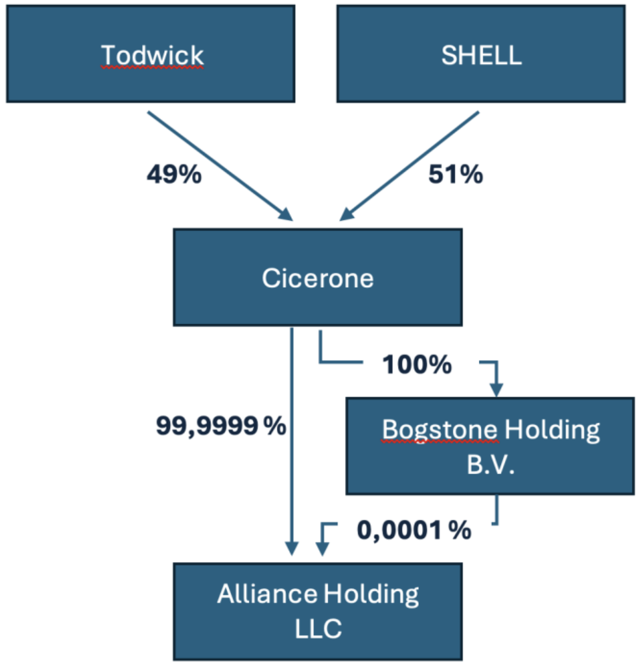
[101] Case no. 991/6606/22 (***Shelkov case***), Judgment of the High Anti-Corruption Court of 21 January 2023.
[102] Case no. 991/265/23 (***Deripaska case***), Judgment of the High Anti-Corruption Court of 16 February 2023.
[103] Case no. 991/1914/23 (***Rotenbergs case***), Judgment of the High Anti-Corruption Court of 20 March 2023.
[104] Case no. 991/8725/23 (***Khudainatov case***), Judgment of the High Anti-Corruption Court of 23 January 2024.
[105] Ibid., para. 4.5.1.

Shell Overseas Investments B.V. and Todwick Holdings Ltd, and only the latter (Todwick Holdings Ltd.) was controlled by Khudainatov (See: *Figure 1*).[106]

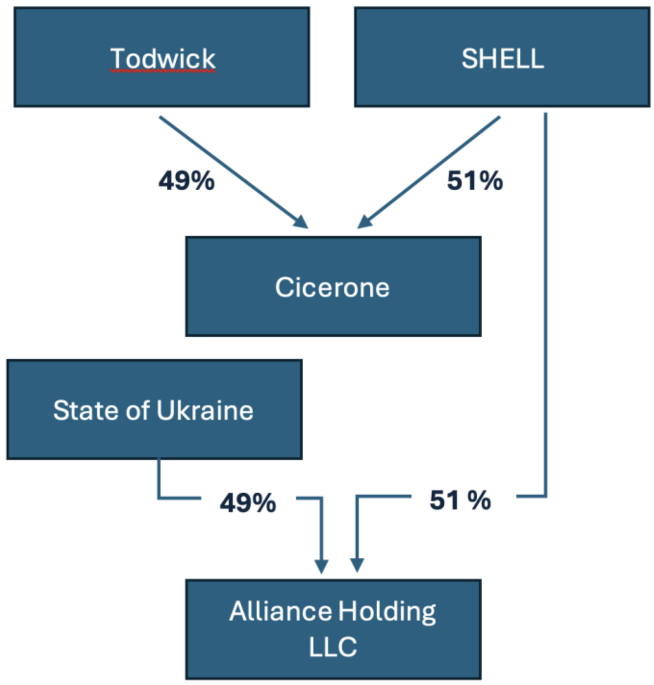
Figure 1. Ownership structure before the ruling



Moreover, the HACC took into account the agreement between Shell Overseas Investments B.V. and Cicerone Holding B.V., according to which the former invested additional funds into the latter.[107]As a result of this transaction (by the way, sanctioned by the Enterprise Chamber of the Amsterdam Court of Appeal) the share of the other investor Todwick Holdings Ltd (controlled by the defendant) in the same company dropped from 49% to 2.56%.[108] Therefore, the HACC found that the confiscation of the 49% share in Alliance Holding LLC into the state income would infringe the rights of *bona fidei* third party, namely Shell Overseas Investments B.V.[109] However, the Appellate Chamber of the HACC reversed the decision and ruled that 49 % share in Alliance Holding LLC shall be confiscated and the rest should be registered after Shell Overseas Investments B.V. (See: *Figure 2*).[110]

[106] Ibid.
[107] Ibid.
[108] Ibid.
[109] Ibid.
[110] Case no. 991/8725/23 (*Khudainatov case*), Judgment of the Appeals Chamber High Anti-Corruption Court of 02 April 2024.

Figure 2. Ownership structure under the ruling



The Appellate Chamber effectively stroke-down the 'middle man' in the ownership chain (Cicerone Holding B.V.) and awarded the share directly to the next level entity. This solution severs the link of control between the defendant and the bottom-level entity and at the same time allows to avoid infringement of property rights of the *bona fidei* third person (Shell Overseas Investments B.V.).

But for this solution there were two conceivable options. First – the Ministry does nothing about the valuable Ukrainian assets controlled by sanctioned individuals as long as some *bona fidei* third party owns a share in that asset. But that would clearly mean that sanctioned individuals can keep profiting from companies located in Ukraine and channel the profit to support Russian war machine. Second option was to confiscate the whole asset altogether. But the latter option would involve significant 'collateral damage' as some third companies (not subject to sanctions) would lose their Ukrainian assets.

The Appellate Chamber thus devised the middle path allowing both to deprive sanctioned individuals of control over profit-producing assets in Ukraine and to respect the interests of companies not involved in supporting the war.

A.6 Concluding remarks

The issues examined in this section illustrate the delicate balance inherent in Ukraine's sanctions-based confiscation mechanism between, on the one hand, ensuring the effective deprivation of sanctioned persons of economic resources connected to the aggression, and, on the other hand, safeguarding the property rights of *bona fide* third parties, including foreign and domestic business actors not involved in supporting the war.

The emerging case law demonstrates that Ukrainian courts are actively seeking solutions that allow economically significant assets to be disengaged from sanctioned individuals and ultimately redirected towards addressing war-related damage, without imposing disproportionate losses on compliant businesses. The approach developed by the HACC Appeals Chamber in the *Khudainatov* case is particularly illustrative in this respect. By restructuring the ownership chain and severing the link of control exercised by the sanctioned individual, while preserving the property rights of an unsanctioned corporate investor, the Court effectively reconciled the reparative function of the confiscation mechanism with fundamental principles of legal certainty and protection of legitimate expectations.

At the same time, this jurisprudence highlights a number of risks for businesses operating in or with Ukraine. Companies embedded in complex ownership structures, particularly those involving minority shareholdings by sanctioned persons or multi-jurisdictional holding chains, may find themselves indirectly affected by confiscation proceedings even where they are not defendants and have no involvement in sanctionable conduct. The risk is not limited to temporary procedural involvement as third parties, but may extend to forced restructuring of ownership arrangements, reallocation of shares, or changes in corporate governance resulting from judicial intervention.

For business actors, these developments underscore the importance of enhanced due diligence with regard to shareholders, ultimate beneficial owners, and upstream control structures, especially in high-risk sectors and in the context of wartime regulatory enforcement. From a systemic perspective, however, the Ukrainian model – as shaped by judicial practice – demonstrates a conscious effort to avoid a binary choice between inaction and over-inclusive confiscation. Instead, it reflects an attempt to channel assets away from sanctioned individuals and towards public purposes linked to post-war recovery, while limiting “collateral damage” to lawful economic activity.

In this sense, the protection of third-party rights is not merely a procedural safeguard but an integral component of the broader reparative architecture. By maintaining the participation of bona fide businesses in the Ukrainian economy while disentangling them from sanctioned control, the confiscation mechanism contributes to the dual objective of accountability for aggression and preservation of a viable economic environment capable of supporting Ukraine’s reconstruction.

B. Forfeiture of assets by decision of the national security and defence council under Law No. 2116-IX

B.1 Legal framework and institutional design

In addition to judicial mechanisms discussed above, Ukrainian law provides for a public-law, extra-judicial mechanism enabling the compulsory forfeiture of assets belonging to the Russian Federation and its residents. This mechanism was introduced by the Law of Ukraine No. 2116-IX “On the Basic Principles of the Compulsory Seizure in Ukraine of Objects of Property Rights of the Russian Federation and Its Residents” (hereinafter – *Law No. 2116-IX*).

From a structural perspective, this mechanism differs fundamentally from asset recovery under the Law “On Sanctions”. Whereas sanctions-related confiscation requires judicial involvement, the mechanism under Law No. 2116-IX is **administrative and political in nature**, operating through coordinated decisions of the executive branch. In functional terms, it resembles *nationalisation*. However, unlike classical nationalisation, it is not carried out by an act of Parliament *ex ante*, but rather by a decision of the National Security and Defence Council of Ukraine (NSDC), enacted by aPresidential Decree, with parliamentary approval required only *ex post*.

