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Corporate Sustainability Reporting: Shifting From Optional Due Diligence to Mandatory Duty

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ABSTRACT

This paper offers a critical overview of the newly proposed Corporate Sustainability Due Diligence Directive by the European Commission. The aim is to uncover potential opportunities, challenges, gaps, and contradictions, within the directive. We provide insights on how companies can effectively navigate through these issues and leverage upon the directive for more environmentally friendly and ethically sound operations within the global value chain. Ultimately, our aim is to offer researchers, managers, and policymakers a viewpoint on the potential impacts of the new directive on organizations and provide future research directions around responsible corporate conduct across global value chains.

1 | Introduction

The European Union's (EU) Corporate Sustainability Due Diligence Directive (CSDDD) entered into force on 25th July 2024, constituting a pivotal initiative to redefine the landscape of sustainability practices within the European domain. Diverging from the conventional financial reporting paradigm, the CSDDD emphasizes the importance of sustainability metrics, particularly focusing on the environmental impacts and mitigation of human rights violations throughout firms' value chains. Additionally, the CSDDD aims to standardize reporting practices, in order to make it easier for stakeholders (e.g., investors and consumers) to assess corporate behavior reports. Thus, the CSDDD represents a shift for companies from optional due diligence to a mandatory duty.

Global value chains are complex network structures encompassing production sharing, trade, as well as investments in multiple countries, and diverse institutional settings and industries. These complex network structures comprise all non-core manufacturing and service activities that a lead firm outsources to

other firms. A lead firm is a central actor engaged in the governance of a product or service, typically by designing and marketing them and choosing where the various activities should be located (Gereffi, Humphrey, and Sturgeon 2005).

Depending on the governance mode in place, global value chains can have significant implications for both the environment and the establishment of precarious labor standards. Given that many firms engage in extensive subcontracting activities, standard labor conditions can be hidden, mainly within the nodes of the value chain where subcontracting exists. The primary challenge for lead firms lies in monitoring business activities and maintaining control over all actors throughout their value chains.

Traceability and a lack of transparency pose difficulties for companies seeking to engage in supply chain due diligence. Therefore, it is not uncommon to see companies involved in scandals and controversies concerning human rights violations. Examples include child labor (e.g., Nike in Cambodia and Pakistan during the 1990s, see Wazir 2001), forced labor (e.g.,

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IKEA and its subcontractors in Belarus, see Alberti 2022), and poor work conditions (e.g., Rana Plaza garment factory that collapsed in Bangladesh and killed over 1000 people), just to name a few. According to the International Labor Organization (2016), forced labor generates an estimated US\$150bn in illegal profits annually, causing industries and businesses to face unfair competition.

There are some studies examining the impact of mandatory and voluntary regulatory frameworks on firms' sustainability strategy and performance (see, e.g., Aragón-Correa, Marcus, and Vogel 2020), corporate sustainability in connection with the new institutional theory (see Misopoulos et al. 2018; Risi et al. 2023), the value chain (Kauppi and Luzzini 2021), CSR practices under the new mandate perspective (Bihari and Shajahan 2023), and contract theory (Saloranta and Hurmerinta-Haanpää 2022). Other studies include, for example, the link between the concept of "safe harbor" (i.e., liability exemption in the context of the CSDDD) (Smit, Bright, and Neely 2023), or the examination of a "tick-box" approach—a method where firms merely focus on meeting the formal requirements of reporting when conducting voluntary CSR due diligence (Abdo et al. 2018). However, researchers in these areas are urging for further studies on the impact of the new directive on businesses.

In this paper, we provide a brief overview of the new directive aiming to identify opportunities, challenges, gaps, and contradictions (if any) within the CSDDD proposal. We provide insights on how companies can effectively navigate through these issues and leverage upon the directive for more environmentally friendly and ethically sound operations within the global value chain. Ultimately, we aim to offer researchers, managers, and policymakers a viewpoint on the potential impacts of the new directive on organizations and provide future research directions around responsible corporate conduct across global value chains.

