What is the European Corporate Sustainable Due Diligence Directive Really About? A Snapshot!

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Abstract[1]

The Corporate Sustainable Due Diligence Directive (Directive 2024/1760[2]) is a major step forward in European sustainability legislation. The Directive requires companies to prevent negative impacts on human rights and the environment through their own activities, as well as those of their subsidiaries and business partners, and to be held accountable for violations. It also requires companies to implement a climate change plan to align their business models with a sustainable economy and the Paris Agreement. The Directive cannot be used to lower existing standards of protection and is consistent with other EU commitments, with stricter EU rules taking precedence. The Directive was published on 5 July 2024, will enter into force 20 days later and must be transposed into national law by Member States by 26 July 2026. So what does the Directive mean for businesses? An overview will shed some light.[3]

[1] This article reflects the personal views of the author. The views expressed in this article do not necessarily reflect the views and opinions of any organisation/institution. Selected key issues are covered in the FAQ section, which also contains key references to the key issues in the Act. The author would like to thank all those who contributed to this article with their expert views, opinions, scientific contributions and critical comments. In particular, the author would like to thank Prof Dr Frank Romeike for reviewing the article.

[2] See No. 1. Referred to in this article as the CSD or CSDD Directive or Directive. The most important questions are covered in the FAQs. The FAQ section also contains references to the primary source, so that a more in-depth study of the legal basis is easily possible.

[3] To understand the context with other regulatory developments, see No. 2, pages 5f. Anyhow, Ecuador, Germany, India, Colombia and South Africa are exemplary countries in which the environment has been recognised as a fundamental right at the (highest) judicial level, see No. 10-14.

Background

In recent decades, globalisation has led to increasingly interconnected supply chains. But it has also led to environmental and human rights abuses, often in distant parts of the world, far from the direct influence of the companies that ultimately benefit from these supply chains. Scandals such as the appalling working conditions in textile factories or the environmental damage caused by the extraction of raw materials have highlighted the need for companies to take greater responsibility for their entire value chains. While various voluntary initiatives and regulatory frameworks already exist to encourage companies to act more sustainably, they often lack the desired impact. Voluntary approaches such as the UN Guiding Principles on Business and Human Rights or the OECD Guidelines for Multinational Enterprises are important steps, but their implementation and monitoring are often inadequate. National laws such as the German Supply Chain Due Diligence Act (LkSG),[4] the French Corporate Duty of Vigilance Law[5] or the Dutch Child Labour Due Diligence Law[6] are examples of national "solutions". However, the CSD goes far beyond many of these national laws by focusing not only on human rights, but also on environmental standards and climate change measures. It also includes a broader definition of the supply chain, encompassing both upstream and downstream activities where there are established business relationships. In addition, the CSD introduces civil liability, allowing those affected to seek compensation from companies.

[4] See No. 4.
[5] See No. 5.
[6] See No. 6.

Key Aspects

The CSD is aimed at EU companies with more than 1,000 employees and a turnover of more than €450 million, or their parent companies, and companies with franchise or licence agreements of more than €22.5 million and a turnover of more than €80 million. It also applies to non-EU companies with a turnover in the EU of more than €450 million, or their parent companies that meet this threshold. The Directive requires these companies to carry out ongoing due diligence on environmental and human rights risks. A parent company that only holds shares and is not involved in operational decisions can be exempted from the Directive's obligations if an EU-based subsidiary takes on these duties. Part-time and atypical employment relationships are taken into account when calculating the number of employees. The Directive only applies if the conditions are met in two consecutive financial years. The competent Member State is the one in which the company has its registered office or generates the highest turnover. AIF and UCITS authorised investment funds are initially excluded from the Directive.

In essence, risk management requires companies to implement appropriate risk analysis, prevention and monitoring/reporting processes. Potential and actual negative impacts on human rights and the environment in their own operations and supply chain must be identified. Measures must then be taken to prevent or mitigate these identified risks, and to take appropriate corrective action when violations are identified. Ongoing monitoring should assess the effectiveness of the measures taken, and regular reporting on due diligence processes and their results should ensure transparency to the public. These companies must integrate their binding commitment to sustainability and human rights into their corporate policies. This includes adopting a public policy statement outlining the company's strategy for meeting its due diligence obligations. The CSD requires companies to involve affected stakeholders, including employees and communities, in the due diligence process. This ensures that the measures actually meet the needs

and expectations of stakeholders. Implementation of the CSD is carried out by national authorities, which have extensive powers to monitor and enforce compliance. Companies that breach the Directive face significant penalties, including financial sanctions and civil liability. The possibility of injunctions by stakeholders is also foreseen.

