GeoDisruption³
Balancing Gigawatts, Gigabytes and Gigapowers

LexMundi General Counsel Summit Report 2025

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Contents

Executive summary

1. Corporate leadership teams and boardrooms are confronting a risk environment defined by a steady state of GeoDisruption, i.e. rivalry between gigapowers China and the United States, competition over critical resources for greener gigawatts, and control of the AI-technologies that leverage gigabytes for industrial, economic and battlefield supremacy.

2. The deteriorating global security environment and complex geopolitical relationships are causing General Counsel to navigate new trade and investment patterns, politicization of business and regulatory uncertainty, requiring deeper local diligence for cross-border transactions, supply chain relationships, and emerging areas of compliance related to human rights, climate change and AI.

3. General Counsel can help their companies embrace disruption by adopting unconventional negotiation techniques, repurposing crisis management approaches and using pre-diligence to better inform strategic company decisions.

4. There remains untapped potential in the use of legal project management (LPM) to avoid common pitfalls when undertaking large cross-border matters and to improve decision making in dynamic risk environments.

> “Emerging conflicts and tensions are reshaping economic alliances, destabilizing the rule of law and escalating international competition.”

Foreword

The topic of geopolitical disruption as a main focal point for the Lex Mundi General Counsel Summit at the end of 2024 was never in doubt.

Military confrontations were raging in Europe and the Middle East, the global security environment overall had deteriorated to its worst level in many years if not decades, and trade relations had been suffering from the consequences of economic nationalism. Following from these developments, companies engaged in cross-border business activity have run into an onslaught of regulation impacting foreign investments and supply chains, including a tsunami of sanctions, disclosure rules and transaction clearance hurdles.

Emerging conflicts and tensions are not only reshaping economic alliances and destabilizing the rule of law, but escalating international competition for critical minerals needed to achieve decarbonization targets and to fuel energy-intensive large language models (LLMs).

At the same time, through our engagement with General Counsel around the world, we also have watched the emergence of promising new trade and investment patterns and some impressive success stories of companies that were finding opportunity amidst the fog of global disruption.

The Lex Mundi General Counsel Summit in October 2024, was somewhat a culmination of topics addressed at our Summits in recent years, which identified the paradigm shift in corporate governance towards stakeholderism and its impact on General Counsel.

The interwoven reality of three types of disruption – geopolitics, energy transition, and AI – led us to coin the term "GeoDisruption" to capture the way that companies find themselves balancing a myriad of risk: the erosion of the legal architecture undergirding global commerce, requirements to reduce carbon emissions, and the reshaping of the competitive and national security landscapes by AI. Amidst this trifecta of disruption, some countries and companies are clearly thriving, whereas others teeter on the brink.

General Counsel have never been under more pressure as they guide their companies through divergent laws and regulations across jurisdictions, in order to navigate investment and operational decisions, commercial relationships and important transactions.

If they are to handle the demands upon them for high value advice, e.g. in regard to sensitive cross-border strategies, they will need to build adaptive capabilities to the steady state of disruption.

Over two days the Lex Mundi General Counsel Summit brought together senior in-house counsel from some fifty blue-chip companies with experts from around the world to discuss how to make legal advice more valuable in the context of GeoDisruption.

This report supplements those discussions with Lex Mundi's own analysis based on our work with General Counsel around the world and our member firms.

> "There has been a paradigm shift in corporate governance towards stakeholderism which has had an impact on General Counsel."

> Amidst this trifecta of disruption, some countries and companies are clearly thriving, whereas others are teetering on the brink.

The report's first section addresses how geopolitical disruptions are shaping trade, investment and regulation. The next section drills into three main areas of cross-border regulation: trade, investment and technology controls; sanctions; and supply chain disclosures. The final section identifies five areas of legal risk management – negotiations, crisis management, horizon scanning, AI, and legal project management – that General Counsel can approach differently, in order to help their companies lean-in to GeoDisruption.

If you would like to join the 2025 Lex Mundi General Counsel Summit in Versailles, France on October 9-10, or explore how Lex Mundi Equisphere, our legal project management platform, can support you in handling cross-border matters, please contact Eric Staal.

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Geopolitical disruption
Emerging investment and trade patterns

Citing data from the AlixPartners Disruption Index, Summit keynote speaker and Global Vice Chair of the firm, Stefano Aversa, concisely framed the risk environment facing business decision makers as one of '*permanent disruption*', with geopolitics being the main area occupying board level attention in multinational companies.[1]

He foresees the occurrence of more situations on the horizon without definitive answers and therewith comes a need for better insight. The consequence is that many boards and C-suites have moved into a posture of risk avoidance, whereas a dynamic environment demands more risk-taking both for survival and to build competitive positions as markets change.

At the core of business uncertainty across markets are geopolitical shifts, which are leading to the formation of new patterns in cross-border investment, trade and regulation. Competition between the world's two gigapowers, the US and China, is broadly shaping these patterns in economic activity, but middle powers are not falling neatly into line with either side, nor confining themselves within regional blocs.

We are now nearly a decade into this gigapower cold war if we mark its onset from Donald J. Trump's 2016 election and the resetting of the US-China relationship with aggressive trade and investment restrictions. Overall, what stands out during this period of disruption is the repositioning of various regional players to opportunize on the changes, while the European bloc has been adversely impacted. From a business perspective, these particular developments are signposts directing capital allocation and operational decisions, which corporate leadership teams and General Counsel manage day-to-day.

Our first round of Summit discussions in Milan included two keynote speakers and an expert panel, which covered the tensions across geopolitical changes, energy transition and AI that are influencing investments, transactions and enterprise risk as new contours become clearer from East Asia to Africa.

1 AlixPartners Disruption Index, *Get ready for the productivity push*, 2024. https://www.alixpartners.com/disruption-index/

Unlike the ideologically-driven Cold War of the mid-20th century, the current gigapower bipolarity is anchored deeper in the pursuit of national economic interest, with foreign economic policies increasingly taking the place of proxy wars as a primary lever to gain and exert influence.

The steady US withdrawal from military positions in key Eurasian conflict zones and the recalibration of its alliance posture has coincided with a severe deterioration of the global security environment, particularly in Central Europe, the Middle East, the Red Sea and Horn of Africa, the South China Sea and Taiwan – all of which is causing business to deal with multifront sanctions, significant supply chain disruptions and increased risk to business operations. Clearly, sanctions in particular have become a more frequently used tool for foreign policy and to protect national economic interest.

The more sanctions that are issued, the more dilemmas companies face about where and with whom to do business. One Summit participant emphasized, that she has found more and more Western companies withdrawing from markets as a result of compliance concerns.