2 | The Proposed Directive

The Proposal for a Directive on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 dated February 23, 2022 (referred to as the directive or the CSDDD) assumes that effective due diligence is vital for the EU's advancement toward a sustainable, environmentally friendly and climate neutral economy. It is also considered to be instrumental in achieving the United Nations (UN) Sustainable Development Goals, particularly those related to environmental goals and human rights concerns in terms of bribery, corruption, and safety in the work environment. The new directive includes companies interconnected through the value chain, meaning companies operating upstream or downstream in the supply chain. Specifically, it covers EU companies with more than 500 employees and a net turnover exceeding EUR 150 million (group 1), whereas companies from the "high impact sectors" such as textile, agriculture, and extraction of minerals will also be covered after two years of the implementation of the law if they have more than 250 employees (group 2) and a net turnover of EUR 40 million (EC Press Release 2022).

2.1 | The Mandatory due Diligence

Due diligence or duty of care, as applied to sustainability, is described as a process in which companies, both in their own operations and the value chain, "identify, prevent, mitigate, and account for negative effects on human rights and the environment", which was introduced by the UN Guiding Principles on Business and Human Rights developed by John Ruggies (UNGPs 2011) and integrated into the OECD Guidelines for Multinational Enterprises (OECD Guidelines 2011). The UNGPs, for instance, expand responsibility to impacts caused by or connected to a company through its activities and business relationships (UNGPs 2011). The CSDDD, however, represents a clear shift of perspective from being appropriated for firms to voluntarily perform due diligence, toward becoming a duty (mandate) of undertaking due diligence (Schilling-Vacaflor and Lenschow 2023). Non-compliance with the proposed law can lead to criminal charges or suspension of the offending business (Smit et al. 2020). Thus, risk management is crucial to avoid penalties.

Until now, the CSDDD has generally received positive feedback, but also some pushback from affiliated political parties and business lobbies. The Institutional Investors Group on Climate Change seems to be in favor of the proposed directive (IIGCC 2022). They believe that the CSDDD is essential for integrating sustainability into companies' due diligence processes and decision-making (ibid). In addition, organizations such as the OECD, the Office of the UN High Commissioner for Human Rights (OHCHR), and the World Wildlife Fund (WWF) have welcomed the CSDDD (OHCHR 2022; WWF 2023).

In a study conducted for the European Commission (EC), Smit et al. (2020) conclude that companies in the EU have been associated with a negative impact on human rights and the environment. Business survey respondents, in the EC study, from a total of 334 individual firms from all sectors and sizes indicated that a regulation being at the EU level may provide harmonization, legal certainty, and a level playing field—i.e., having everyone play by the same rules, and has the potential to increase leverage through a non-negotiable standard. Moreover, more than 70% of business survey respondents agreed that the CSDDD may provide benefits for businesses (Smit et al. 2020, task 1, page 14). There is a hope that mandatory due diligence will significantly strengthen competitiveness in sustainability issues and improve the opportunity for companies to contribute to Agenda 2030 (Smit et al. 2020, task 1, page 14). Although the EU is optimistic and the directive draft has received positive reviews, there are also instances of critical reflection, which we will present next.

2.2 | Identification of Potential Challenges, Opportunities, Gaps, and Contradictions Related to the CSDDD

Vagueness and ambiguity have been observed in several aspects of the new directive and have raised concerns among businesses and within the research community. It remains unclear how the new directive will impact the financial service sector, and specifically, what obligations will be imposed

on investors concerning due diligence along the value chain and the development of a net zero emission transition action plan—i.e., *a set of practical steps to turn a net-zero emission target into a concrete action* (IIGCC 2022). Additionally, the application of the value chain concept to asset managers remains unclear, mainly regarding the due diligence that investors must undertake along the value chain, and when it becomes necessary to terminate business relationships. Furthermore, questions arise about what course of action is to be taken if a net zero emission transition action plan, despite adherence to the CSDDD procedures, fails, or if a company's negative social and environmental impact is severe (Richter and Passador 2022).