Challenges and Opportunities

One of the main criticisms of the CSD is the expected economic burden on companies, especially small and medium-sized enterprises (SMEs). Critics argue that the costs and administrative burdens of fulfilling due diligence obligations could be significant and could undermine the competitiveness of European companies. However, proponents stress that long-term sustainability also brings economic benefits and reduces risks. The practical implementation of due diligence obligations is a major challenge. Many companies lack the necessary resources or expertise to carry out comprehensive risk analyses and implement effective prevention and remediation measures. There is a significant need for action. As supply chains are often global, the implementation of the CSD is also a challenge for non-EU companies. They need to ensure that their supply chains outside the EU also comply with the requirements of the Directive. This can lead to tensions in trade relations and underlines the need for international cooperation and harmonisation of standards. The CSD has the potential to promote sustainable practices across the business landscape. By integrating environmental and human rights issues into their business strategies, companies can not only reduce risks but also create new business opportunities. Sustainable products and services are increasingly demanded by consumers and can give companies a competitive advantage. A key benefit of the CSD is improved protection of human rights and the environment. By requiring companies to identify and address risks, negative impacts along supply chains can be reduced. This helps to improve living conditions in affected regions and minimise environmental damage. Regular

reporting on due diligence processes and their results promotes transparency and builds public trust in companies. Investors, customers and other stakeholders will increasingly value sustainable business practices, enhancing companies' reputations and ensuring long-term business success.

Comparable Regulations (Asia, Oceania, USA)

In the US, there is no direct equivalent to the European Corporate Sustainable Due Diligence Directive (CSD), but several relevant laws and initiatives cover certain aspects of due diligence and sustainability, such as the Dodd-Frank Act, Section 1502 (conflict minerals), the California Supply Chain Transparency Act, the US Federal Acquisition Regulation (FAR) and the US Lawful Laboratory Prevention Act (UFLPA).[7] There is also awareness in these areas, but it is not centrally regulated and not as comprehensive. In Asia, there are several pieces of legislation with similar (though not identical) objectives to the European Corporate Sustainability Due Diligence Directive (CSD). Examples include Australia's Modern Slavery Act, Malaysia's Anti-Human Trafficking Act, Japan's due diligence legislation and China's CSR standards. India does not have an exact equivalent to the EU Corporate Sustainable Due Diligence Directive. However, several regulatory frameworks and initiatives aim to address sustainability, human rights and corporate responsibility. Here are some of the key regulations and initiatives. India was one of the first countries to make CSR mandatory. The Companies Act of 2013 requires companies that meet certain revenue, profit and net worth thresholds to spend at least 2% of their average net profit over the last three years on CSR activities. These activities can include environmental initiatives, educational programmes, poverty alleviation and other social causes. The National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs), issued by the Ministry of Corporate Affairs, provide a framework for companies to fulfil their social, environmental and economic responsibilities. The NVGs cover principles such as ethical

[7] For the regulatory legal acts mentioned in this section, see No. 7 and 8.

behaviour, respect for workers' rights and environmental responsibility. The Environment (Protection) Act, 1986 gives the Indian government broad powers to control pollution and protect the environment. Companies are required to carry out Environmental Impact Assessments (EIA) and obtain environmental clearances before undertaking certain projects. The Companies (Amendment) Act, 2019 strengthens CSR provisions and introduces penalties for companies that fail to meet their CSR obligations. It also emphasises greater transparency in CSR reporting. India has numerous labour laws to protect workers' rights, such as the Minimum Wages Act, the Payment of Wages Act and the Equal Remuneration Act. These laws aim to ensure fair working conditions and prevent exploitation. Last but not least, the Securities and Exchange Board of India (SEBI) has introduced Business Responsibility and Sustainability Reporting (BRSR) for listed companies. These reports aim to increase transparency on the social, environmental and economic impacts of companies. While India does not have a direct equivalent to the CSD, it does have several laws and guidelines that address aspects of corporate responsibility, sustainability and human rights. Companies operating in India must comply with these national regulations, which promote responsible business practices and minimise the social and environmental impacts of their operations.