Law No. 2116-IX establishes that compulsory seizure of property owned by the Russian Federation or its residents may be carried out on grounds of public necessity, including cases dictated by military necessity. The underlying rationale is explicitly linked to the full-scale armed aggression of the Russian Federation against Ukraine. The law applies to both state-owned assets of the Russian Federation and assets owned by its residents, including corporate entities.

For the purposes of Law No. 2116-IX, the notion of **"residents of the Russian Federation"** is defined functionally and extends beyond entities incorporated in Russia (see Art. 1). It covers legal persons (including their branches and representative offices) operating under Ukrainian law on the territory of Ukraine where the Russian Federation acts,directly or indirectly, as a founder, participant, shareholder, or beneficial owner. The definition also encompasses legal entities in which the Russian Federation, or other legal persons controlled by it, holds a direct or indirect participation interest, including shares in the statutory (charter) capital, equity interests, units, or any other form of membership or corporate participation. As a result, the personal scope of Law No. 2116-IX is deliberately broad and captures multi-layered ownership structures, ensuring that assets held through intermediaries or complex corporate chains remain subject to compulsory seizure where ultimate control or beneficial ownership can be attributed to the Russian Federation.

A defining feature of this mechanism is that **no compensation is provided** for the seized assets (See Art. 2). The law expressly excludes any obligation to reimburse their value, thereby derogating from the general constitutional and international-law standards applicable to expropriation in peacetime. This exceptional approach is justified legislatively by the context of armed aggression and the imperative of safeguarding national security.

The decision-making procedure is structured as follows. The Cabinet of Ministers of Ukraine initiates the process by submitting a draft decision on compulsory seizure to the NSDC. The NSDC adopts the decision, which is then brought into force by a Presidential Decree. After the termination or lifting of martial law, such Presidential Decree must, within six months, be approved by the Verkhovna Rada of Ukraine through the adoption of a law, thereby providing a measure of *ex post* parliamentary control (See Art. 3).

As regards the legal fate of seized assets, Law No. 2116-IX establishes differentiated rules depending on their nature (See Art. 4). Monetary assets are transferred directly to the State Budget of Ukraine and earmarked for the Fund for the Elimination of the Consequences of Armed Aggression.[111] Non-monetary assets, including corporate rights, are temporarily

[111] The Fund for the Elimination of the Consequences of Armed Aggression (*Фонд ліквідації наслідків збройної агресії*) is a **special-purpose fund** established within the **special fund of the State Budget of Ukraine**, meaning that its revenues are subject to **strict earmarking** and may be used exclusively for purposes defined by law. Its operational framework is specified by Resolution of the Cabinet of Ministers of Ukraine **№ 118** of 10

transferred either into the economic management of state-owned enterprises or into the management of state-controlled entities under asset management agreements. Subsequently, such assets are subject to sale under procedures determined by the Cabinet of Ministers, with the proceeds likewise directed to the State Budget and allocated to the same fund.

B.2 Application of Law No. 2116-IX: forfeiture of Russian-owned banks

The most prominent and illustrative application of Law No. 2116-IX concerns the forfeiture of corporate rights in two banks operating in Ukraine but controlled by Russian state-owned entities.

By a decision of the NSDC dated 11 May 2022,[112] and a subsequent implementing resolution of the Cabinet of Ministers,[113] the following assets were compulsorily seized:

- 99.77 per cent of the share capital of Public Joint Stock Company "Joint Stock Commercial Industrial and Investment Bank" (**Prominvestbank**), which was indirectly controlled by the Russian Federation through the State Development Corporation "VEB.RF"; and
- 100 per cent of the share capital of Joint Stock Company "International Reserve Bank" (**MR Bank**), which was owned by Public Joint Stock Company "Sberbank of Russia", a major Russian state-controlled banking institution.

The seized corporate rights were transferred to the State Enterprise "National Investment Fund of Ukraine" under the right of economic management. The National Bank of Ukraine revoked the banking licences of both Prominvestbank and MR Bank and initiated their liquidation under the banking resolution framework.

February 2023 "On Approval of the Procedure for the Use of Funds of the Fund for the Elimination of the Consequences of Armed Aggression".
The Fund is created by annual State Budget laws (e.g. Article 43 of the Law of Ukraine "On the State Budget of Ukraine for 2025" **№ 4059-IX** of 19 November 2024; Article 25 of the Law "On the State Budget of Ukraine for 2026" **№ 4695-IX** of 3 December 2025).
Sources of the Fund include revenues credited to the special fund of the state budget, notably proceeds from forfeited or confiscated assets (including assets of the Russian Federation and its residents), as well as other receipts determined by the State Budget Law for the relevant year. Unlike general tax revenues, funds originating from such sources cannot be reallocated to unrelated budgetary purposes.
Permitted uses. Under Resolution **№ 118**, the Fund is primarily designated for compensation for destroyed or damaged residential property. This wording was replicated verbatim in the Law of Ukraine "On the State Budget of Ukraine for 2025" (Art. 43(4)). However, the Law of Ukraine "On the State Budget of Ukraine for 2026" (Art. 25(4)) broadened the permitted scope of expenditures. In addition to compensation for destroyed or damaged residential property (including garden and summer houses), the Fund may also be used for: (i) completion of recovery projects financed from the Fund in previous budget periods; (ii) restoration of infrastructure related to water supply and sanitation, heat generation and supply, and electricity supply; and (iii) restoration of damaged residential buildings. Decisions on allocations are taken by the Cabinet of Ministers of Ukraine within the limits of funds actually received, upon proposals from the Ministry for Communities and Territories Development. The State Treasury Service submits monthly reports on inflows and expenditures to state authorities, ensuring fiscal transparency and accountability.
[112] Decision of the National Security and Defense Council "On the compulsory seizure in Ukraine of property belonging to the Russian Federation and its residents" dated May 11, 2022. Enacted by Decree of the President of Ukraine No. 326/2022 dated May 11, 2022.
[113] Order of the Cabinet of Ministers of Ukraine "Certain Issues of Compulsory Seizure in Ukraine of Property Belonging to the Russian Federation and Its Residents" dated September 13, 2022, No. 815-r.

As part of the liquidation process, the Deposit Guarantee Fund ensured the transfer, in December 2022, of funds equivalent to approximately **UAH 17 billion** from the accounts of Prominvestbank and MR Bank to a special fund of the State Budget of Ukraine.[114]

The liquidation of both banks remains ongoing. Their remaining assets are being gradually unblocked, realised, and converted into state revenue as liquidation procedures advance. In this manner, the forfeiture initiated under Law No. 2116-IX is operationalised through subsequent financial and insolvency mechanisms, resulting in a sustained inflow of resources into the state budget.

B.3 Legal character and systemic implications

From a doctrinal standpoint, the mechanism under Law No. 2116-IX occupies a border zone between sanctions law, emergency public law, and wartime economic regulation. It bypasses the need to establish individual wrongdoing or causal contribution to specific harm and instead relies on status-based criteria: ownership by the aggressor state or its residents.

For businesses, this mechanism introduces a particularly high level of legal risk. Corporate entities controlled by Russian state actors or residents are exposed to outright forfeiture of assets without judicial determination on the merits, subject only to *ex post* parliamentary validation. At the same time, the mechanism is formally insulated from private-law remedies, as it does not hinge on contractual invalidity, tortious liability, or unjust enrichment.

B.4 Concluding remarks

This mechanism enables the swift and comprehensive transfer of economically significant assets into state ownership. Although businesses are not “engaged” in a cooperative sense, they are incorporated into the reparative framework through coercive redistribution of value.

At the same time, the mechanism operates on an exceptional legal footing justified by wartime necessity. Its reliance on executive discretion and its extra-judicial nature raise questions of legal certainty and investment protection, particularly in the post-war period. Nevertheless, in the immediate context of full-scale aggression, Law No. 2116-IX demonstrates how corporate assets connected to the aggressor state can be transformed into material resources for reconstruction and compensation, thereby embedding businesses – albeit involuntarily – into Ukraine’s emerging architecture of war-related reparations.