In the face of intense Chinese competition, recent US administrations of both parties have been less inclined to subordinate domestic economic priorities to propping up the global rules-based system as a mechanism to foster new allies and reward existing ones. The US transformation from both sponsor of the global economic system and exemplar of limited state intervention into an advocate for protectionism and industrial subsidies has created a leadership void, which other powers are ill-suited to fill.

> “With its dependency on China for carbon transition, the EU could be setting itself up for future geopolitical dilemmas.”

There is no heavyweight to champion a liberal institutional order, for example by reviving the WTO to adjudicate trade disputes, but interestingly both China and Russia have actively pressed for alternative systems through such initiatives as China’s Belt and Road, Global Development Initiative, Asian Infrastructure Investment Bank (AIIB), as well as trade and monetary cooperation among BRICS.

Consequently, corporate leaders face less predictability and more active use of trade and investment controls as governments focus on protecting national security, sensitive industries, markets, employment, and critical supply chain inputs.

Reflecting the urgency of not being consigned to global backwaters as the gigapowers and other players race ahead to secure their positions in a future defined by AI and access to critical minerals, in 2023 the EU Commission tasked former ECB President Mario Draghi to make recommendations to overcome the bloc's two-decade relative decline in productivity and competitiveness.

In addressing the European Parliament in September 2024, Draghi concluded with an explicit call for a new *"EU foreign economic policy to reduce dependencies including securing supplies of critical minerals."*[2]

The report in full exposes Europe's extensive vulnerabilities beyond its dependency on foreign powers for raw materials, such as importing over 80 percent of digital technology, and electricity costs at 2-3 times above the United States and China, resulting in having only four of the world's top 50 tech companies. Looking at the top 50 global companies by market cap at the end of 2024, Europe clocked in with its highest entry at 28 with LVMH and only posted 6 total if one includes Accenture headquartered in Ireland.

In the automotive sector, Europe performed better with five companies in the top ten by valuation, but its first entry at number five was already streets behind Tesla, Toyota, BYD and Xiaomi. In the essential future categories of Technology and AI, Europe had no companies in the top ten.[3] By comparison, China dominates global manufacturing capacity across all sectors at some 30 percent. Signaling the trajectory, one Summit speaker shared data that China is building capacity to export 4-5 million EVs and cited forecasts that Europe could face between 300,000-500,000 job losses in the auto sector over the next 5-10 years.

Beyond mere economic competitiveness, Draghi concludes Europe's deficiencies leave the bloc as the least ready to defend itself militarily, especially if one considers the way in which AI and advanced technology will dictate market dominance of defense, space and other key industrial sectors in the decades ahead.

2 Address by Mr. Draghi, *Presentation of the report on the Future of European competitiveness*, European Parliament, Strasbourg, 17 September 2024. https://commission.europa.eu/document/download/fcbc7ada-213b-4679-83f7-69a4c2127a25_en
3 *Largest automakers by market capitalization.* https://companiesmarketcap.com/automakers/largest-automakers-by-market-cap/

AI models, and the chips and enormous data centers they require, have an insatiable appetite for energy, putting China at an advantage by virtue of its use of fossil fuels and nuclear – even as it invests heavily in renewables. With its cheap energy and government subsidies, it is building the largest data centers in the world. In the United States, the bottleneck in energy generation to fuel data centers and AI development is being met with investments in nuclear facilities, including Microsoft, Amazon and Google investments in modular reactors and the controversial revival of part of the infamous Three Mile Island facility.[4]

Elsewhere Microsoft has partnered with the UAE and Saudi Arabia on major AI investments, compelling those countries to decide between the US and China as part of the enforcement of US export controls that block technology transfers to its gigapower rival.[5]

Nevertheless, Draghi's recommendations on energy cost reductions stay within the guardrails of the EU's ambitious commitments for carbon neutrality and call for making renewable generation cheaper by adopting a more technology-agnostic approach, i.e. among renewables, nuclear, hydrogen, bioenergy, and carbon capture, utilization and storage.

Demonstrating the geopolitical dimensions of Europe's energy transition, Summit guest speaker Anja Lange shared Bloomberg data showing China's near monopoly with 80 percent of global manufacturing capacity located in country in 11 crucial clean-tech segments, encompassing:[6]

- solar wafers, cells, modules and polysilicon;
- battery cells, cathodes, anodes, electrodes, separators and lithium;
- cobalt and nickel sulfates;
- wind turbines;
- hydrogen electrolyzers.

4 Microsoft, Amazon, and Google bet on nuclear for AI growth, MarketBeat, 24 October 2024. https://www.marketbeat.com/stock-ideas/3-stocks-driving-the-shift-to-nuclear-energy-for-ai-power/
5 *UAE seeks 'marriage' with US over artificial intelligence deals.* https://www.ft.com/content/b72ba623-8e3c-4d29-837b-33f6b8407fb8
6 Jennifer A Dlouhy, *China Extends Clean-Tech Dominance Over US Despite Biden's IRA,* Bloomberg, 16 April 2024. https://www.bloomberg.com/news/newsletters/2024-04-16/china-extends-clean-tech-dominance-over-us-despite-biden-s-ira-blueprint

In contrast to the European approach to decarbonization, the Biden administration achieved significant progress with its strategic focus on autonomy, use of subsidies, trade protection and technology agnosticism. Within two years from August 2022, the US had already doubled solar capacity, generating 26 additional gigawatts.

One could distinguish between the US and European approaches, with the latter arguably constrained by budgets, strategic considerations related to carbon transition and dependence on China, setting itself up for future geopolitical dilemmas if the gigapower cold war takes a wrong turn in places like Taiwan, or the new US administration clamps down further on technology transfers and other export controls.

Table 1. US vs EU approach to energy transition

	United States	Europe
Availability of subsidies	High	Limited by budgets
Trade policies	Anti-dumping measures and tariffs	Reliance on WTO Vulnerability to Chinese retaliation
Technology prescriptive	Agnostic	Specified in EU green agenda
Strategic focus	Autonomy	Decarbonization targets

Another crucial aspect of competitiveness from a business perspective is the plethora of disclosure requirements imposed on companies regarding sustainability and supply chains now coming into force (see next section, page 19).

By comparison, similarly extensive requirements in the United States were introduced during SEC Chairman Gary Gensler's recent term, but faced judicial challenges and have become moot with his replacement following the election of November 5th, 2024. Europe's gap with the US stands to widen as the new administration in Washington pursues a proactively disruptive approach to innovation, economic policy and government itself, while the US corporate sector pares back commitments to the carbon transition and ESG movement overall.