It is therefore not just the European continent that will regulate this issue (as is often suggested in the leading media) - but there are significant differences in the approach to strict regulation, incentive systems, deterrent standards and so on. It remains to be seen which approach will prove most effective.

What Needs to be Done at the EU Member State Level?

Each Member State must designate one or more supervisory authorities to oversee compliance with the Directive by 26 July 2026. For EU companies, the competent authority will be that of the Member State in which the company has its head office. For non-EU companies, the authority will be that of the Member State where the company has a branch or the highest turnover. Parent companies holding only shares may be exempted if an EU subsidiary assumes the obligations. Multiple supervisors must have clearly defined responsibilities and cooperate closely. Member States must ensure the independence of the supervisory authorities and publish annual reports. Once Member States have adopted the necessary provisions and notified them to the Commission by 26 July 2026, the implementation of the CSD will be staggered as follows:

- From 26 July 2027 for large companies (more than 5,000 employees, turnover over 1.5 billion euros).
- From 26 July 2028 for medium-sized companies (more than 3,000 employees, turnover over 900 million euros).
- From 26 July 2027 for large companies from third countries (turnover in the EU over 1.5 billion euros).
- From 26 July 2028 for medium-sized companies from third countries (turnover in the EU over 900 million euros).
- From 26 July 2029 for all other relevant companies (for relevance, see above under Key Aspects of the Directive).

In Germany, the LkSG will therefore have to be technically adapted to the CSD by 26 July 2026 at the latest. Member States must ensure that the supervisory authorities have sufficient powers and resources to monitor compliance with the Directive, including the power to request information from companies and to conduct investigations. The supervisory authorities may initiate investigations on their own initiative or on reasonable suspicion and must monitor compliance with the Directive. Investigations are carried

out in accordance with national law, often after a prior warning to the company. In the case of infringements, the company is given a period of time to remedy the situation, but sanctions and civil liability remain possible. The supervisory authorities may order corrective measures, sanctions and, in urgent cases, interim measures. Member States must ensure that individuals have an effective right of appeal against decisions of the supervisory authorities and that records of investigations and measures are kept. Member States must lay down effective, proportionate and dissuasive sanctions for infringements of the national provisions transposing this Directive. They must take into account the nature, seriousness, duration and impact of the infringement, as well as previous infringements, corrective measures taken and financial benefits obtained. Sanctions for non-compliance shall include at least penalties and publicity. Penalties must be based on the company's worldwide net turnover and can be up to 5% of that turnover. Decisions on sanctions must be published and remain publicly available for at least five years.

Implications for Global IT Service Providers

The Corporate Sustainable Due Diligence Directive has far-reaching implications for global IT service providers, requiring them to prepare thoroughly to meet the challenges and changes that will have a significant impact on their business models. The following are the main implications from today's perspective.

1. Supply Chain Due Diligence
2. Contractual Adjustments
3. Risk Management and Reporting
4. Climate Action and Business Model
5. Loss of Reputation and Goodwill
6. Transparency and Stakeholder Communication

Explanation:

Global IT service providers will be required to carefully assess their entire supply chain for human rights and environmental issues. This includes direct suppliers, and indirect business partners such as subcontractors and hardware suppliers. The Directive imposes an increased administrative burden to conduct rigorous risk analyses and audits, and to develop and implement comprehensive compliance programmes. To comply with the Directive, existing contracts with suppliers and partners will need to be revised to ensure compliance. This includes the inclusion of clauses to monitor and enforce sustainability standards. As a result, many contracts will need to be thoroughly reviewed and possibly renegotiated, potentially resulting in increased contract costs due to the additional requirements. A robust risk management system is essential to identify and mitigate risks effectively. This includes regular reporting on due diligence and the results of risk assessments. IT service providers will need to allocate additional resources to monitoring and reporting, and develop internal control mechanisms and reporting processes to ensure compliance. To align their business models with the Paris Agreement, IT service providers need to implement climate action plans and integrate sustainability goals into their

business strategy. This includes investing in sustainable technologies and practices, such as energy-efficient data centres and green hardware. Such initiatives can provide a competitive advantage by positioning the company as a sustainable business. Companies will be held liable for violations of the Directive, including human rights abuses and environmental damage. National authorities have the power to impose significant penalties and civil claims, increasing legal exposure and requiring comprehensive insurance coverage. Potential litigation and compensation costs need to be anticipated and managed. Involving stakeholders, including employees and communities, in due diligence processes is critical. Public reporting on sustainability efforts and progress will improve stakeholder relationships through increased transparency. This in turn will build public trust and enhance corporate reputation.