C. Requisition under Martial Law Regime

C.1 Distinctive features of requisition

Requisition constitutes a form of compulsory interference with property rights applied in extraordinary circumstances. In legal doctrine, requisition is typically defined as the forced but compensated transfer of property from a private owner to the state, implemented on the basis and in accordance with procedures prescribed by law. Its primary objective is to eliminate or

[114] The Deposit Guarantee Fund (21 December 2022). The Deposit Guarantee Fund ensured the transfer of UAH 17 billion from the accounts of PROMINVESTBANK and MR BANK to the state budget. Available here.

prevent adverse consequences arising from emergencies, including natural disasters, epidemics, or armed conflict, and to ensure the protection of public safety and essential state functions.[115]

Requisition differs fundamentally from nationalisation. Nationalisation normally involves the permanent transfer of privately owned property into state ownership, usually motivated by structural economic or public policy objectives and often without a direct link to urgent emergency needs. By contrast, requisition is typically driven by immediate public necessity caused by extraordinary circumstances such as war. While requisition may also result in the transfer of ownership to the state, it is conceptually characterised by its emergency nature and by the statutory guarantee of compensation to the owner. Moreover, requisition may have a temporary dimension, as legislation often allows former owners to request the return of requisitioned property once emergency circumstances cease, provided that the property remains intact.

Although requisition is not liability-based and does not seek to establish a causal nexus between wrongful conduct and resulting damage, it remains relevant to the broader framework of mechanisms addressing war-related harm. Requisition reflects a compulsory redistribution of private resources in response to urgent wartime needs and therefore represents a legally authorised intrusion into property rights, legitimised by the martial law regime and justified by overriding public necessity.

C.2 Statutory basis

The general legal foundation for requisition in Ukrainian law is provided by **Article 353 of the Civil Code of Ukraine**. This provision establishes that, in circumstances such as natural disasters, epidemics, or other extraordinary events, property may be forcibly alienated from the owner for reasons of public necessity, subject to prior and full compensation of its value. However, in situations involving martial law or a state of emergency, the legislation allows for subsequent compensation when prior payment is not feasible.

Article 353 also sets out several important procedural safeguards. First, requisitioned property may either be transferred into state ownership or destroyed if required by emergency circumstances. Second, the valuation of requisitioned property may be challenged in court, ensuring judicial oversight of compensation procedures. Third, the former owner may request the provision of substitute property, where feasible. Finally, if the requisitioned property remains preserved after the termination of extraordinary circumstances, the former owner has the right to demand its return through judicial proceedings, subject to reimbursement of compensation received, adjusted for reasonable payment for the state's use of the property.

A more detailed regulatory mechanism is established by the Law No. 4765-VI of 17 May 2012.[116] This law governs procedures for the compulsory alienation of property belonging to individuals, legal entities, and territorial communities to satisfy state needs during wartime or emergency regimes.

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[115] See: Case no. 910/10009/22, Judgment of the Supreme Court, 16 February 2024, para 8.10.
[116] The Law of Ukraine "On the Transfer, Compulsory Alienation or Seizure of Property Under the Legal Regime of Martial Law or State of Emergency" (Law No. 4765-VI of 17 May 2012).

The law provides that compulsory alienation is generally carried out with full compensation. Compensation may be provided either prior to the alienation or, if immediate payment is impossible, subsequently. In wartime conditions, subsequent compensation may be paid within five subsequent budgetary periods after termination of martial law.

The decision-making authority for requisition is primarily vested in military command structures, acting in coordination with relevant state or local authorities. In areas of active hostilities, military command may adopt requisition decisions without such coordination, reflecting the need for rapid operational decision-making. Additionally, the legislation provides a special procedure allowing requisition of movable property essential for defence-industrial activities based on decisions of the National Security and Defence Council of Ukraine, subsequently implemented by governmental authorities.

The law also establishes formal procedural requirements. Each requisition must be documented through an official act, which confirms the transfer of ownership to the state. The act must include a property valuation report prepared in accordance with legislation regulating appraisal activities. The owner or their legal successors have the right to compensation for requisitioned buildings, infrastructure, vehicles, or other property, with compensation financed from the state budget.

C.3 Emerging case law: Case No. 369/2600/23

Judicial practice concerning requisition during the ongoing war is still in the process of formation. A notable example illustrating the application of requisition rules is Case No. 369/2600/23.[117]

In this case, by order of the Head of the Main Intelligence Directorate of the Ministry of Defence of Ukraine dated 26 October 2022, twenty apartments belonging to a private owner were compulsorily alienated for defence purposes. The requisition was justified by the destruction of four buildings constituting the official housing stock of the Main Intelligence Directorate, which had housed 162 families of military personnel. The requisitioned apartments were intended to replenish the service housing fund and to accommodate military personnel directly involved in combat operations or national defence activities.

The claimant challenged the legality of the requisition order, arguing, inter alia, that the specific circumstances did not demonstrate sufficient public necessity to justify compulsory alienation of residential property. Both the court of first instance and the appellate court rejected the claimant’s arguments and upheld the legality of the requisition measure. The case is currently pending before the Supreme Court, which is expected to further clarify the standards governing public necessity and proportionality in requisition cases.

This case demonstrates the practical application of requisition as a wartime instrument and highlights the emerging judicial balancing between urgent defence needs and protection of private property rights.

[117] Case no. 369/2600/23, Judgement of the Kyiv Appellate Court, 2 April 2025.

C.4 Concluding remarks

Requisition represents a distinct compulsory mechanism through which the state mobilises private property resources to address urgent wartime needs. Unlike liability-based legal instruments, requisition does not aim to attribute responsibility for war-related damage but instead redistributes resources to ensure immediate operational and humanitarian responses to the challenges of armed conflict.

Despite constituting a significant intrusion into property rights, requisition is legitimised through its statutory framework, procedural safeguards, and compensation guarantees. Ukrainian legislation attempts to maintain a balance between public necessity and individual property protection by providing judicial review, valuation procedures, and the possibility of property restitution.

The evolving judicial practice indicates that courts are likely to play an increasingly important role in defining the limits of requisition, particularly regarding proportionality and justification of public necessity. As the legal framework continues to develop in response to wartime realities, requisition will remain an important example of how states may lawfully engage private resources in addressing war-related damage within the broader system of emergency governance.

II. Non-Coercive Measures

II.1 The Role and Types of Non-Coercive Mechanisms

Non-coercive mechanisms designed to engage businesses in post-war reconstruction differ fundamentally from traditional liability-based instruments (like tort law or sanctions). Non-coercive mechanisms operate outside the paradigm of legal liability and are not contingent upon demonstrating wrongdoing or causal responsibility for specific harm. These mechanisms deliberately shift the focus from assigning legal responsibility for past harm to encouraging forward-looking contributions to societal recovery. Consequently, businesses participating in reconstruction initiatives under such frameworks are not necessarily those that have contributed to the damage. Rather, these mechanisms tend to attract enterprises that are willing to align their commercial strategies with broader **corporate social responsibility (CSR)** objectives, sustainability commitments, or long-term market development goals.

In the context of large-scale war-related destruction, the identification and successful litigation of claims against legally responsible actors is often complex, protracted, and limited in its capacity to generate sufficient resources for comprehensive reconstruction. Non-coercive mechanisms therefore serve as complementary instruments, expanding the pool of potential contributors beyond legally liable parties. By appealing to responsible business conduct and investment opportunities, such mechanisms facilitate the mobilization of additional financial and technical resources that might otherwise remain unavailable through strictly liability-based approaches.

Furthermore, the concept of post-war reconstruction itself encompasses a broad spectrum of activities extending well beyond the direct repair of physical damage. Reconstruction typically includes infrastructure modernization, institutional strengthening, economic revitalization, technological renewal, and social development. As a result, policies designed to stimulate business participation in reconstruction inevitably **overlap with national investment strategies** and broader economic development policies. Incentivizing foreign and domestic investment becomes not only a tool for economic growth but also a means of indirectly addressing war-related damage by fostering sustainable recovery and resilience.

Broadly, non-coercive mechanisms may be grouped into three principal categories. First, **tax-related incentives** encourage desirable corporate conduct by offering fiscal advantages, such as tax exemptions, deductions, or preferential regimes that reduce the financial burden of compliance with reconstruction or resilience-building objectives. Second, **investment-related incentives** aim to stimulate corporate participation in recovery and development projects through guarantees, risk-sharing instruments, preferential financing, or access to public-private partnership frameworks. Third, **reputational incentives**, which may be either positive or negative, operate through public recognition, certification, or, conversely, reputational exposure and scrutiny that affect corporate standing among investors, consumers, and business partners. Each of these categories employs distinct regulatory logics and policy tools, and they will be examined in greater detail in the sections that follow.

II.2 Tax-Related Incentives

A. General tax incentives

Tax-related incentives constitute one of the most prominent non-coercive mechanisms through which Ukraine encourages business participation in addressing war-related damage and supporting national resilience. Unlike regulatory or liability-based mechanisms, tax incentives operate by reducing the fiscal burden on businesses that voluntarily contribute financial resources, goods, or services toward defence, humanitarian assistance, and recovery-related activities. Such instruments align public policy objectives with corporate economic interests by allowing businesses to offset certain expenditures against tax liabilities, thereby lowering the effective cost of socially beneficial contributions.