The Draghi report estimates that to correct course, the EU will need to spend roughly €800 billion a year, simply to fund existing commitments to carbon neutrality by 2050 and NATO, while keeping up in the AI race.

While Europe does possess some greentech leadership advantages, questions remain whether the necessary level of investment can be mustered or more significant trade-offs will be required, e.g. walking back investments or carbon transition commitments to foster competitiveness. Draghi's Report underscores that investment alone is not sufficient and advocates a new and more focused foreign economic policy, in order to secure Europe's economic and security interests, as well as to catch up to other countries that have a head start in finding competitive advantages amidst the geopolitical disruption.

China has been an exemplar of strategic foreign economic policy over the previous decade, extending global reach through its Belt and Road Initiative (BRI) by funding more than a trillion dollars for major infrastructure projects and other loans in some 140 countries. As a result, China has gained access to key minerals and resources that supported its national strategy to be a market leader across key technologies, while becoming the world's largest creditor country. In 2024, three of its largest borrowers – Pakistan, Kenya and Egypt – all required bail-outs from the International Monetary Fund and another, Sri Lanka, turned over control of its Hambantota Port following default.

Since 2021, China has sought to redress criticism of the debt burdens that the BRI imposes on borrowing countries by coupling it with a new Global Development Initiative (GDI) launched at the UN General Assembly that year. The GDI raised $16 billion to fund new projects aligned with the UN's 2030 Agenda for Sustainable Development. Additionally, in October of 2024, the Asian Infrastructure Investment Bank began encouraging developing countries to issue renminbi bonds to tap its domestic capital pool at more attractive conditions.[7] The World Bank and the US ExIm Bank, by contrast, are substantially more encumbered by procedures and requirements for the approval of new loans. Rather than focus on foreign economic policy, the US has been doubling down on its legacy hegemonic advantage of offering security guarantees in exchange for keeping countries on side.[8]

7 Lee Harris and Joseph Cotterill, *China's 'World Bank' gives backing to wave of renminbi bonds*, Financial Times, 2 October 2024. https://www.ft.com/content/883faebd-c253-4a34-96ae-a65ed444b879

8 Gideon Rachman, *China, America and a global struggle for power and influence: The whole world risks losing from the rivalry between Washington and Beijing,* Financial Times, 16 September 2024. https://www.ft.com/content/78f303a9-15dd-497b-a2b5-f6926492f71e

A Summit panel discussed the role of Southeast Asia, India and Gulf countries as destinations for multinational companies that need to hedge against US-China tensions. Regarding Southeast Asia one panelist explained, *"regional players are threading the needle to maintain access to both Chinese and US markets."* The region bucked a global decline in foreign investment activity in 2023, benefiting from an investment boom from both sides, Chinese companies offshoring and non-Chinese companies navigating between the two gigapowers. According to fDi Intelligence, more than $124 billion in foreign direct investment was pledged for greenfield factories in ASEAN in 2022 and 2023, not only from China but from traditional players Japan, South Korea and the United States.

A 2023 report by the Rhodium Group summarized the shift in Chinese investment in recent years as the largest single source of FDI in the region:

"Chinese firms have steadily expanded in the region, building regional supply chains, new markets for Chinese goods and services, and robust financial and services networks... While previous investments focused on low-skilled manufacturing and resources, recent investments in the region include next-generation technologies from alternative energy and electric vehicles (EVs) to big data analytics and advanced manufacturing."[9]

In connection with shifting supply chains, the new Trump administration's economic team, including nominee for USTR Jamieson Greer, are on record about the potential need to prevent the use of manufacturing in third countries to circumvent US tariffs against China. In a high-profile case in late October 2024, the Financial Times reported on TSMC's notification of US authorities that it had stopped shipping to some customers over suspicions they were using shell companies to circumvent US export controls.[10] Reflecting corporate awareness of this risk, Lex Mundi has seen an increase in requests from clients for support across jurisdictions to understand rules related to the ultimate beneficial ownership.

9 Rhodium Group, *ESG Impacts of China's Next-Generation Outbound Investments: Indonesia and Cambodia*, 24 August 2023. https://rhg.com/research/esg-impacts-of-chinas-next-generation-outbound-investments-indonesia-and-cambodia/
10 Podcast *The geopolitics of chips: Nvidia and the AI boom*, FT Tech Tonic, 3 December 2024. https://www.ft.com/content/98c6236f-459a-4068-9001-964fa3e5fcc7

Beyond greenfield foreign investment and M&A activity, in recent year's Singapore's role has become stronger as the hub for businesses operating across the region including as a destination for professionals from China and Hong Kong. As a financial hub it is filling the void left by Hong Kong for funds from across Asia, but the panel also discussed how capital flows have directed to Delhi to tap its booming capital markets. As one speaker explained, India's economic reforms over the last decade under Prime Minister Narendra Modi have allowed the country to step into the gap between China and the United States.

Modi's third term has moved past previous objectives to focus on improvements in the trade balance, financial inclusion through digitization, electrification and transport infrastructure to a new emphasis on an ecosystem for manufacturing that establishes India not only as 'China plus one' but as a standalone destination. Specifically, under Modi's leadership, the Bharatiya Janata Party in 2024 committed in its election manifesto to turn the country into the world's third largest economic power, a strategic objective Modi reiterated in July 2024.[11]

> "Flanking Modi's geopolitical ambitions, an active foreign policy agenda is aimed at deepening economic ties to Russia, Brazil and the Middle East."

11 *PM Modi says in his third term India will become the third-largest economy*, CNBC TV18. https://www.cnbctv18.com/economy/budget-2024-pm-modi-says-in-bjp-third-term-india-will-become-the-third-largest-economy-19451564.htm

Reflecting this trajectory, the panel discussed activity on the Bombay stock exchange, which reached $4 trillion in 2024 and ranked fifth globally. The dual IPO listing of Hyundai on the BSE and NSE at $3.3 billion was the largest in history. Flanking Modi's geopolitical ambitions, an active foreign policy agenda is aimed at deepening economic ties to Russia, Brazil and the Middle East.