The OHCHR emphasizes the lack of clarity and specificity in some of the sections of the new directive that detail how companies should adhere to rules, the enforcement mechanisms, and the consequences of non-compliance. For the OHCHR, it is vaguely defined how efforts to mitigate social and environmental damage will be considered when determining liability, and the new directive does not specify the criteria for assessing the effectiveness of institutions, regulations, and administration. For Richter and Passador (2022), the new directive appears to set an obligation of *means* rather than an obligation of *results*. In other words, the new rules are clear about what companies should do to meet certain standards (e.g., policies, and procedures), but fail to specify which concrete results should be obtained or which concrete actions companies ought to undertake. Vagueness is also seen surrounding the assessment of when and how a single firm or a group of firms either comply or fall short of the pollution threshold point specified in the Paris Agreement aimed at preventing temperature increase. A contradiction stressed by them is the exemption of high-risk businesses, such as emission-intensive industries, from disclosing net-zero emission transition plans. Interestingly, when reading the new directive, it is noticed that it shifts from being soft law (non-mandatory) to hard law (mandatory duty), signaling a substantial increase in government intervention. In line with Richter and Passador (2022), we believe that government intervention is crucial in addressing climate change. However, it should allow companies to make independent and voluntary decisions, which can be influenced by government mandates on, for instance, emission reductions. At the same time, it remains unclear which type of mandates will influence the human rights aspect.

In this line of thinking, we raise concerns about large companies' political role in CSR. Political role in CSR refers to a “pro-social” behavior performed by companies, where their attitude has a political connotation (Scherer and Palazzo 2007, 2011). Large companies, particularly in developing economies, have increasingly assumed roles traditionally reserved for the state, including human rights, and enforcing business regulations (see Crane et al. 2019). In general terms, the scientific community appears to see companies as active participants in shaping global politics, alongside other actors like civil society organizations. This more nuanced view acknowledges companies' potential impact on broader societal issues, like those related to environmental problems or human rights (see, e.g., Scherer and Palazzo 2007, 2011; Ruggie 2017). However, such a process should be embedded in democratic accountability in which

companies are expected to conform to standards and policies endorsed by society, i.e., public authorities, citizens, NGOs, and government agencies (Scherer and Palazzo 2011).

Differently, some scholars (e.g., Ehrnström-Fuentes and Böhm 2023; Nyberg 2021; Hussain and Moriarty 2018; Banerjee 2014; Barley 2007) assert that corporations may prioritize their self-interest over contributing to the public good given the risk that corporate political activity may erode democracy. This relatively less prominent stream of the literature argues that activities aimed at benefiting society, such as promoting peace or supporting indigenous communities, are often secondary to a company's main goal of making money. They suggest that when companies get too involved in these areas, it is often because they have a political agenda aimed at influencing governments to make rules that benefit them, rather than serving the common good. Contrasting this rationale with the recent directive raises a question about the appropriateness of granting companies influence within the EU legal framework. Moreover, an issue with the new directive is that globalization has limited states' ability to regulate large companies, as these entities can easily shift jurisdiction to avoid law enforcement (Scherer and Palazzo 2011). This raises doubts about the effectiveness of the CSDDD in the face of large companies' already growing political clout.

Saloranta and Hurmerinta-Haanpää (2022), as well as Richter and Passador (2022), suggest that the due diligence process may become a mere “tick-the-box” exercise focused on reporting and social auditing rather than driving changes toward a more sustainable future. Moreover, there is a risk of misinterpretation of the CSDDD that could turn into an “automatic safe harbor exemption” rather than a “due diligence defense.” While the CSDDD does not explicitly include a “safe harbor” in the provision, the concept has been discussed in the context of business and human rights (see Ruggie 2021; Smit, Bright, and Neely 2023). Due diligence defense requires a company to show in court the quality of its due diligence, and defend itself in case of legal liability by demonstrating a certain standard of care required by the law; but it does not exempt a firm if misconduct is found. Conversely, the “safe harbor” excludes such an inquiry from taking place. This is based on the premise that if a company has undertaken human rights due diligence with an expected standard of conduct (Smit, Bright, and Neely 2023), an exemption of legal liability would be granted.

Another risk of companies developing an administrative “tick-the-box” approach in the form of reporting and social auditing relates to the formal contracts established among parties. In the EC study (see Smit et al. 2020), business and general respondents pointed out contractual clauses and codes of conduct as the most frequently selected actions in both upstream and downstream value chains, followed by audits. However, the CSDDD is silent concerning how contracts should be designed to protect human rights in global supply chains—or how contractual practices between buyers and suppliers may influence companies' sustainability objectives and even their net zero emission transition plans. Most international supply contracts are designed to be zero-sum where buyers often hold considerable power in negotiations, potentially exacerbating human rights risks.