The legal framework for these incentives is primarily established by the **Tax Code of Ukraine**,[118] which has been amended several times following the full-scale invasion of Ukraine by the Russian Federation in 2022. These amendments reflect an adaptive fiscal policy approach aimed at mobilising private sector resources quickly and efficiently. Two major categories of tax stimuli are particularly relevant: corporate income tax incentives and value-added tax (VAT) exemptions. Together, they form a coherent system designed to encourage both financial donations and in-kind contributions by business entities.

A.1 Corporate income tax incentives

[118] The Tax Code of Ukraine, no 2755-VI, of December 2, 2010.

Corporate income tax (CIT) serves as the principal fiscal instrument influencing medium and large businesses. Under ordinary circumstances, Ukrainian tax legislation imposes restrictions on the extent to which charitable contributions may reduce taxable profit.

According to subparagraph 140.5.9 of paragraph 140.5 of Article 140 of the **Tax Code of Ukraine**, taxpayers must increase their financial result before taxation by the amount of funds, goods, works, or services transferred free of charge to non-profit organisations included in the Register of Non-Profit Institutions and Organisations, to the extent that such transfers exceed four percent of the taxable profit of the previous reporting year. This limitation effectively **caps the tax-deductible portion of corporate charitable contributions** and reflects a standard fiscal policy balance between encouraging philanthropy and preserving state revenue.

In practical terms, this rule means that businesses may treat qualifying charitable donations as deductible expenses only within the specified threshold. Any contributions exceeding the four percent limit increase the taxable base, thereby neutralising additional fiscal benefits. The peacetime regulation thus encourages charitable engagement while maintaining predictability in tax revenue collection.

The introduction of martial law significantly expanded the scope of tax incentives for business contributions to defence and humanitarian efforts. Subparagraph 69.6 of Subsection 10 of Section XX "Transitional Provisions" of the Tax Code of Ukraine establishes a **temporary derogation from the general four percent limitation**.

Under this provision, the financial result adjustments stipulated in subparagraph 140.5.9 do not apply to funds or the value of goods, works, or services voluntarily transferred to specified public entities for defence and humanitarian purposes. The beneficiaries of such transfers include, inter alia:

- The Armed Forces of Ukraine;
- The National Guard of Ukraine;
- The Security Service of Ukraine;
- The State Border Guard Service of Ukraine;
- The Ministry of Internal Affairs of Ukraine;
- The State Emergency Service of Ukraine;
- Other military formations created in accordance with Ukrainian law;
- State and municipal healthcare institutions;
- Funds transferred to special accounts opened by the National Bank of Ukraine for supporting defence, national security, reconstruction, and humanitarian assistance.

The provision also explicitly covers transfers of specific categories of goods such as personal protective equipment, surveillance equipment, medicines, medical devices, hygiene products, food supplies, and other logistical materials necessary for defence and humanitarian operations.

By removing the quantitative limitation on deductible contributions, the wartime amendment substantially enhances the economic attractiveness of corporate donations. Businesses are permitted to deduct the full value of eligible contributions from their taxable base, thereby reducing their corporate income tax liabilities. Given that the standard CIT rate in Ukraine is

18 percent, this mechanism effectively allows the state to absorb part of the financial cost of corporate contributions.

From a policy perspective, this legislative change demonstrates the state's attempt to create flexible fiscal conditions enabling rapid mobilisation of private resources. The removal of deductibility caps reduces administrative barriers and increases predictability for corporate donors, thereby encouraging sustained engagement by businesses with significant financial capacity.

Furthermore, the provision supports not only direct military assistance but also broader humanitarian and healthcare initiatives, thereby integrating defence support with social resilience measures.

A.2 Value-added tax incentives

While corporate income tax incentives primarily stimulate financial contributions, VAT regulation plays a critical role in encouraging in-kind assistance. Under normal taxation rules, the free transfer of goods or services may be treated as a taxable supply, triggering VAT obligations. Additionally, when purchased goods are used outside business activities, taxpayers are typically required to accrue compensatory VAT liabilities under Article 198.5 of the **Tax Code of Ukraine**. These provisions can create significant fiscal disincentives for businesses seeking to donate goods or equipment.

To address these obstacles, Ukraine introduced temporary VAT relief measures through paragraph 32-1 of Subsection 2 of Section XX "Transitional Provisions" of the **Tax Code of Ukraine**.

This provision establishes **two key incentives**.

First, goods acquired in taxable transactions and subsequently destroyed or lost due to force majeure circumstances during martial law are not treated as used in non-taxable transactions or non-business activities. This prevents businesses from incurring additional VAT liabilities when assets are lost due to hostilities.

Second, and more importantly for reconstruction and defence support, operations involving the free transfer of goods or services to designated public entities for defence and humanitarian purposes are not classified as supplies for VAT purposes. Consequently, such transactions do not generate VAT obligations.

The beneficiaries of this provision largely mirror those listed in the corporate income tax incentives and include military formations, civil protection authorities, voluntary territorial defence units, and state or municipal healthcare institutions.

Furthermore, paragraph 32-1 explicitly excludes the application of Article 198.5 of the Tax Code to these operations. This exemption removes the requirement to calculate compensatory VAT liabilities that would otherwise arise when goods are diverted from commercial use.

The VAT exemption significantly reduces the fiscal burden associated with in-kind donations, particularly those involving high-value goods such as vehicles, protective equipment, medical technologies, and specialised technical devices. Given Ukraine's standard **VAT rate of 20 percent**, this relief represents a substantial economic incentive for businesses to contribute material resources directly.

By eliminating VAT-related transactional costs, the provision enhances logistical efficiency and encourages businesses to utilise existing supply chains and production capacities to support defence and recovery initiatives.

A.3 Concluding Remarks

Taken together, the corporate income tax and VAT incentives demonstrate that Ukraine has adopted a model that may be characterised as **state-subsidised corporate philanthropy**. Under this approach, the state effectively co-finances private sector contributions by foregoing a portion of tax revenues.

In economic terms, these mechanisms reduce the marginal cost of corporate donations by allowing businesses to offset contributions against tax liabilities. For corporate income tax, the removal of deductibility restrictions enables businesses to reduce taxable profit proportionally to the value of eligible contributions. For VAT, the exemption eliminates consumption-based tax obligations that would otherwise apply to donated goods or services.

Although these measures were initially designed to support defence and humanitarian needs during active hostilities, their broader implications extend to post-war reconstruction. By establishing legal frameworks that facilitate voluntary business engagement, Ukraine has created institutional precedents for using tax incentives as reconstruction tools.

Moreover, the Ukrainian experience illustrates how tax policy can be adapted rapidly to crisis conditions while maintaining compliance with broader principles of responsible business conduct. The use of tax-based incentives demonstrates that non-coercive mechanisms can complement liability-based approaches by expanding the range of actors involved in addressing war-related damage.

B. Humanitarian demining

B.1 General overview of humanitarian demining

Humanitarian demining constitutes one of the most critical components of Ukraine's post-conflict recovery and economic revitalisation strategy. In general terms, humanitarian demining refers to the systematic survey, clearance, and safe disposal of explosive remnants of war, including landmines, unexploded ordnance, and improvised explosive devices, with the primary objective of restoring civilian access to land, infrastructure, and essential services. Unlike military demining, which focuses on ensuring tactical mobility and battlefield safety, humanitarian demining is conducted to enable the safe use of territory by civilians, including agricultural production, infrastructure reconstruction, and resettlement of displaced populations.

Following the large-scale contamination of Ukrainian territory resulting from the full-scale invasion of the Russian Federation, humanitarian demining has become a central prerequisite for economic recovery, particularly in the agricultural sector. Ukraine has developed a multi-layered legal and policy framework designed not only to organise demining operations but also to incentivise private sector participation in such activities. This framework includes financial subsidies, tax incentives, regulatory facilitation, and targeted support measures for operators, landowners, and manufacturers of demining technologies.

B.2 Incentives for agricultural producers and landowners

One of the primary objectives of Ukraine's humanitarian demining policy is to encourage landowners and agricultural producers to initiate clearance operations on contaminated land. Since demining services are highly specialised and costly, the Ukrainian legal framework introduces several forms of state-supported financial assistance designed to make such services economically accessible.

A cornerstone of Ukraine's demining policy is the state compensation programme commonly referred to as **the "80/20" scheme**.[119] Under this programme, the state compensates 80 percent of the cost of humanitarian demining of agricultural land, while the landowner or agricultural producer contributes the remaining 20 percent.

In addition to state-funded compensation, Ukraine facilitates full cost reimbursement programmes targeting small agricultural producers that lack financial capacity even to cover the residual 20 percent co-payment required under the "80/20" scheme.

These programmes are financed primarily through international donor assistance rather than direct state budget allocations. A prominent example is the joint initiative implemented by the Food and Agriculture Organization of the United Nations (FAO) and the World Food Programme (WFP), carried out in cooperation with the Ministry of Economy of Ukraine.[120]

Ukraine has also introduced fiscal relief measures designed to mitigate financial losses suffered by landowners whose land remains unusable due to contamination or occupation.