With 195 projects in Q3 2024, India surpassed China for the number of greenfield investments it made. According to fDi Intelligence, *"while the Asia-Pacific region led by Singapore was traditionally the first choice for Indian firms [sic] overseas expansion, this has shifted towards other regions like the Middle East, Europe and North America."*

The UAE, US, UK, Canada, Saudi Arabia and Singapore were the largest destinations for Indian FDI projects in 2024. As a part of this trend, panelists at the Summit confirmed an increase in the number of Indian multinationals establishing in UAE.[12]

Gulf countries have also not been deterred by geopolitical instability, including the repercussions from the Israeli war in Gaza and direct exchange of missiles between Iran and Israel. They have continued to attract investment and build geopolitical positions through active foreign economic policies. According to the Financial Times and fDi Markets, Gulf countries increased their Africa investments nearly tenfold in 2022 and 2023 from an annual average of $6 billion over the previous five years to a staggering $60 billion in 2022 and 54 billion in 2023, making up nearly one third of the continent's total FDI intake each year.

The UAE alone pledged $97 billion, thrice China over that same period, for renewable energy, ports, mining, real estate, communications, agriculture and manufacturing.

Some of these Gulf investments will give their owners vital stakes over minerals for the energy transition and coveted agricultural resources. By comparison to Chinese investments, Summit discussions suggested that recipient countries benefit from having competing offers for investment opportunities, with the Gulf based funds being perceived as less demanding and more aligned to their interests than either Chinese lenders or US backed institutions.

12 Alex Irwin-Hunt, *India Inc flexes muscles on global stage*, fDi Intelligence, 4 December 2024.
https://www.fdiintelligence.com/content/news/india-inc-flexes-muscles-on-global-stage-84445

Together with Singapore's Temasek and GIC, Gulf sovereign funds are the largest globally and they are increasingly focusing investments not only in Africa but in other emerging markets, among which primarily India, China and Brazil.[13] Murithi Mutiga, Africa Programme Director at Crisis Group, explained to the Financial Times, *"China is a status quo power, Russia is a revisionist power and the UAE veers between the two."*[14] Consistent with this geopolitical positioning, Summit panelists viewed Saudi Arabia's and the UAE's accession to the BRICS in January 2024 as strengthening cross-border economic links that run independent of gigapower tensions and outside the dominance of Western countries in other institutions. This independence of foreign economic policy action has been evident in the lack of support for sanctions against Russia.

Overall, the discussion of geopolitical disruption at the Summit painted a picture of middle powers using focused industrial and foreign economic policies to support growth and competitiveness while strengthening their role in international affairs. Contrary to the EU approach advocated by the Commission and the Draghi Report to compete by pooling resources, other powers have made progress without extensive supranational economic integration, suggesting that structural market conditions aided by targeted subsidies, regulation and foreign policy matter most. Nowhere are the benefits of structural reforms in terms of fiscal, monetary and business regulation clearer than in Argentina's recovery from economic collapse since chainsaw-wielding President Javier Milei took power.

There was broad consensus among Summit participants that the GeoDisruption is characterized by rising regulation, a breakdown in the rule of law and an increasing politicization of business, reducing contract reliability and enhancing risk. Along with increasing regulation comes an inherent vulnerability to politically-motivated enforcement action, rather than government serving as an impartial guarantor of a sphere of activity conducive to market efficiency and innovation. However, in recent years, the politicization of business derives also from business itself, i.e. from demands for socially-geared lending and investment policies in the financial sector and from pressure on companies to prioritize social-political objectives even at the risk of profit maximization and shareholder value.

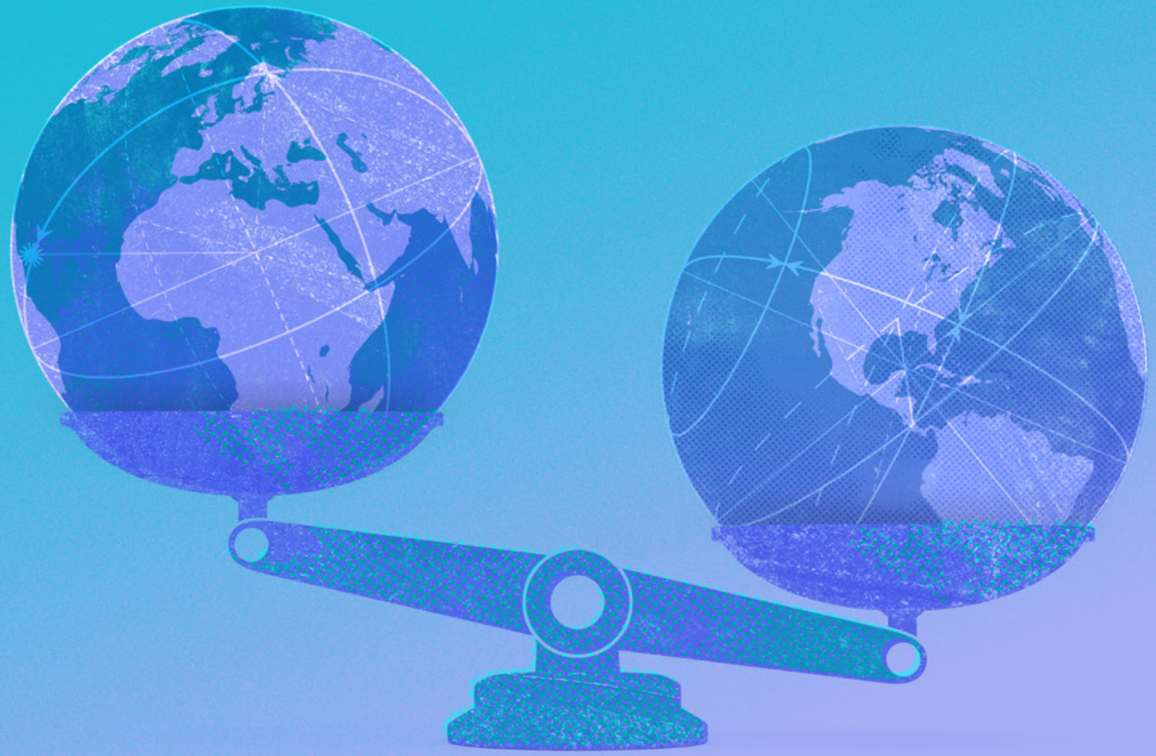
13 *'Big six' SWFs dominate direct investing*, fDi Intelligence. https://www.fdiintelligence.com/content/news/big-six-swfs-dominate-direct-investing-84366
14 *The UAE's rising influence in Africa*, Financial Times. https://www.ft.com/content/388e1690-223f-41a8-a5f2-0c971dbfe6f0

> Along with increasing regulation comes an inherent vulnerability to politically-motivated enforcement action.