Overall, there are numerous concerns, gaps, and contradictions surrounding the CSDDD, particularly regarding its impact on various industries and the potential to become a mere compliance exercise rather than a catalyst for meaningful change. There is much focus on practices and policies but less inspiration for companies to move from the *traditional way of doing business* to a *more ethical-sustainable-innovative approach*.

2.3 | A Critical Viewpoint on the Potential Challenges, Opportunities, Gaps, and Contradictions Related to the CSDDD

A close examination of the CSDDD makes clear the need to implement procedures, metrics, and policies, rather than imposing obligations of results. Vagueness and ambiguity have been observed in several aspects of the new directive and raised concerns by both the business and research communities as to whether the mandatory duty will be implemented effectively based on a standard of expected conduct (duty of care) rather than a procedural requirement including reporting, compliance controls, measurements, and metrics, which would become a mere tick-the-box exercise. We believe that one way to prevent the tick-the-box approach is to emphasize outcome-oriented measures in the directive, setting specific goals and targets for companies rather than focusing solely on procedural requirements.

In the realm of CSR initiatives, we anticipate an ever-increasing engagement of companies in shaping global business regulations and contributing to the enhancement of public good, such as environmental protection, public health, and education (Kaul et al. 2003), with the risk of being extended to the EU context. We do not know what strategies and companies' responses will be taken concerning the new regulation. Historically, large companies were not passive actors committed to rules, regulations, and compliance. On the contrary, large companies are actively engaging in shaping the institutional environment of countries. Thus, the role of CSR of many large companies in the public good is already well known, but it remains unclear if, when, and how they will try to shape future amendments in the new directive, to attend to their individual interests. Thus, there is a need to ensure a balance between government intervention and corporate autonomy.

Concerning auditing and verification, the CSDDD (commentary on Chapter II, paragraph 12) clearly states that “although enterprises can collaborate at an industry or multistakeholder level, they remain individually responsible for ensuring that their due diligence is carried out effectively.” In other words, the guidelines do not mandate specific tools such as audits, certification, or schemes for conducting due diligence. This means that companies have the flexibility to choose the methods that are most appropriate for their circumstances. However, regardless of the tools chosen, companies are still responsible for addressing risks and impacts. If companies do decide to use tools like audits or certification, they should supplement them with their own risk identification actions, such as—but not limited to—interviews, workshops, and engagement with civil society organizations and affected communities. Thus, audit and certification information should be seen merely as one source of information and should be triangulated with other sources of information to ensure that

companies have a complete understanding of their impacts and risks. Thus, to set corporate due diligence duty companies are likely to face an increase in both operational costs and transactional costs.

Operational expenses include costs associated with setting up and maintaining the due diligence procedures, whereas transactional costs are related to the expenditure and investments required to modify a company's own operations and value chains, ensuring compliance with the due diligence obligation (Smit et al. 2020).

Other concerns relate to companies' international cost competitiveness, where certain companies might be at a disadvantage compared to other companies, particularly non-EU companies that are not bound by any form of due diligence regulation. To tackle such an issue, a possible solution would be to provide financial incentives or subsidies to alleviate some of the operational costs associated with setting up and maintaining a due diligence procedure. Alternatively, digitalization has the potential to offer solutions for identifying, preventing, mitigating, and accounting for both human rights and environmental impacts. Emerging tracking and software solutions may help to decrease companies' costs associated with assessing human rights and environmental impacts in their operations and throughout global value chains. Consequently, we expect more investments by companies in digital solutions (Smit et al. 2020).

In the meantime, foreign companies engaging in contracts with EU firms are also likely to be affected. The impact extends to non-EU business relationships, potentially leading certain EU companies to consider withdrawing from these markets. Such decisions might be encouraged due to the necessity for even higher monitoring and mitigation costs associated with these markets. There remains optimism that other jurisdictions will adopt the EU's approach, contributing to the reinforcement of this framework.