Under Law of Ukraine No. 3050-IX of 11 April 2023, landowners and land users are exempted from payment of land tax and rent for state or municipal land if the land plots:

- are contaminated with explosive remnants of war;
- have been affected by active hostilities; or
- were located in temporarily occupied territories.

B.3 Incentives for mine action operators

[119] The programme is regulated by Resolution of the Cabinet of Ministers of Ukraine No. 284 of 12 March 2024, "*On approval of the Procedure for using funds provided for in the state budget to compensate for the costs of humanitarian demining of agricultural land*".
[120] Food and Agriculture Organisation of the UN (22/06/2023). *Ukraine: FAO and WFP join forces to clear agricultural land from remnants of the war and help farmers resume production*. Available here.

The Ukrainian regulatory framework also introduces targeted measures designed to support companies directly performing humanitarian demining operations. These measures address labour shortages, financial sustainability, and regulatory barriers affecting mine action operators.

A critical measure supporting demining operators is the possibility to **reserve essential personnel from military mobilisation**. Under Resolution of the Cabinet of Ministers of Ukraine No. 76, as amended by Resolution No. 723 of 18 June 2024, certified mine action operators may reserve up to 100 percent of personnel directly involved in demining activities. Mine action operations frequently rely on international donor funding. Where demining projects are financed through international technical assistance, **such projects may qualify for VAT exemptions under procedures governing registration of international technical assistance project cards** with the Secretariat of the Cabinet of Ministers of Ukraine.

Although this exemption does not specifically target demining operators, it indirectly reduces operational costs by ensuring that donor-funded resources are not diminished through domestic taxation. This mechanism facilitates international investment in humanitarian demining activities and encourages participation by private operators working under donor-funded contracts.

B.4 Incentives for manufacturers and suppliers of demining equipment

Recognising the technological complexity of modern mine action operations, Ukraine has also introduced targeted incentives supporting domestic and foreign manufacturers of specialised demining equipment.

Legislative amendments introduced through Laws of Ukraine No. 3853-IX and No. 3854-IX, adopted in July 2024, established **exemptions from import duty and VAT** for goods used in the production, repair, and maintenance of mechanised demining equipment. These incentives also extend to the importation of complete mechanised demining machines, specialised protective equipment, tactical communication devices, and related components.

The removal of import duties and VAT significantly reduces capital investment costs associated with the acquisition of advanced demining technologies. This measure encourages market entry by equipment manufacturers and promotes the localisation of production capacities within Ukraine.

B.5 The Brave1 defence technology cluster

Ukraine further supports technological innovation in humanitarian demining through the defence technology cluster **Brave1**.[121] This government-backed initiative provides grants to developers of advanced defence and dual-use technologies, including robotic demining platforms, drone-based detection systems, sensor technologies, and artificial intelligence solutions for minefield analysis.

[121] See: https://brave1.gov.ua/en/.

Grant funding typically ranges from approximately UAH 500,000 to UAH 8 million, depending on the technological readiness level (TRL) of the proposed innovation. In certain cases, additional funding is available for scaling successful technologies.

The Brave1 programme fosters collaboration between private technology firms, research institutions, and defence stakeholders, thereby supporting the development of domestic innovation ecosystems relevant to mine action activities.

B.6 Concluding remarks

Humanitarian demining framework serves broader economic and reconstruction objectives. Agricultural land clearance restores production capacity, supports food security, and facilitates the return of displaced populations. Infrastructure clearance enables reconstruction of transport, energy, and social infrastructure systems.

Ukraine’s humanitarian demining framework illustrates a comprehensive non-coercive mechanism designed to mobilise private sector participation in addressing war-related damage. Through financial subsidies, tax relief measures, regulatory exemptions, and innovation support programmes, the state has created a structured incentive system targeting multiple stakeholders involved in mine action activities.

These measures recognise that the scale of contamination requires mobilisation of both domestic and international business resources. While humanitarian demining policies primarily aim to restore civilian safety and economic functionality, they also indirectly contribute to broader reparative processes by enabling restoration of land use, infrastructure reconstruction, and economic revitalisation.

C. Special legal regimes

C.1 Diia City

The legal regime known as **Diia City**[122] represents a special regulatory and tax framework designed to promote the development of Ukraine’s digital and high-technology sector and to attract foreign investment into innovation-driven industries.

Diia City establishes an **extraterritorial legal space** that applies to eligible companies irrespective of their geographical location within Ukraine, provided they satisfy statutory qualification criteria. The regime aims to approximate internationally recognised corporate and investment standards, including selected elements derived from English common law transactional practice. Its regulatory design reflects Ukraine’s broader strategy to align domestic business regulation with global investment expectations and thereby stimulate the inflow of private capital into sectors critical for economic resilience and post-war reconstruction.

[122] See: https://city.diia.gov.ua/. The regime was introduced by the Law of Ukraine “On Stimulating the Development of the Digital Economy in Ukraine” (Закон України «Про стимулювання розвитку цифрової економіки в Україні») No. 1667-IX of 15 July 2021.

The regime is administered by the Ministry of Digital Transformation of Ukraine, which maintains the register of Diia City residents and oversees compliance with statutory eligibility requirements.

The key structural features of the Diia City regime include the following:

(a) Preferential Corporate Taxation. Companies qualifying as Diia City residents may opt for a **special corporate taxation model** based on taxation of distributed profits rather than overall accounting profit. Diia City residents may elect to apply a **9% tax on distributed profit (so-called "exit capital tax")** as an alternative to the standard corporate income tax rate of 18%. This model incentivises reinvestment of profits into business development, including research and development, technological modernisation, and expansion of production capacities.

(b) Preferential Taxation of Human Capital. The regime introduces a preferential taxation model for remuneration paid to IT specialists and gig-workers engaged by resident companies. Subject to statutory conditions, personal income of such specialists may be taxed at a reduced rate of **5% personal income tax**, accompanied by a reduced base for the unified social contribution.

(c) Flexible Labour and Contractual Models. The Diia City regime introduces the legal instrument of **gig-contracts**, regulated by the Law No. 1667-IX. These contracts combine elements of employment protection with the flexibility typically associated with independent contracting. Gig-contracts provide statutory guarantees regarding remuneration, working conditions and social protections while allowing companies to adapt workforce arrangements to project-based technological activities.

(d) Enhanced Investment Protection and Corporate Governance Tools. The regime explicitly recognises contractual instruments commonly used in international venture capital practice, including convertible loan agreements, option agreements, warranties and indemnities. By codifying these instruments within Ukrainian corporate law practice, the regime reduces legal uncertainty for foreign investors and facilitates cross-border investment transactions.

(e) Protection of Intellectual Property Rights. Diia City establishes detailed statutory provisions governing the transfer and allocation of intellectual property rights created by employees or gig-specialists. Clear rules on IP ownership are essential for technology companies, particularly those involved in defence-related or dual-use innovation, and contribute to investment certainty.

The Diia City regime applies to companies engaged in a defined list of **qualified digital and technology-driven activities**, specified in Law No. 1667-IX and related secondary regulations. These activities include software development, cybersecurity, artificial intelligence, data processing, cloud computing, robotics, and other digital innovation sectors. Importantly, legislative amendments and regulatory practice have gradually expanded the scope of qualified activities to include sectors directly relevant to war-related recovery and humanitarian response. These include, in particular, development and manufacturing of

unmanned aerial vehicles[123] and **rehabilitation and prosthetics technologies.**[124] Therefore now the regime also covers companies engaged in the development of advanced prosthetic technologies, rehabilitation software, exoskeletons and biomedical engineering solutions. These activities contribute directly to addressing the humanitarian consequences of armed conflict by supporting rehabilitation of injured civilians and military personnel.

Through these sectors, the Diia City regime functions as an indirect but significant mechanism for engaging private business in mitigating war-related damage. From a reparations and reconstruction perspective, Diia City represents a **forward-looking economic policy instrument** rather than a liability-based mechanism. By lowering regulatory barriers and encouraging reinvestment, the regime mobilises private technological innovation to address war-induced societal challenges. This approach reflects development-oriented recovery strategies involving private-sector participation.

C.2 Defence City

The **Defence City** regime[125] constitutes a specialised regulatory and tax framework designed to support enterprises operating within Ukraine's defence-industrial complex. The regime reflects the strategic objective of restoring national defence capabilities, strengthening domestic production capacity, and ensuring technological independence in the security sector. The regime operates under the coordination of the Ministry of Defence of Ukraine, which maintains the register of Defence City residents and supervises compliance with eligibility requirements.

Defence City applies primarily to enterprises engaged in the production, research, and technological development of defence and security-related goods and services. The scope of eligible activities includes:

- Manufacturing of weapons systems, ammunition, and military equipment;
- Production and servicing of unmanned aerial systems and other advanced defence technologies;
- Aircraft manufacturing and maintenance activities;
- Research and development activities related to defence technologies;
- Production of dual-use technologies that may serve both military and civilian security purposes.