The Summit discussions concluded with the observation that the boardrooms of Western companies are adjusting to a geopolitical order, in which the outsized influence historically enjoyed by the United States and Europe has diminished in parallel with the emergence of significant trade and investment patterns that leave them on the margin. For financial and professional advisory services such as investment banking, consulting and law these shifts also portend a move away from New York and London as the centers of gravity for handling large cross-border transactions toward having real bench strength to guide decision makers based in rising markets about their outbound deals. In other words, why should investors from India or UAE rely on advisors far off in Europe or the US when deploying capital to Africa or South America?

The next sections of this report delve into major aspects of cross-border regulation that companies are encountering as a part of wider geopolitical disruption and the ways in which General Counsel are building capacity to advise leadership teams and boards.

Resolving competing regulatory and stakeholder demands



Three areas of regulatory action – i.e. Foreign Direct Investment (FDI) and Technology Transfer controls, Sanctions, and Supply Chain Disclosures – directly follow from the above GeoDisruption discussion.

Each is interwoven with gigapower rivalry and nationalist strategies, the exigencies of the global energy transition and the existential pursuit of competitive advantage to harness the AI capabilities permeating sectors, including manufacturing, finance, health, agriculture and defense.

No General Counsel of any major company or financial institution avoids wrestling with these regulations when called upon to advise management teams about cross-border investment and operational decisions, and, moreover, categorically all of them are tasked with the challenge of balancing business strategies against the political and legal risks that such regulations entail.

In the context of a more functional, rules-based system, regulation would be addressed in the normal course of doing business. In the current system of permanent disruption, regulatory and political insights take on a more crucial role, forming a vital part of pre-diligence for major corporate decisions.

In other words, Summit discussions confirmed what we have been increasingly hearing from General Counsel who engage with Lex Mundi: receiving generalized early warnings from law firms about the potential impact of pending regulation is less relevant, but specific understanding about how individual authorities will react to particular activities and plans is more than ever mission critical.

FDI and Technology Transfer controls

A continuous refrain across Lex Mundi events in recent years and reaffirmed at the Milan Summit has been the lengthening of M&A approvals, owing to the increased interventionism of regulators – whether traditional merger control authorities or those that review foreign direct investments for national security and other reasons, e.g. CFIUS in Washington, similar authorities in EU jurisdictions et al. In the latter case, one General Counsel noted a reticence in the market about filing for approval with foreign investment control authorities, suggesting the calculation that triggering an adverse response could outweigh the risk of flying under the radar.

General Counsel cited a number of ways regulatory action adds to transaction uncertainty and complexity, having to do with:

- the sheer number of jurisdictions that may require analysis of obligations, including mandatory filings even where neither acquiror nor target have significant business;
- the demand for remedies (i.e. agreement to divest part of the business in order to secure approval), which in the words of one General Counsel could result in being *"asked to divest the 'crown jewel' itself of the business you're seeking to buy"*;
- situations in which the business case pivots on the financial calendar, such as for tax filings or share price targets to be achieved; and not least,
- the potential for a deal to be unwound post-hoc, including of course following a change of political administration.

Post-pandemic there has been a trend of countries expanding definitions of *'sensitive'* and *'strategically important'* sectors such as defence and security technology. Summit panelists viewed the expansion of these definitions as part of national economic strategies, such as retention of production capabilities within the country, as well as efforts to limit potential transfers to adversaries.

In sum, FDI controls were perceived as bringing even more uncertainty to transactions than antitrust ones, the latter already requiring General Counsel to ensure that premature integration efforts on the part of management teams do not violate ‘gunjumping’ rules while waiting for clearances.

With respect to dual-use and other technology controls, companies have had to become more sophisticated about buyer due diligence and are less able to rely on end-use statements to satisfy regulators. One panelist noted the need to be selective in the choice of jurisdiction for the sale of technology, as integration into one national tech ecosystem could bring it under dual-use controls and limit further sales.

In order to avoid tech transfer and export control risk, General Counsel are managing more complexity in the product offering with separate stacks for different markets.

AI algorithms and use of data are not only particularly difficult aspects of technology controls but have also become the most expensive areas of acquisition diligence, reflecting their importance for both geopolitical competitiveness and corporate strategy. The use of source code raises issues not only for transaction clearance, but can result in successor liability and is a topic that regularly surfaces at Lex Mundi General Counsel events. Already for some years national security authorities have scrutinized transfers to block foreign eavesdropping capabilities.

> “With respect to technology controls, companies have had to become more sophisticated about buyer due diligence.”

Sanctions

Next to foreign investment and technology transfer controls, the geopolitically-driven proliferation of sanctions in recent years are also adding significantly to the cost and uncertainty of cross-border business, particularly for Western companies. Since the Russian invasion of Ukraine in February 2022, sanctions have reached unprecedented levels, compliance with which was identified by some General Counsel as being much less straightforward than simply withdrawing from doing business in Russia or with designated entities. In December 2024, the EU passed its fifteenth round of sanctions, aimed at what is widely known to be significant leakage via third countries.[15]

A number of strategic and practical dilemmas surfaced about how to navigate the number of sanctions emanating from different national authorities. A strategic challenge mentioned was reconciling contradictory laws across jurisdictions – i.e. sanctions issued in one country versus a blocking statute in another – with the implication that compliance could mean ceding competitive advantages to rival companies. Similarly, companies that are not constrained by sanctions compliance are able to gain market share from those that are. One Summit General Counsel shared the story of a company that had lost IP to a competitor when it withdrew from Russia.

On a practical level, General Counsel discussed that positions taken in foreign headquarters to exit Russia or terminate certain contracts and relationships could have exposed local management teams to personal retribution or other punitive actions. Many shared how sanctions have had a *"profound effect not just on customers but on where and which suppliers you can use."* A Summit participant explained that even if a third-party sells the company's spare parts to Russia, it would violate applicable sanctions, pointing out that the fines are enormous and arguing that it is impossible to have adequate controls.

As the number of sanctions has multiplied, an increasing risk is that a non-sanctioned party becomes sanctioned in the middle of a project or a transaction.

15 At the end of 2024, the EU adopted its 15th round of sanctions targeted at Russia since the invasion of Ukraine. Henry Foy, *EU adopts new sanctions against Russia over war in Ukraine* Financial Times, 16 December 2024. https://www.ft.com/content/cdd9f143-f9f2-44ec-b9a3-f06ffff06eba#post-3a4470b8-97bc-4731-b75d-1ad72782e1a1

Such changes can happen quite suddenly and without foresight. Another company representative shared an example of being prevented from winding down a business in Iran by strict bank policies.

Financial institutions were mentioned as having extensive controls that can rule out services for otherwise legitimate transactions. One participant referred to situations in which transactions were stopped based on the bank's systems, notwithstanding having provided a more detailed individual compliance exercise. From an investment bank perspective, one General Counsel shared that there is ambiguity in many situations about whether a sanctioned person is influencing a transaction, resulting in judgement calls that err on the side of caution.

