



EU Impact on US Companies

A New European Law Could Impact
Your Community

By

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Did You Know?

Did you know that a decision by the European Union two months ago will have a huge impact on many United States companies, their workers, and smaller companies that support them with supplies, labor, and deliveries? I'm guessing not because the vast majority of the U.S. media has not reported about it for some reason. The European media has been covering it for months — even years.

It's called The Corporate Sustainability Due Diligence Directive —

The aim of this Directive is to foster sustainable and responsible corporate behaviour in companies' operations and across their global value chains. The new rules will ensure that companies in scope identify and address adverse human rights and environmental impacts of their actions inside and outside Europe. European Commission

Large companies must take their responsibilities in the transition towards a greener economy and more social justice. The Corporate Sustainability Due Diligence directive will give us the possibility to sanction those actors that violate their obligations. It is a concrete and significant step towards a better place to live for everyone. Pierre-Yves Dermagne, Belgian Deputy Prime Minister and Minister of the Economy and Employment European Council

The Directive includes measures to facilitate compliance by the large companies within scope, as well as support and protections for smaller business partners that may be indirectly impacted. The Commission will adopt guidelines and accompanying measures to support effective implementation. European Commission

You may wonder why people living in the U.S. would care about what the EU voted into law on July 25th of this year. Here's why we should and why our news media should be reporting about it —

The CS3D is part of the European Green Deal – a set of policy initiatives by the European Commission with the overarching aim of making the European Union's climate, energy, transport and taxation policies fit for reducing net greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels, and climate-neutral by 2050. Together with existing regulations and other regulatory initiatives such as the Corporate Sustainability Reporting Directive (CSRD) or the EU Taxonomy Regulation, the CS3D represents a further step towards sustainable business under uniform European conditions. European Broadcasting Union (EBU)

Again, you may say, who cares. That just impacts companies in Europe. Oh, read on —

- EU companies with a minimum of 1000 employees and a net worldwide turnover of a minimum of 450 million euros.
- Non-EU companies with a turnover of a minimum of 450 million euros in the Union.
- Companies (EU or non-EU) that enter into franchising or licensing agreements in the EU in return for royalties with independent third-party companies, where these agreements meet certain criteria and where the royalties amount to more than 22.5 million euros and the companies have a net worldwide turnover (for EU companies) or EU turnover (for non-EU companies) of more than 80 million euros. All the above thresholds also apply to ultimate parent companies (EU or non-EU) of a group where the group reaches the above thresholds even where the ultimate parent companies do not themselves meet the above thresholds. EBU

Notice the wording of ‘Non-EU companies with a turnover of a minimum of 450 million euros in the Union.’ That includes all U.S. companies doing business in Europe (EU) that do more than 450 million euros per year (\$500 million USD). When you look at U.S. companies doing business in the European Union, you’ll see that it impacts hundreds of companies and tens of thousands of American workers.

As you read further into the rules and regulations of the CSRD you’ll see that even smaller companies will be impacted as well. Why? Because they do business with the larger U.S. companies that will have to comply with the CSRD —

All companies within the scope of the Directive will have to implement risk-based due diligence measures to identify, end, prevent, mitigate and account for negative human rights and environmental impacts of their actions. For instance, due diligence would imply developing and implementing so-called “prevention action plans”, including by obtaining contractual assurances from direct business partners, and

subsequently verifying compliance. Companies covered by the directive would need to ensure due diligence not just regarding their own operations, but also regarding the activities of all entities in their chains of activities with which they have direct and indirect business relationships. EBU

The directive will affect companies of more than 1 000 employees with a turnover of more than €450 million, and their activities ranging from the upstream production of goods or the provision of services, to the downstream distribution, transport, or storage of products. Companies affected by the legislation adopted today will have to take and implement a risk-based system to monitor, prevent or remedy human rights or environmental damages identified by the directive. European Council

Notice that the new EU regulations will impact both ‘human rights and environmental impacts.’ U.S. companies will have to develop a transition plan for climate change in line with the Paris Agreement and the EU Green Deal. Hundreds of U.S. companies will also have to agree to human rights decrees as designated by the EU — including issues concerning rights of thought, speech, conscience, religion, associations, and assembly.