Compliance with the Directive requires significant investment in compliance, risk management and reporting. By proactively embracing sustainability, IT service providers can position themselves as industry leaders. This strategic positioning can open up new business opportunities and strengthen customer relationships. This is because customers increasingly value sustainability and may prefer to work with service providers that meet high environmental and social standards. The Directive acts as a driver for sustainable innovation, such as the development of energy-efficient IT solutions and sustainable business models. Failure to comply with the Directive can result in significant legal and reputational damage. The establishment of a robust compliance programme is therefore essential. In summary, the Corporate Sustainable Due Diligence Directive places significant obligations on global IT service providers. However, by embracing these requirements, companies can mitigate risks, capitalise on new opportunities, enhance their market position and make a positive contribution to global sustainability efforts. In the short term, therefore, there is likely to be a negative impact on margins. If this happens, the long-term outlook for margins could be positive.

A Step Ahead in Thinking: Link between Financial Soundness Indicators (FSIs) and Sustainability

Financial Soundness Indicators (FSIs) are metrics used to assess the health and stability of financial institutions and systems.[8] They play a crucial role in understanding the resilience of financial institutions to economic shocks and their ability to support sustainable economic growth. FSIs can have a significant impact on sustainability, both directly and indirectly. Here's how:

Capital Adequacy

Adequate capital buffers ensure that financial institutions can withstand economic downturns without resorting to environmentally or socially harmful austerity measures. Strong capital positions enable banks to finance long-term sustainable projects, such as renewable energy development, that require stable financial backing.

Asset Quality

High asset quality implies a lower risk of default, which encourages investment in sustainable projects that may have longer payback periods but are less volatile and more stable. Poor asset quality, reflected in high levels of non-performing loans, may encourage banks to review their lending practices and possibly prioritise lending to projects with positive environmental and social impacts.

Profitability

Profitable financial institutions have more resources to devote to sustainable projects and innovation in green finance products. Sustained profitability contributes to economic stability, which is essential for sustainable development goals. Stable financial institutions are better able to support projects that contribute to social and environmental goals.

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[8] See No. 3 for a comparison between the US and Germany on key metrics.

Liquidity

Adequate liquidity ensures that financial institutions can meet their short-term obligations, fostering stability in the financial system, which is crucial for long-term sustainable development. Sufficient liquidity enables institutions to invest in sustainable assets and projects without fear of liquidity shortfalls.

Leverage

Lower leverage levels indicate more prudent risk-taking by financial institutions, which can lead to more stable funding for sustainable projects. A well-leveraged financial system is less prone to crises, which allows for continuous support of sustainability initiatives without the disruptions caused by financial instability.

Sensitivity to Market Risk

Institutions that manage market risks effectively are better positioned to invest in sustainable projects that may have long-term horizons but are subject to short-term market fluctuations. Managing market risks encourages diversification into green finance, as these investments are seen as less volatile and more stable over the long term.

Efficiency

Efficient financial institutions allocate resources more effectively, which can improve the funding of sustainable development projects. High operational efficiency can result in cost savings that can be redirected to sustainability initiatives within the institution.

Indirect Impacts

FSIs that promote financial stability contribute to the broader economic environment necessary to achieve the sustainability goals. Stable financial systems can provide the necessary capital and incentives for innovation in green technologies and sustainable practices. FSIs often influence the regulatory environment. Strong financial soundness can lead to regulations that support sustainable finance and responsible investment.

Key Challenges

Financial institutions must balance profitability with sustainable practices, ensuring that short-term financial metrics do not undermine long-term sustainability goals. There is a growing need to integrate sustainability metrics with FSIs to provide a comprehensive view of an institution's sustainability impact.

Preliminary Conclusion

FSIs have the potential to have a significant impact on sustainability by ensuring that financial institutions remain robust, stable and able to support sustainable economic activity. By aligning financial soundness with sustainability goals, financial institutions play a key role in the transition to a sustainable economy. However, this requires a conscious effort to integrate sustainability considerations into financial assessments and decision-making processes. But what does this mean for the wider business landscape?