Given ongoing geopolitical tensions and flashpoints, the unprecedented wave of sanctions shows no sign of abating and necessitates what General Counsel termed an agile response from business. Compared to financial institutions or credit insurers, which for many years already had to have systems in place, the corporate sector has had to adapt operations to the realities of these mounting obligations. For many companies, the evolving sanctions landscape has required the design and implementation of programs that allocate both personnel and financial resources to compliance, in order to deal with day-to-day commercial relationships and to conduct proper diligence on new ones.

Supply Chain Disclosures

Deep visibility into company business relationships and counterparties is not only necessary for sanctions compliance, but increasingly to meet new requirements with respect to climate change and human rights.

The EU is by far the most consistently ambitious in terms of the level of transparency and filings required of companies doing business in the bloc. Major pieces of its regulatory framework are listed below and these are supplemented by additional legislation at the national level. Other OECD countries with significant legislation in these areas include the United States, France, Japan, Australia, Norway, the UK.[16]

16 European Commission website, *Corporate sustainability reporting,* accessed 9 January 2025.
https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

Table 2. Major EU regulations pertaining to value chains.

Corporate Sustainability Due Diligence Directive (CSDDD)[17]	The directive requires that companies identify and address adverse human rights and environmental impacts in their operations and value chains. It applies to EU companies and non-EU companies with over 1,000 employees and a net turnover exceeding €450 million. Companies must conduct due diligence to identify, prevent, mitigate, and account for human rights and environmental impacts, including in their own operations, subsidiaries, and business partners. Since entering into force on 25 July 2024, EU member states have two years to incorporate it into national legislation.
Sustainable Finance Disclosure Regulation (SFDR)	This regulation requires financial market participants and financial advisers to disclose how they integrate sustainability risks into their investment decision-making processes.
Corporate Sustainability Reporting Directive (CSRD)	This directive requires all large companies and all listed companies (except listed micro-enterprises) to disclose information on how they manage social and environmental challenges, including climate change.

17 European Commission, *Corporate sustainability due diligence*. https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en

Table 2. cont'd.

EU Taxonomy Regulation	This regulation establishes a classification system for environmentally sustainable economic activities. Companies must disclose how their activities align with the taxonomy criteria.
Non-Financial Reporting Directive (NFRD)	This directive mandates large public-interest companies with more than 500 employees to disclose non-financial information, including environmental matters, social and employee-related aspects, respect for human rights, anti-corruption, and bribery issues.
Task Force on Climate-related Financial Disclosures (TCFD)	While not an EU-specific rule, the TCFD recommendations are widely adopted in Europe. They provide a framework for companies to disclose climate-related financial risks and opportunities.
Carbon Border Adjustment Mechanism (CBAM)[18]	The mechanism puts a price on carbon emitted in the production of imported goods to the EU to ensure equivalence with domestic ones. Importers are currently required to report emissions and from 2026 will need to buy CBAM certificates based on the EU Emissions Trading System (ETS). CBAM applies to imports of cement, iron and steel, aluminum, fertilizers, electricity, and hydrogen.

18 European Commission, *Carbon Border Adjustment Mechanism.* https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

These supply chain disclosures have been taking up an increasing amount of board time as companies navigate how to fulfill their legal obligations as well as expectations from stakeholders comprising financial investors and lenders, customers, employees and the public at large. The contrast between the EU's regulatory activism and its global competitiveness challenges led one General Counsel to quip: *"someone else creates, and the EU regulates."*

Over time the accumulation of extensive climate change and human rights disclosures has created substantial new areas of risk, not just for ongoing operations but for transactions as well.

A Summit participant referring to the asset management sector pointed out: *"ESG has been a game changer. Not a single limited partner will invest in a private equity fund if not catalogued as green under SFDR. Teams have enlarged to cover the topic."* He continued, *"the Big Four and law firms normally do not have a clear view on how to proceed as regulations are yet to be clarified. Even the regulatory authorities don't know how to apply all the regulations."*

In the space of emissions disclosures, these become progressively more difficult across scopes 1, 2, 3, and 4. Scopes 1 and 2 pertain to emissions from direct energy use and purchased energy, respectively. Scope 3 relates to emissions across the value chain with the idea that these will not be simply transferred to other parties to game the system, and Scope 4 measures emissions avoided by improved processes or products.

"ESG has been a game changer. Not a single limited partner will invest in a private equity fund if not catalogued as green."

On the one hand, companies need to avoid setting a greenwashing trap for themselves by overcommitting to unrealistic aspirations and, on the other hand, need to satisfy regulatory obligations and financial counterparties that can impose financial penalties or downgrade company investment ratings if commitments are judged to be too weak. Perversely a company could improve overall emissions across Scopes 1-4 through greener processes, yet be penalized if regulators or financial institutions notice an increase in one scope that is more than offset by another.

Another General Counsel expressed a degree of cynicism not uncommon in recent years: *"We've created a humongous creature of reporting that only makes consultants, accountants and lawyers rich; and impacts business by adding cost and complexity."*

The best regulatory intentions notwithstanding, without careful monitoring the spiraling demand for resources and products related to the global energy transition as well as the AI-revolution could have the unintended consequence that more individuals fall into the trap of modern slavery, for instance in extractive industries and manufacturing sweatshops. Therefore, a crucial aspect of supply chain disclosures is aimed at preventing this inhumane outcome.

Relying on data from the International Labor Organization, the NGO Hope for Justice and Slave Free Alliance estimates that some 28 million individuals languish in forced labor exploitation as a part of corporate supply chains, roughly 4 million of which are in bondage to state entities and another 18 million subjugated by non-state perpetrators. Below is a list of landmark legislation and guidelines to address this problem, with which companies are increasingly obligated to comply.

Taken together, the highly impactful areas of regulation covered above – FDI and technology controls, sanctions, and supply chain disclosures – create material contingencies for companies, requiring advice from General Counsel as they navigate a global environment marked by geopolitical disruption, the energy transition and breakthrough AI capabilities. The final section of this report addresses legal management in the context of these far-reaching demands.