Eligibility is determined, inter alia, through compliance with statutory thresholds regarding **qualified income** generated from defence-related activities. According to regulatory requirements, a substantial share of company revenue must derive from defence or aerospace production in order to qualify for resident status.

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[123] This type of activity was added by Resolution of the Cabinet of Ministers of Ukraine No. 787 dated 28 July 2023.
[124] This type of activity was added by Resolution of the Cabinet of Ministers of Ukraine No. 910 dated August 9, 2024.
[125] The regulatory foundations of Defence City have been established through amendments to tax legislation and secondary regulations, including: Law of Ukraine No. 4577-IX of 21 August 2025 and Resolution of the Cabinet of Ministers of Ukraine No. 1745 of 17 December 2025 "On Certain Issues of Implementing the Special Legal Regime Defence City".

The central economic incentive under Defence City consists of **corporate income tax exemption**, designed to stimulate capital accumulation and technological development within the defence industry. Profits generated by Defence City residents may be exempt from corporate income taxation, provided that such profits are reinvested into business development. The reinvestment obligation is subject to detailed regulatory requirements and oversight by tax authorities.

In addition to corporate tax relief, Defence City residents may benefit from a broader package of regulatory incentives, including **simplified export and customs procedures** and **relief from certain property-related taxes**. Defence City residents may receive preferential treatment concerning land tax, real estate tax and environmental tax obligations, subject to compliance with reinvestment requirements and qualification criteria.

C.3 Concluding remarks

Although both regimes (Diia and Defence Cities) pursue investment stimulation, they are designed to support distinct segments of Ukraine's reconstruction ecosystem.

Diia City primarily targets **human-capital-intensive digital innovation sectors**, emphasising intellectual property development and international venture investment. Defence City, by contrast, focuses on **industrial manufacturing capacity** and production infrastructure essential for national security.

Both Diia City and Defence City operate as **non-coercive instruments** for mobilising private business participation in addressing the consequences of armed aggression.

These regimes create favourable conditions encouraging businesses to allocate resources toward recovery-related activities. As such, they represent a complementary component of Ukraine's broader strategy for engaging the private sector in national reconstruction efforts.

II.3 Investment-Related Incentives

A. Foreign investment as a mechanism for addressing war-related damage

The attraction of foreign investment may be viewed not only as a conventional economic policy objective but also as a mechanism contributing to the remediation of war-related damage. Large-scale private investment supports reconstruction by restoring destroyed infrastructure, re-establishing production capacities, generating employment, and facilitating technological modernisation. In this sense, foreign investment operates as an indirect but structurally important form of reparation, enabling economic recovery through capital inflow, knowledge transfer, and integration into global value chains.

Unlike traditional compensatory mechanisms grounded in legal liability, investment-driven recovery mechanisms are forward-looking. They do not aim to allocate responsibility for damage but instead focus on restoring and strengthening economic resilience. Particularly in the context of large-scale armed conflict, such mechanisms complement state-led reparations and confiscation measures by mobilising private capital and entrepreneurial capacity. Accordingly, investment-related incentives may be understood as part of a broader policy strategy designed to transform reconstruction efforts into long-term economic development.

Ukraine has implemented a range of policy measures aimed at increasing investment attractiveness, many of which form part of the national **Ukraine Recovery Plan**.[126] The Recovery Plan establishes sector-specific and cross-sectoral strategies intended to facilitate reconstruction, economic modernisation, and integration into European and global markets.

Within this framework, Ukraine has developed specialised investment promotion initiatives intended to reduce entry barriers for foreign investors and provide structured information on investment opportunities. One of the key initiatives is the **Advantage Ukraine platform**,[127] launched as a global investment outreach initiative. The platform serves as a digital investment marketplace presenting investment opportunities across multiple sectors, including infrastructure, energy, manufacturing, defence technologies, agriculture, logistics, and digital economy sectors. Its primary objective is to facilitate matchmaking between international investors and Ukrainian public and private project sponsors, thereby accelerating the mobilisation of private capital for reconstruction purposes.

B. Institutional investment promotion: UkraineInvest

A central institutional actor responsible for investment facilitation is **UkraineInvest – the Government Office for Investment Promotion and Support**.[128] UkraineInvest operates as an authorised state institution tasked with providing comprehensive support to foreign and domestic investors implementing investment projects in Ukraine.

The principal functions of UkraineInvest include:

- providing regulatory guidance and investment consultancy services;
- assisting investors in navigating administrative procedures;
- facilitating communication between investors and public authorities;
- supporting investors during negotiation and implementation of investment agreements;
- providing post-investment support services;
- promoting Ukraine as an investment destination through international outreach activities.

UkraineInvest also plays a key role in administering investment incentive programmes, including projects qualifying for state support under the special regime applicable to investment projects involving significant investments.

C. State support for significant investments

One of the most prominent investment incentive mechanisms in Ukraine is established by the **Law of Ukraine "On State Support for Investment Projects with Significant Investments in Ukraine" (Law No. 1116-IX of 17 December 2020)** and related implementing legislation.

[126] See: https://recovery.gov.ua/en.
[127] See: https://advantageukraine.com/.
[128] See: https://ukraineinvest.gov.ua/en/.

The Law establishes a special investment support regime aimed at attracting large-scale investment projects that contribute to economic development, job creation, and technological modernisation. The regime provides investors with long-term legal guarantees and substantial fiscal and infrastructure incentives.

The Law provides investors implementing qualifying projects with several legal safeguards designed to reduce investment risk. These include:

- **Stability guarantees** ensuring that applicable legislation governing investment conditions remains unchanged for a period of 15 years;
- **State liability guarantees**, including compensation for damages caused by unlawful actions or omissions of public authorities;
- The possibility of concluding a **Special Investment Agreement** between the investor and the Government of Ukraine, establishing mutual obligations and conditions for implementation of the investment project.

These guarantees play a critical role in addressing investor concerns related to regulatory unpredictability, which is particularly relevant in post-conflict recovery environments.

Qualifying investment projects may receive state support with a total value of up to **30% of the total investment volume**, provided that such support complies with statutory requirements. The support may be granted in several forms.

(a) Corporate Income Tax Exemption. Investors may receive exemption from corporate income tax for a period of up to five years following submission of the investment application, except for certain projects in the extractive sector involving mineral beneficiation activities.

(b) VAT Exemption for Imported Equipment. The Law allows for an exemption from value-added tax on the importation of new equipment and machinery required for implementation of the investment project, provided that such equipment has not been previously used and was manufactured not earlier than three years before importation. The specific list of eligible equipment is approved by the Cabinet of Ministers of Ukraine.

(c) Customs Duty Exemption. Investors may also receive exemption from customs duties on imported equipment and machinery meeting statutory criteria, further reducing capital investment costs.

(d) Infrastructure Development Support. The state or local authorities may finance or compensate the construction of infrastructure required for implementation of the investment project, including transportation networks, communication systems, energy supply facilities, water and gas infrastructure, and other engineering utilities.

(e) Land-Related Incentives. Local self-government bodies may reduce land tax rates or exempt investors from land tax obligations. Additionally, investors benefit from simplified procedures for obtaining land plots in state or municipal ownership, including preferential rights to purchase such land after expiration of the special investment agreement.

(f) Compensation for Utility Connection Costs. The state may compensate costs associated with connecting investment projects to energy, gas, water, and telecommunications infrastructure.

(g) Exemption from Forestry Loss Compensation. Qualifying projects may be exempted from compensation payments related to forestry production losses.

To qualify for state support, investment projects must satisfy several statutory requirements, including:

- A minimum investment volume of **EUR 12 million**;
- Creation of at least **10 new jobs** with wages exceeding regional averages by at least 15%;
- Implementation of projects involving construction, modernisation, or technological re-equipment of investment objects;
- Completion of the investment project within a maximum period of **five years**;
- Implementation within statutorily defined sectors, including manufacturing, waste management, transport and logistics, healthcare, education, scientific research, tourism and recreation, electronic communications, and production of biogas and biomethane, among others.

Investors may commence preliminary investments up to 30% of total project value within 18 months prior to submitting an application, thereby enabling early project development.

D. Concluding remarks

Investment-related incentives demonstrate how reconstruction policy may mobilise private business participation through regulatory facilitation rather than legal compulsion. By offering fiscal relief, infrastructure support, and legal certainty, Ukraine effectively reduces investment risk and increases the attractiveness of participating in reconstruction activities.

From the perspective of engaging businesses in addressing war-related damage, such incentives perform a dual function. First, they directly support rebuilding of economic infrastructure destroyed by hostilities. Second, they strengthen Ukraine’s long-term economic resilience, thereby contributing to sustainable recovery beyond immediate post-war reconstruction.