The list also includes certain violations of international environmental law concerning, for instance, the handling, collection, storage and disposal of waste, or the use of biological resources that could have adverse impacts on biodiversity. EBU

As the world confronts pressing environmental and social challenges, this directive aims to hold corporations accountable for their impact on human rights and the environment, particularly within their extended value chains. However, while the intent of the directive is clear, its implementation presents

significant complexities for both companies and investors, especially those outside the EU. MSN

Companies affected by the directive will also have to adopt and put into effect a climate transition plan in line with the Paris agreement on climate change ... Member states will have two years to implement the regulations and administrative procedures to comply with this legal text. European Council

A Call to Journalists

Large companies in your community are probably already aware of the the EU's CSRD and are working on how they'll comply within the next two years. These companies may have already contacted smaller companies that supply them with labor and materials, support them through the supply-chain, etc. How will this decision by the European Union affect companies (large and small) and their employees (your viewers, listeners, and readers) in your community and state?

Large companies and their subsidiaries in the U.S. and other non-EU countries will have to abide by EU laws. The European Union will determine compliance and will fine companies that do not comply —

Administrative enforcement includes injunctions (i.e. orders to cease or adopt certain conduct) and sanctions (including fines) by the competent national supervisory authorities” 240719_CSDD_FAQ_final.pdf

Most companies do not like to be fined, so they will probably comply. Complying will most likely have an economic impact on EU and non-EU companies — a financial impact that will most likely be passed along to consumers (e.g. higher prices, increased inflation, product availability and supply-chain challenges, etc).

Journalists, it's your job to know what's going on in your community, state, nation, and world that has any financial or social impact on your audience. You may say that this new law caught you by surprise since the EU just passed the regulation two months ago. However, this proposal came before the European Council almost three years ago (February 23, 2022). The Council adopted it in December 2022 and reached a provision agreement a year later (December 14, 2023). That's plenty of time for journalists in the U.S. to have reported on a story that will impact many U.S. companies, workers, and consumers.

I was pleased to see that Forbes reported on the story in May of this year, as did a few other U.S. media — though it would have been helpful if journalists in the U.S. had reported this two or three years ago and begun the process of seeing how its passage into law would impact American companies, their employees, and smaller businesses that support the larger businesses. For example, one issue that has already come up between the U.S. and EU is a sustainability stand-off about deforestation. I'm sure we'll see more issues arise in the coming months and years.

I recommend journalists read news from news outlets in the UK, Europe, India, the Middle East, Asia, Africa, and other countries and continents at least once a week. That way something as big as the EU's CSRD won't get past you. You can also look to organizations that are involved in issues that could impact your community (e.g. ESG News, Human Rights Watch, Business and Human Rights, etc). These groups are often months or years ahead of the U.S. news media in reporting what's coming in the areas of human rights, climate change, and other social concerns.

ESG stands for environmental, social, and governance. ESG investing refers to how companies score on these responsibility metrics and standards for potential investments. Environmental criteria gauge how a company safeguards the environment. Social criteria examine how it manages relationships with employees, suppliers, customers, and communities. Governance measures a company's leadership, executive pay, audits, internal controls, and shareholder rights. [Investopedia](#)

Facts, Not Opinions

Journalists should be curious readers. Don't just read or watch what you agree with or personally enjoy. Look for things happening in the U.S. and other countries that may have an impact on the people who depend on you for news. Remember, your audience needs 'facts,' not 'opinions.' Whatever you think personally about CSRD is irrelevant compared to the important job journalists have to be accurate and fair in their reporting.

The point is — this is a BIG story that few U.S. journalists are currently covering. American employers, workers, and consumers deserve to know how laws passed in other countries may impact them. Do your 'due diligence' as a journalist and report on the impact to those who look to you for important news coverage.



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