Table 3. Key anti-slavery measures in major economies

United Kingdom	Modern Slavery Act 2015
France	The Duty of Vigilance Law 2017
Australia	Australian Modern Slavery Act 2018
Norway	Norway Transparency Act 2022
Germany	Supply Chain Due Diligence Act 2023
Canada	Forced and Child Labour in Supply Chains 2024
Japan	Human Rights Due Diligence Guidelines 2022
USA	Uyghur Forced Labour Prevention Act 2022 Dodd-Frank Wall Street Reform and Consumer Protection Act (Section 1502) 2010 SEC Conflict Minerals Rule 2012 California Transparency in Supply Chains Act 2010
Switzerland	Conflict Minerals and Child Labour Due Diligence Provisions 2023
EU	(See above disclosure requirements)
OECD	Due Diligence Guidelines
UN	Guiding Principles on Business & Human Rights

Building adaptive capabilities to guide company strategy

The political, economic and regulatory risks that arise from the GeoDisruption characterized above call for General Counsel to build upon existing skills and resources to provide valuable advice that can guide important corporate decisions, particularly in cross-border situations.

The final round of sessions at the Lex Mundi General Counsel Summit in Milan explored five aspects of high-value legal management, which if better tapped could move legal teams into a stronger position to help the business embrace disruption:

- Negotiation techniques adapted for a stakeholder environment that consists of interlocutors animated by ideological, political or other considerations, rather than protecting a level playing field or maximizing rational business interest.
- Crisis management approaches not merely focused on episodic resolution of discrete incidents but designed for a world of perennial disruption.
- Risk spotting that informs major corporate decisions through targeted pre-diligence and local insights that inform scenario plans.
- Artificial Intelligence capabilities used to unlock more valuable human intelligence both within in-house teams and from external experts.
- Project management methodologies applied to major cross-border matters, in order to avoid foreseeable pitfalls and delays, while improving quality of decisions in real-time.

In recent years, Lex Mundi General Counsel Summits discussed the impact of an ever-more complex stakeholder environment, which has led to a redefinition of corporate governance to align with a wide range of societal and public demands. Increasingly, General Counsel have to advise leadership teams on how to negotiate with diverse stakeholders, some of which exert powerful influence through regulatory measures, proxy advisors, investors and lenders, public media campaigns, employee activism or other channels. Further to the point, in this report we have also surfaced the issue of business politicization and the onslaught of new compliance demands.

In other words, some counterparties are not necessarily motivated by utilitarian objectives that can be satisfied with calculated concessions or compensation; e.g. they may be looking for recognition of a cause or to effect a broader social outcome.

Figure 1. Disrupting in-house legal skills

Therefore, during the Summit we heard from Graham Cox from the consultancy *Boundaries Edge*, in order to see what techniques could be learned from field experts whose training is to deescalate and resolve encounters with hostile actors. These situations can call for alternative or even opposite approaches to negotiation than one typically experiences in corporate boardrooms. Cox provides some general pointers in the section below.

Data from the Alix Partners Disruption Index show that we can no longer treat disruption as an episodic occurrence, but rather as a continuous cycle endemic to the business environment.[19] In that vein, it no longer suffices to approach crisis management in the conventional way, i.e. a set of standardized internal protocols to resolve a major incident.

Karl Hopkins, an expert in handling global situations at the law firm Steptoe LLP, urged General Counsel no longer to think in terms of *"CYA"* (*'cover your ass'*) or to turn to precedents that will not be found: *"Decisions have to be taken in the exigency of the moment and with imperfect information,"* speed being of the essence. He counseled, empowering the business to make decisions, rather than disempowering them to rely on the legal function.

In the context of GeoDisruption, Summit participants concurred that they are benefiting more from focused pre-diligence to inform important decisions related to product launches, entering or expanding in foreign markets, or new investments and acquisitions.

This pre-diligence takes the form of consultations, not just memoranda, from experts on the ground who understand the commercial as well as political and regulatory environment including the attitudes of influential actors. These insights can then be used as inputs to build alternative scenarios for how a strategic decision may play out, allowing for smarter risk-planning.

The Summit allowed General Counsel to compare notes on the use and benefits of generative AI capabilities both in-house and from external counsel. One panelist shared experience of implementing contract management tools to replace significant legal headcount among paralegals. Another panelist from South America had found AI tools to be valuable in IP filings both in terms of drafting filings and predictive analytics in the judiciary.

19 Alix Partners, *Finding a profitable path to growth* https://disruption.alixpartners.com/

The use of AI in-house and by external counsel was agreed to be shifting focus for legal counsel on both sides in the positive direction of more valuable specialist expertise for complex or sensitive situations, i.e. General Counsel and external counsel acting as *'trusted advisors'*.

Finally, General Counsel were asked to compare notes on the use of legal project management (LPM) for important cross-border matters. While this topic is not new to the corporate legal sector, the evolution of the risk environment makes it more relevant. Yet, discussions reflected that there is still limited understanding of both what is best practice for legal project management and what is its actual value.

General Counsel at the Summit recognized that cross-border matters too often encounter common pitfalls, such as unanticipated delays owing to information breakdowns between local counsel and lead counsel or client, as well as unexpected fees sometimes for unnecessary time. For many General Counsel, project management is conceived as a highly-disciplined straitjacket to box-in cost and deadlines. However, a smarter way to think about LPM – at Lex Mundi we use agile-kanban methodologies – is as a tailored, flexible set of workflows that help to manage unforeseen changes and that enhance flow of information. When used correctly, LPM indeed adds value by enabling in-house teams to adapt to a dynamic risk environment and make better real-time decisions.

Five aspects of high-value legal risk management that would benefit from a rethink are negotiation, crisis management approaches, targeted risk-spotting, use of AI capabilities and agile legal project management for cross-border situations.

Conclusion

In recent years, in-house legal teams have been thrust into a risk vortex defined by changing geopolitical relationships, energy transition mandates and breakthroughs in AI.

As governments double down on industrial policies and foreign economic strategies, business activity has never been more politicized. At the same time, trade and investment patterns are shifting toward markets able to benefit from US-China gigapower rivalry. Boardrooms do well to understand these dynamics.

Within this vortex, corporate General Counsel are increasingly needed on the front end of major strategic decisions with respect to product development, market entry, commercial partnerships, investments and transactions. Some important areas of cross-border regulation are driving uncertainty and require earlier diligence to anticipate and manage risk: these are notifications for investment and M&A clearance, technology transfer controls, sanctions and new supply chain rules.

Diligence in such situations often means external counsel expertise to obtain insights about local authorities and the competitive environment.

For many General Counsel and teams, the response to the disruption of recent years has been simply to work harder and absorb a higher level of risk tolerance. It is no wonder many General Counsel feel they and their teams are reaching a breaking point. As legal teams adapt, we have surfaced five aspects of in-house legal management and skills that can be modernized for a world of constant disruption.