In this respect, investment promotion policies complement liability-based and confiscation-based mechanisms by expanding the range of actors capable of contributing to national recovery efforts. While they do not establish a causal nexus between specific wrongful conduct and specific damage, they create structural incentives encouraging socially responsible corporate participation in reconstruction and economic revitalisation.

II.4 Reputational Incentives

Reputational incentives are non-coercive mechanisms that influence corporate behaviour by shaping how businesses are perceived by stakeholders, including investors, consumers, regulators, and the broader public. They operate by linking corporate actions to reputational gains or losses rather than legal liability or financial sanctions. Broadly, reputational incentives can be divided into two categories: **positive** and **negative**. Positive reputational incentives rely on reputational rewards whereas negative reputational pressure relies on reputational sanctions. Both operate outside formal coercive enforcement but may exert comparable behavioural influence.

Positive reputational incentives encourage businesses to engage in socially desirable conduct – such as supporting post-war reconstruction – by offering recognition, legitimacy, and enhanced ESG standing. Negative reputational incentives, by contrast, rely on public criticism, consumer boycotts, or investor pressure to discourage conduct perceived as socially harmful, such as maintaining business ties with aggressor states or failing to respond to humanitarian crises.

A. Positive reputational incentives

From a theoretical perspective, reputational incentives function within the paradigm of **normative governance and corporate social responsibility (CSR)**. Corporations increasingly depend on reputational capital for maintaining investor confidence, securing access to global supply chains, attracting talent, and satisfying ESG-driven investment criteria. Participation in high-profile recovery or humanitarian initiatives allows companies to demonstrate adherence to internationally recognised standards, including the UN Guiding Principles on Business and Human Rights and ESG frameworks. Such participation, in turn, generates tangible economic value by improving risk ratings, investor attractiveness, and brand credibility.

In the Ukrainian context, positive reputational incentives have become particularly relevant during the ongoing armed aggression, as international businesses face increasing expectations to contribute to reconstruction, humanitarian relief, and technological resilience. Two prominent examples of such incentives are the **Ukraine Business Compact** and the **United24** platform.

A.1 Ukraine business compact

The **Ukraine Business Compact (UBC)**[129] represents a voluntary multi-stakeholder initiative launched under the auspices of the United Nations Global Compact in cooperation with the Government of Ukraine. The initiative aims to mobilise international private sector support for Ukraine's reconstruction, economic recovery, and long-term development.

The Compact serves as a platform through which companies publicly commit to supporting Ukraine's recovery and align their activities with responsible business conduct standards. It

[129] See: https://ubc.globalcompact.org.ua.

encourages corporations to integrate Ukraine-related reconstruction and humanitarian priorities into their ESG strategies and investment policies.

Participation in the Compact is voluntary and involves signing a public declaration expressing corporate commitment to Ukraine's recovery and sustainable development. Signatories typically pledge to:

- Support reconstruction and economic revitalisation;
- Maintain or expand operations in Ukraine where feasible;
- Facilitate investment and supply chain integration;
- Promote responsible business conduct consistent with international standards.

As of February 2026, over 700 businesses have signed the Compact globally from 51 countries and 21 major economic sectors, with a market cap of more than $5.2 trillion.[130]

By joining the Compact, corporations position themselves as contributors to Ukraine's recovery, strengthening their ESG credentials and enhancing relations with international partners and public authorities.

Unlike coercive regulatory mechanisms – such as sanctions compliance or mandatory reparation schemes – the Compact relies on **soft-law governance**, peer benchmarking, and reputational recognition. Participation is often referenced in corporate sustainability reports and investor communications, demonstrating alignment with global responsible investment trends.

A.2 United24 platform

United24[131] is the official fundraising and coordination platform established by the Government of Ukraine to channel international donations toward defence, humanitarian, medical, and reconstruction needs.

The platform operates as a transparent centralised mechanism enabling governments, corporations, and individual donors to support specific recovery priorities. Its fundraising categories include defence assistance, humanitarian aid, medical infrastructure, education, and reconstruction of critical facilities.

United24 serves not only as a financial mechanism but also as a reputational platform that publicly recognises corporate partners, thereby encouraging continued and expanded participation by private sector actors.

United24 incentivises corporate engagement through several reputational mechanisms:

1. **Public Visibility of Corporate Contributions**. Participating corporations receive public recognition as official partners of Ukraine's recovery efforts.

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[130] Ibid.
[131] See: https://u24.gov.ua.

2. **Brand Association with Humanitarian Impact**. Corporate contributions are linked to specific recovery projects, enabling companies to demonstrate measurable social impact.
3. **Global Media Exposure.** The platform collaborates with international ambassadors and high-profile campaigns, amplifying reputational benefits for participating companies.
4. **Transparency and Accountability.** Public reporting on fundraising outcomes enhances corporate credibility and ESG disclosure quality.

As of January 30, 2026, cumulative data indicates that the United24 initiative has secured **$3,484,325,937**[132] in donations since May 5, 2022, facilitating the financing of five distinct program directions through a centralized fundraising mechanism.

The United24 platform has successfully cultivated high-profile strategic partnerships with leading multinational corporations, effectively operationalizing their Corporate Social Responsibility (CSR) strategies for war relief and recovery. Prominent examples include the technology giant **Uber**,[133] which leveraged its global user base to fund fleets of ambulances through in-app donation features, and the delivery platform **Glovo**,[134] which has directed significant resources toward humanitarian demining operations and logistics. The fashion house **Balenciaga**[135] utilized its cultural capital to finance critical infrastructure restoration (Rebuild Ukraine), while the gaming industry leader **Wargaming**[136] mobilized its vast community to support medical and disaster relief efforts. Furthermore, major players like **AstraZeneca**[137] and **Bayer**[138] have contributed to the medical aid pillar, demonstrating a shift from passive donation to active, brand-integrated advocacy where global entities align their specific operational strengths with Ukraine's defense and reconstruction needs.

B. Negative reputational incentives

B.1 The "International Sponsors of War" initiative

One of the most prominent mechanisms that rely on **reputational pressure, transparency, and supply-chain accountability** was the initiative known as the **"International Sponsors of War" list** (Міжнародні спонсори війни),[139] administered by the **National Agency on Corruption Prevention (NACP)**. Although the initiative played a visible role in Ukraine's broader accountability policy during 2022–2024, it was formally discontinued in March 2024. The initiative reflected a growing international trend toward the use of **soft-law and reputational accountability mechanisms** to regulate corporate involvement in situations of armed conflict or systemic human rights violations.

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[132] See: https://u24.gov.ua/reports.
[133] See: https://u24.gov.ua/uk/uber.
[134] See: https://u24.gov.ua/news/glovo_and_united24.
[135] See: https://u24.gov.ua/ambassador/demna.
[136] United24 (21 May 2024). *Thirteen Ambulances, Purchased With Contributions From Fans Of Wargaming Games, Are Now Saving Lives*. URL: https://u24.gov.ua/news/thirteen_ambulances.
[137] United24 (4 January 2023). *Medical Aid: $400,000 From Astrazeneca For Ultrasound Machines*. URL: https://u24.gov.ua/news/ultrasound_machines.
[138] United24 (4 January 2023). 37,243,038 UAH Donated by the Bayer Company Will Go Towards the Renovating aHealthcare Facility and Purchasing Medical Equipment. URL: https://u24.gov.ua/news/bayer
[139] Since the initiative was discontinued, the respective web-page is available only on Web Archives. See: https://web.archive.org/web/20240320101110/https:/sanctions.nazk.gov.ua/

The “International Sponsors of War” initiative functioned primarily through an **online public portal**, which collected and disseminated information about corporations whose conduct was considered problematic from the perspective of supporting or enabling the Russian war effort.

The portal served several practical functions. It provided:

- public information about companies whose business activities were linked to the Russian economy;
- analytical materials describing the nature of such activities;
- a communication platform for governments, civil society, and corporate stakeholders;
- a reporting channel enabling users to provide information about corporate assets or possible circumvention of sanctions regimes.

The initiative explicitly sought to complement existing sanctions regimes by highlighting entities whose conduct might not meet the legal thresholds required for the imposition of formal sanctions but nonetheless raised serious ethical or public-policy concerns.

From a regulatory perspective, the mechanism relied on the concept of **“naming and shaming”**, widely recognised in international corporate governance as a tool for influencing corporate behaviour through market and reputational incentives.
The initiative did not establish rigid statutory criteria for inclusion in the list. Instead, the NACP applied a flexible, policy-driven approach based on a set of indicative factors. In practice, companies were typically included where several of the following elements were present:

1. **Foreign corporate origin**

   The mechanism primarily targeted non-Russian multinational corporations whose business activities extended across multiple jurisdictions.

2. **Significant international business presence**

   Inclusion often focused on globally recognised brands whose conduct could have a demonstrable reputational impact.