The conclusion that financial soundness indicators (FSIs) can have a significant impact on sustainability has several far-reaching implications for the wider economy outside the financial sector. Here are some of the key implications:

Improved Access

Businesses in different sectors gain better access to capital through stable and sustainability-focused financial institutions. This will facilitate investment in sustainable technologies and projects, with long-term economic benefits. With reliable financing, companies can develop longer-term strategies that are often more sustainable and less focused on short-term profits.

Encouraging Innovation

Access to capital for sustainable innovation projects encourages companies to invest in environmentally friendly technologies and processes. Businesses can enter new markets geared towards sustainability and environmentally friendly products.

Increased Competitiveness

Companies that integrate sustainable practices can differentiate themselves and gain a competitive advantage in the global marketplace. Better risk management leads to more stable business models that are more resilient to economic fluctuations.

Sustainable Supply Chains

Companies are motivated to integrate sustainable practices into their supply chains to ensure compliance with environmental and social responsibility standards. By reducing environmental and social risks in the supply chain, companies can improve their long-term stability and efficiency.

Macroeconomic Stability

A stable financial base contributes to overall economic stability, which benefits the whole economy by creating a supportive environment for sustainable growth. A more stable economy increases the demand for sustainable products and services, as both businesses and consumers increasingly focus on environmentally friendly options.

Increased Regulatory Requirements

Companies must comply with stricter regulations that promote sustainability and require transparency in environmental and social practices. Companies are motivated to adapt to new sustainability standards in order to avoid regulatory risks and seize market opportunities.

Improved Reputation and Brand Loyalty

Companies that actively implement sustainable practices enhance their reputation and can strengthen consumer loyalty. Sustainable companies are more attractive to investors, who increasingly value environmentally and socially responsible investments.

Overall Conclusions

Integrating sustainability objectives into financial market practices has profound implications for the wider economy beyond the financial sector. It fosters an economic environment that prioritises innovation and sustainability, leading to more stable and competitive markets in the long run. However, this requires a change in the mindset of companies, which need to adapt their business models to meet sustainability requirements. Short-term goals must give way to long-term goals. A rethink is therefore essential. This is perhaps the most difficult part of this article to understand, but sustainability as a successful model will only be achieved if the short-term goals of the current economic system are replaced by long-term target periods. Ultimately, this will lead to an economy that values not only financial, but also social and environmental factors, contributing to a more sustainable and equitable global economy.

Outlook

The Corporate Sustainable Due Diligence Directive is an important step towards more sustainable and responsible corporate governance. Despite challenges and criticism, the Directive offers many opportunities for companies willing to comply and make their business models sustainable. Member States with existing national regulations will need to adapt them accordingly. So when it is sometimes said in Germany that the LkSG already covers this, this is incorrect or at best misleading. What is more interesting, however, is that the CSD will also affect companies outside the EU, especially those that export to the EU market or are part of EU supply chains. For these companies, the European market will become increasingly regulated. The responses to this development remain to be seen. With this development, the CSD is in its final implementation phase. Affected companies should use the remaining time to thoroughly prepare for the new requirements and take appropriate measures. Investing in sustainable practices can pay dividends in the long term, not only by helping to meet legal requirements, but also by contributing to a positive corporate image and ensuring competitiveness in an increasingly sustainability-conscious world. As the demand side becomes more aware of sustainable companies and products, such companies will become more relevant to the market and consumers. Even companies that rely on capital market financing will not be able to avoid this issue in the future. A poor image will inevitably lead to divestments, especially in the case of large investment companies. This would have drastic consequences for any company involved. Overall, the CSD is a development that will have an impact far beyond the EU. It sends a strong signal to companies around the world that sustainability and human rights must be an integral part of modern and responsible business within the EU. Otherwise, the European market will be closed to them, or at least they will face sanctions. Ultimately, the CSD can also be seen as a building block, that combines economic, social, environmental, ethical and internal company perspectives. The aim of this combination is to support companies in the consistent implementation of their due diligence obligations, not only to fulfil

their social responsibilities, but also to actively contribute to a more sustainable and just world. However, the success of these measures will also depend on other factors, in particular geopolitical developments. In other words, we are entering a new era of living in the next decade with significant changes, that will push our adaptive capacity to the limit.[9]

[9] See No. 9, page 37.

