

New requirements for LLC officers and fiduciary duties in Ukraine

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In 2025, Ukrainian corporate legislation underwent changes aimed at modernising the legal regulation of legal entities and aligning it with European standards of corporate governance. One of the key innovations was the clear statutory recognition of the status of officers of an LLC and their fiduciary duties, which significantly increases the level of responsibility of directors and members of the company's management bodies.

These changes are of practical importance both for business owners and for directors and members of executive and supervisory bodies, as they establish new approaches to assessing their conduct and liability.

1. Officers of an LLC in Ukraine

Under the updated legislative approach, officers of an LLC include not only the director but also other persons who, in practice, influence the management and activities of the company.

The officers of an LLC include, in particular:

- the sole executive body (director, general director);
- members of a collegiate executive body (management board, directorate);
- members of the supervisory board (if established);
- other persons who, under the charter or internal regulations of the company, perform managerial functions;
- persons who actually determine the company's actions, even if they do not formally hold executive positions.

Accordingly, the legislator has moved away from a narrow formal approach and focuses on a person's actual influence on managerial decision-making.

2. Concept and content of fiduciary duties

Fiduciary duties are duties to act in the interests of the company, rather than in one's own interests or those of third parties. In corporate law, they traditionally consist of three key elements described below.

2.1. Duty of good faith

An officer must act honestly, diligently and reasonably, refrain from abusing their powers, and avoid decisions aimed at obtaining personal benefit at the expense of the company.

2.2. Duty of care and reasonableness

A director or other officer is required to:

- act on the basis of sufficient information;
- analyse risks;
- make decisions that are economically and managerially justified.

Errors in business decisions are permissible, but only if they were made in good faith and within the bounds of reasonable entrepreneurial risk.

2.3. Duty of loyalty (to the company)

An officer must:

- avoid conflicts of interest;
- not use the company's assets, information or opportunities for personal purposes;
- not compete with the company without the consent of its participants.

3. Conflict of interest and restrictions for officers

The updated legislative approach strengthens requirements for identifying and managing conflicts of interest.

An officer is required to:

- promptly notify the company of any personal interest;
- refrain from participating in decision-making where a conflict of interest exists;
- act strictly within the scope of the authority granted.

Failure to disclose a conflict of interest may constitute grounds for:

- civil liability;
- compensation for losses;
- early termination of authority.

4. Liability of officers

The statutory consolidation of fiduciary duties means that officers of an LLC may bear personal liability for damage caused to the company.

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Forms of liability:

- civil liability – compensation for direct losses and lost profit;
- joint and several liability – where decisions are taken collectively;
- corporate liability – termination of authority and internal liability measures.

At the same time, legislation recognises the principle that an officer is not liable for a negative outcome if the decision was made in good faith, reasonably, and in the interests of the company.

5. Practical significance for LLCs in Ukraine

The new requirements change the corporate practice of LLCs in Ukraine:

- participants receive effective tools to protect against management abuse;
- managers need to be more cautious in decision-making;
- the role of internal regulations increases;
- it is recommended to clearly document managerial decisions (e.g., minutes, justifications, internal opinions).

To minimise risks, an LLC should:

- update its charter and internal regulations;
- regulate conflict of interest matters;
- clearly define the powers of officers.