Appendices

Tips from the world of strategic negotiations

In nature, turkeys will defend their chicks to the death, especially against their main predator the pole cat. Even a mock pole cat is enough to stimulate a fearsome response. However, if the predator cheeps like that of a turkey chick then the mother will openly welcome the pole cat into her nest.

Similarly, in human nature we would much prefer to negotiate with our best friend than our sworn enemy. So be that Trojan Horse when you negotiate... and make your opponent like you, trust you and be open to your persuasion.

In summary, negotiations is a discipline. Like any disciple, with training, you can become powerfully effective.

1 Leave your ego at the door	2 Liking	3 Building Trust	4 Persuasion
It's vitally important that you engage in ego dissolution prior to commencing negotiations. As lawyers well know, litigation is a very expensive form of therapy. So is having your pride impact upon a negotiation.	Getting someone to like you is vital. Consider familiarity, similarity, attractiveness (psychological, of course), association and comparison.	Whilst 99% of people should trust you, only 3 out of 10 will trust you at first sight. Therefore it's important to build trust so that you can earn trust. Techniques such as Implying Trust, Warmth and Security are critical.	Persuasion is an art and a science. Consider effective persuasion techniques such as Reciprocation, Commitment & Consistency, Social Proof and the Endowment Effect.

Graham Cox
Director of Learning & Development
Boundaries Edge

Thinking and acting: General Counsel in an era of rapid change

As businesses and General Counsel look ahead, the differentiator between successful businesses and those falling behind will be strong and agile leadership attuned to changing operational environments and associated risks.

General Counsel must foster robust monitoring and intelligence capabilities, and build communications to keep C-suites and boards advised. Beyond intelligence-gathering, General Counsel must not only think but enable action.

Karl Hopkins
Partner
Steptoe

Political change
2024 was a super election year, with 50 countries holding elections. Polarization delivered slim or no majorities in multiple European elections, with fragile coalition governments now in power. Populist leaders will have a significant impact on foreign policy, risking fragmentation of the Western alliance. In the US, the flurry of disruption from Washington will eventually slow, but the second Trump Administration is returning to whiplash policymaking and more confrontational strategic decision-making.

Geopolitical upheaval
For businesses, geopolitical upheaval can create headwinds for growth, disrupt trade and fuel market volatility. Increasing costs of doing business – risk premia, labor disruptions, trade compliance, and loss of market access – can erode profits, undercut competitiveness and undermine business models if leadership is flat-footed.

- The transatlantic consensus on Ukraine is likely to fracture as the US shifts from open-ended support to conflict resolution. It is unlikely 2025 will see a peace agreement, meaning continued ripple effects for European energy.
- The reorganization of power structures in the Middle East has potential impacts to crucial shipping lines, the global energy market, and geopolitical ripples as far-flung as Ukraine.

- While US-Chinese rivalry will largely play out in trade policy, strategic competition will continue in the Indo-Pacific region, with the status of Taiwan remaining a flashpoint.

Global trade
Global trade in 2025 will be increasingly shaped by fragmentation, protectionism, and strategic uses of economic sanctions.

- Trade with China will remain a focus as the US and Europe continue to reassess dependencies, perceived unfair practices and vulnerable supply chains. Western businesses have growing concerns about China's slowing economy and domination of key industries.
- President Trump has proposed universal tariffs on imports, with rates of 60-100% on Chinese goods, 100% on BRICS countries pursuing de-dollarization, and various rates on Latin American countries.
- European leaders are considering industrial policies to support innovation.

Retaliatory tariffs or protectionist policies could lead to full-blown trade wars.

Climate change
2024 was the hottest year on record, eclipsing the record in 2023. Yet, the global consensus around climate change has deteriorated.

- President Trump withdrew the US from the Paris Agreement, which structures governmental net-zero pledges and the COP environmental summits.
- Backlash against the EU's Green New Deal has grown in Europe as governments have drifted right, with several policies being paused or watered down.
- Globally, the backlash against ESG has led major companies to scale back climate pledges and withdraw from climate-related associations.

The breakdown in global climate solutions will leave governments and businesses to craft policies in a more fractious, atomized fashion, reducing sources of guidance.

Disruptive technology
The rapid advancement of artificial intelligence (AI) will be a risk in 2025. The slow establishment of global standards and oversight has left gaps that could lead to unethical applications, ranging from manipulative digital content to disinformation campaigns.

Cybersecurity risks are also escalating, with critical infrastructure targeted by state-backed actors and ransomware groups.

Wanted: A new breed of General Counsel
Business leaders need more from their General Counsel than legal advice; they need strategic advisors who can help them spot risks and advise on options for action.

General Counsel should not fear risk, but lean into it, own it, make decisions and act. They also must develop broader skill sets that include a strategic understanding of issues like privacy, emerging technologies, sustainability and resiliency.

The good news is that demand for General Counsel will be high – as will expectations.

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Acknowledgements

Lex Mundi thanks the following people for their contributions to the Lex Mundi General Counsel Summit discussions and report:

- **Stefano Aversa**
  Partner and Managing Director, Global Vice Chair, Alix Partners
- **Bashir Ahmed**
  Managing Partner, Afridi & Angell (Member firm), United Arab Emirates
- **Isis Bous**
  Managing Director, Lex Mundi Pro Bono Foundation
- **George Busby**
  Director, Burstock
- **Graham Cox**
  Boundaries Edge
- **Raimundo Fernandez-Villaverde**
  Secretary-General, BESTINVER
- **Sandy Foo**
  Rajah & Tann Singapore LLP (Member firm), Singapore
- **Luca Frignani**
  Partner, Chiomenti (Member firm), Italy
- **Isabel Ann Giancristofano**
  Director Legal & Compliance, Condor
- **Karl Hopkins**
  Partner, Steptoe LLP (Member firm). Washington, DC
- **Anja Lange**
  Former SVP Head of Europe, Deputy General Counsel and Chief Compliance Officer at First Solar
- **Euridice Mason**
  Global General Counsel, Votorantim Cimentos
- **Juan Carlos Menció**
  Vice President of Legal Affairs and Compliance, LATAM Airlines Group
- **Pallavi Shroff**
  Managing Partner, Shardul Amarchand Mangaldas & Co (Member firm), India
- **Graham Vanhegan**
  Chief Legal Officer and Company Secretary, The Weir Group PLC
- **Kees van Ophem**
  Former Executive Vice President and Global General Counsel, Fresenius Medical Care
- **Carlos Velasquez de Leon**
  Partner, Basham, Ringe y Correa, S.C. (Member firm), Mexico, and Chair, Lex Mundi

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