Sources

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Appendix: Frequently Asked Questions

Frequently Asked Questions

Corporate Sustainability Due Diligence Directive

1. What is the CSDDD?

- The CSDDD, formally known as Directive 2024/1760, is a key piece of European sustainability legislation aimed at ensuring that companies prevent and address negative impacts on human rights and the environment throughout their operations, subsidiaries and business partners.
- It mandates the implementation of a climate change plan in line with the Paris Agreement and holds companies accountable for violations.
- The final version was published on 5 July 2024 and will come into force 20 days later.

  - Ref: Preamble, Art. 1, 38.

2. Who Does It Apply To?

- The Directive covers EU companies with more than 1,000 employees and a turnover of €450 million, as well as non-EU companies with a similar turnover in the EU.
- It includes parent companies, franchise or licence agreements over €22.5 million and turnover over €80 million.
- Companies must meet these criteria for two consecutive financial years for the Directive to apply.
    - Ref: Art. 2, 37 (3, 4, 6, 8).

3. What Are the Key Requirements?

- Due Diligence
  - Continuous risk assessment, prevention and reporting of environmental and human rights impacts in operations and supply chains.
- Climate Change Plan
  - Alignment of business models with sustainability goals.
- Stakeholder Involvement
  - Involvement of affected parties in the due diligence process.
- Civil Liability
  - Companies can be held liable for violations, including compensation to affected parties.

  - Ref: Art. 4-6.

4. How Does It Compare With National Laws?

- The CSDDD goes beyond national legislation (such as Germany's LkSG) by including a broader definition of supply chains, covering both upstream and downstream activities, and introducing civil liability.
- It serves as a harmonised approach across the EU, emphasising environmental standards and climate change measures.

  - Ref: Art. 7.

5. What Are the Key Compliance Challenges?

- Economic impact
    - Increased costs and administrative burdens, particularly for SMEs.
- Resource allocation
    - Need for expertise and resources to conduct risk analysis and implement effective prevention and remediation strategies.
- Global supply chains
    - Non-EU companies face challenges ensuring compliance throughout global supply chains.

    - Ref: Art. 8.

6. What Are the Opportunities?

- Competitive advantage
  - Companies that adopt with sustainable practices can benefit from consumer demand and market preference for environmentally responsible products and services.
- Risk mitigation
  - Proactive risk management can reduce potential legal liabilities and enhance corporate reputation.
- Innovation
  - Driving development of sustainable products, services, and business models.

  - Ref: Art. 9.

7. Key Implications for Global IT Service Providers?

- IT service providers need to assess supply chains for compliance, revise contracts to incorporate sustainability standards, implement robust risk management and reporting systems, and integrate climate action into business strategies.
- Failure to do so could result in significant legal liabilities and reputational damage.
    - Ref: Art. 10.

8. How Will Enforcement Work in the EU States?

- Member States must designate supervisory authorities by 26 July 2026, with phased implementation for different company sizes.
- The authorities will monitor compliance, conduct investigations and enforce penalties, including fines based on a company's global turnover.
    - Ref: Art. 11, 12.

9. Key Consequences of Non-Compliance?

- Failure to comply can result in significant fines, civil liability, reputational damage and possible exclusion from the European market.
- Penalties can be up to 5% of a company's global net turnover.
    - Ref: Art. 25, 27.

10. What Should Companies Do to Be Prepared?

- Companies should:
  - Conduct thorough assessments of their supply chains.
  - Invest in compliance programmes and staff training.
  - Develop climate action plans and integrate sustainability into corporate strategies.
  - Engage stakeholders in due diligence processes to ensure alignment with the Directive's requirements.

  - Ref: Preamble, Art. 5-7, 10-11, 18-19, 23-26, 33.

11. How Does It Affect Companies Outside the EU?

- Non-EU companies exporting to the EU or participating in EU supply chains will have to comply with the Directive's requirements, leading to increased regulation and potential trade tensions.
- This underlines the importance of international cooperation on sustainability standards.

  - Ref: Art. 2, 37.

12. What Is the Future Outlook?

- The directive represents a shift towards sustainable corporate governance, influencing global markets and setting a precedent for integrating human rights and environmental standards into business practices.
- Companies that adapt to these changes can reap long-term benefits in a sustainability-conscious marketplace.

    - Ref: Preamble, Art. 36.