3. **Indirect support of the Russian war effort**

   This included, for example:

   - payment of taxes contributing to the Russian state budget;
   - supply of goods or services considered strategically significant but not covered by sanctions regimes;
   - participation in Russian propaganda or mobilisation-related activities.

4. **Continuation of business operations in Russia**

   Particular attention was given to companies that declined to withdraw from the Russian market following the full-scale invasion.

5. **Expansion of Russian market presence**

   Companies were also scrutinised where there were indications of increased investment or market share resulting from the withdrawal of competitors.

The absence of strictly formalised criteria reflected the inherently reputational nature of the instrument. The designation of a company as an “International Sponsor of War” did not produce direct legal consequences under Ukrainian law. Instead, its effectiveness depended on responses by investors, business partners, consumers, and foreign regulators.

The designation of a company as an “International Sponsor of War” carried **no direct coercive or enforcement effects** under domestic law. Ukrainian authorities did not impose fines, asset freezes, or other mandatory restrictions solely on the basis of inclusion in the list.

While sanctions imposed under Ukrainian law require a formal decision by competent authorities – primarily the National Security and Defence Council of Ukraine – the NACP list operated as a **parallel but non-binding instrument**. The list could include corporations that had not been formally sanctioned but whose activities were considered inconsistent with international corporate responsibility standards.

In March 2024, the Government of Ukraine discontinued the “International Sponsors of War” initiative. The NACP transferred relevant analytical materials and datasets to the **Interdepartmental Working Group on Sanctions Policy**, and the portal ceased operation.

Subsequently, information on sanctioned individuals and entities became consolidated within the **State Register of Sanctions**,[140] administered under the auspices of the National Security and Defence Council of Ukraine.

The State Register represents a more formalised instrument. Unlike the NACP list, it includes only persons and entities that have been **officially subjected to sanctions measures**. As a result, its legal status is stronger, but its regulatory scope is narrower.

B.2 Private monitoring and advocacy initiatives

Alongside governmental and intergovernmental measures, several private initiatives play a significant role in shaping corporate behaviour through reputational monitoring and public accountability.

Leave Russia (KSE Institute / Kyiv School of Economics)

The **Leave Russia** platform (operated by the KSE Institute under the SelfSanctions project) constitutes one of the most comprehensive publicly accessible databases tracking foreign companies’ presence in the Russian market. The platform systematically monitors thousands of international corporations and classifies them into three principal categories: *Stay* (companies continuing operations in Russia), *Wait* (companies suspending new investments

[140] See: https://drs.nsdc.gov.ua/.

or scaling down operations without fully exiting), and *Leave* (companies in the process of withdrawal or that have fully exited). Following the discontinuation of **the International Sponsors of War** register, this database has become a key reference point for researchers, journalists, and civil society actors. By publicly documenting corporate conduct, the initiative functions as a reputational accountability tool that encourages companies to reassess their market presence in Russia.

Trap Aggressor (StateWatch Analytical Centre)

Trap Aggressor, implemented by the StateWatch analytical centre,[141] complements database-type initiatives through investigative and advocacy work. The project focuses on uncovering supply chains, corporate structures, and financial flows that facilitate the Russian war effort or enable sanctions circumvention. Its investigations frequently address the presence of Western components in Russian weaponry, concealed Russian-linked assets in Ukraine and abroad, and corporate schemes used to bypass sanctions regimes. By exposing such links, the initiative contributes to reputational pressure on corporations and supports broader enforcement and compliance efforts related to sanctions and corporate responsibility in the context of the war.

C. Concluding Remarks

Reputational incentives demonstrate that corporate engagement in repairing war-related damage can be effectively encouraged through governance mechanisms operating beyond formal legal enforcement. Both positive and negative reputational drivers influence corporate behaviour by linking business conduct to stakeholder expectations, ESG commitments, and overall market legitimacy. Although they do not impose legally binding obligations, they may still produce significant economic and strategic consequences, motivating voluntary corporate participation in reconstruction and humanitarian efforts.

Positive reputational incentives, including participation in voluntary recovery platforms and multi-stakeholder initiatives, help mobilise corporate financial, technological, and organisational resources. By integrating reconstruction efforts into corporate responsibility and sustainability strategies, these mechanisms encourage longer-term engagement and contribute to sustainable recovery and institutional resilience.

Negative reputational incentives complement these efforts by increasing transparency and discouraging business activities that may indirectly support aggressor states. Public monitoring initiatives and accountability platforms can influence investor decisions, consumer behaviour, and supply-chain relationships, thereby producing indirect regulatory effects.

Overall, reputational incentives form an important complement to coercive mechanisms. While relying on voluntary compliance, they can effectively mobilise private sector engagement in reconstruction and support broader policy objectives aimed at ensuring that private capital contributes to addressing war-related damage.

[141] See: https://statewatch.org.ua.

III. Conclusions

This Report has examined a range of Ukrainian legal and policy mechanisms designed to engage business actors in addressing and repairing war-related damage, applying a broad understanding of reparation that encompasses not only direct compensation but also restoration, reconstruction, and societal recovery. The analysis demonstrates that Ukraine has developed a multifaceted regulatory framework that operates through both coercive and non-coercive instruments, reflecting the extraordinary conditions created by full-scale armed aggression and the urgent need to mobilise private economic capacity in support of national resilience.

Coercive mechanisms analysed in the Report – including confiscation, sanctions-based asset restrictions, moratoria on performance of obligations in favour of Russia-related entities, and requisition – are primarily aimed at protecting national economic and security interests and redistributing assets connected to the aggressor state. While these instruments are not liability-based in a traditional tort-law sense, they contribute to reparative objectives by preserving economic resources within Ukraine, preventing the outflow of capital linked to the aggressor, and enabling the redirection of property or financial value toward defence, recovery, and reconstruction efforts.

At the same time, these mechanisms inevitably raise complex legal and human-rights considerations, particularly in relation to property rights protection, legal certainty, and proportionality of state intervention. The emerging case law indicates that Ukrainian courts are actively engaged in shaping doctrinal safeguards intended to balance public necessity with private rights. Nevertheless, coercive regulatory responses adopted under conditions of armed conflict inherently create elevated legal and commercial risks for businesses, including foreign investors and corporate groups with complex ownership structures. These risks must be carefully assessed by policymakers and market participants alike, as excessive or insufficiently predictable interference with property or contractual rights may have long-term implications for investment confidence and economic recovery.

The Report also demonstrates that non-coercive mechanisms play an important, and in many respects structurally forward-looking, role in engaging businesses in post-war recovery. Tax-related and investment-oriented regimes, such as specialised legal and fiscal frameworks for technology and defence-industrial sectors, illustrate how regulatory incentives can encourage long-term private sector participation in rebuilding critical infrastructure, advancing technological capacity, and strengthening national security. These instruments operate by aligning economic self-interest with reconstruction goals, thereby facilitating voluntary but economically rational corporate participation in recovery efforts.

Reputational incentives, both positive and negative, further expand the regulatory toolkit by influencing corporate behaviour through market, investor, and stakeholder pressures. Public recognition initiatives, transparency platforms, and corporate social responsibility reporting mechanisms demonstrate how reputational capital can function as a driver of corporate engagement in humanitarian, reconstruction, and defence-support projects. At the same time, monitoring initiatives that identify companies maintaining economic ties with the aggressor state illustrate how reputational risks can deter harmful commercial conduct and encourage corporate disengagement from jurisdictions associated with aggression. However, reputational governance tools also require careful calibration to avoid disproportionate or insufficiently verified public labelling that could undermine procedural fairness and corporate due process expectations.

Taken together, these mechanisms reveal a regulatory ecosystem characterised by complementarity rather than exclusivity. Coercive measures provide immediate protective and redistributive effects, while non-coercive instruments aim to foster sustainable investment, innovation, and voluntary corporate participation in rebuilding efforts. Their interaction reflects a broader evolution of contemporary reparation frameworks, in which states increasingly rely on hybrid regulatory strategies combining public enforcement with market-driven and reputational governance tools.

The Ukrainian experience also offers valuable comparative insights for international discussions on post-conflict reconstruction and corporate responsibility. It illustrates how states facing large-scale armed aggression may seek to develop diverse legal mechanisms capable of mobilising private capital, technological expertise, and corporate organisational capacity. At the same time, it underscores the importance of maintaining a careful and principled balance between public interests in national security and reconstruction, and the protection of private rights, investor confidence, and rule-of-law guarantees.

Many of the mechanisms analysed in this Report remain in a dynamic stage of legal and institutional development. Their long-term effectiveness will depend on further legislative refinement, consistent judicial practice, and sustained international cooperation. Ensuring transparency, proportionality, and legal predictability will be essential not only for safeguarding fundamental rights but also for sustaining business engagement in Ukraine’s recovery and reconstruction. In this respect, the ongoing evolution of these regulatory approaches will play a decisive role in determining their legitimacy, effectiveness, and broader international replicability.