Concerning the value chain, there is a prevalent power disparity between the firm that produces the goods and the firm that buys them. According to Dadush (2022), buyer firms often engage in what is called “extractive contracting” with their suppliers. The main problem with such a type of contract is that the more powerful party—most of the time, the buyer—designs the contract in a way to maximize profit from the deal, regardless of any negative social impact. Such contracts are often zero-sum type, and parties treat one another as rivals, embedding themselves in competition rather than finding a common goal. Young (2006) compares the global value chain to a complex chain of production and distribution that involves many distinct entities involved in contractual agreements close to a hierarchical system. In this system, most of the time, buyers might be operating close to the margin in a fiercely competitive environment and are usually under pressure to meet orders at low costs stipulated by firms positioned higher up in the chain. Nevertheless, those higher-tier firms usually lack legal obligation for the practices and activities of the lower-tier firms they contract with. Hence, contracts, depending on how they are designed, may generate a negative societal cost since they can place severe economic tensions on suppliers at the cost of workers' human rights, health, and

safety (Hoffman and Hwang 2021). The new directive is silent concerning how these contracts should be designed. However, from a compliance perspective, the use of extractive/zero-sum contract types can be problematic.

In our point of view, and in line with Dadush (2022), a partial solution to avoid (mis)behavior in buyer–supplier contractual relationships is the implementation of a sharing responsibility approach to avoid and remedy human rights violations and environmental degradation. John Locke's social contract theory (Locke 1960) argues that contracts serve as a means of creating a governance structure that protects the welfare and rights of individuals within a community. Young (2006), in connection with Locke's view of a social contract, proposes a social connection model of responsibility where all actors involved in a supply chain share responsibility. In other words, buyers and suppliers should share responsibility by accounting for what they are doing or not doing. Young (2006) argues that a crucial problem with traditional contracts is that they exonerate actors who are not directly responsible for causing human harm, even when they are involved in activities that contribute to social injustice. Therefore, engaging in a more pro-social contract type has the potential to help firms navigate the challenges and leverage upon the directive for more environmentally friendly, and ethically sound operations, within the global value chain. Finally, successful implementation of the new directive will require a contractual shift from traditional extractive contracts to contracts that include shared responsibility between buyers and suppliers. Table 1 displays a critical overview of the newly proposed CSDDD.

3 | Concluding Remarks and Future Research

In this paper, we offer a viewpoint on the potential impacts of the new directive on organizations. By looking into the challenges, gaps, and contradictions in the CSDDD directive, we first noticed a shift in perspective on corporate responsibility being non-mandatory due diligence to a mandatory duty. Afterward, we discussed the risks associated with the significant political role in CSR undertaken by large companies and their influence on shaping the future development of the mandatory duty to meet their individual interests. Subsequently, we noticed risks associated with the CSDDD becoming a “tick-box” exercise rather than driving meaningful change. Finally, we raised the issue of extractive contracts and followed Dadush's (2022) suggestion that a way to mitigate the power disparity in buyer–supplier contractual relationships is to design contracts with shared responsibilities. This becomes a practical opportunity for firms to prevent, mitigate, and account for negative effects on human rights and the environment as the CSDDD proposes.

The directive is also expected to have a significant impact on various industries and on how industries approach sustainability. However, there are concerns and ambiguities surrounding the directive, including issues related to government intervention, the role of large companies, and the potential for the directive to become a mere compliance exercise. The implication in the CSR field (Scherer and Palazzo 2007, 2011; Ruggie 2017) and the governance of the global value chain (Saloranta and Hurmerinta-Haanpää 2022; Gereffi, Humphrey, and Sturgeon 2005) are that

the CSDDD represents a new era of corporate responsibility and sustainability practices, and further research is needed to understand its full impact on businesses, supply chains, and the global economy.

The CSDDD signals a substantial increase in government intervention and regulation. Large corporations should be aware of their political influence on the CSR space and be cautious about shaping regulations to serve their individual interests. They should also consider the broader societal implications of their actions. Additionally, to navigate power asymmetry in buyer–supplier contractual relationships, managers should adopt a shared responsibility approach in contracts. Doing so can help ensure that all parties involved in the supply chain actively work to prevent and remedy human rights violations and environmental damages. These contracts should prioritize social connection (win-win) rather than zero-sum (win-lose) competition.

All in all, the emerging CSDDD and its impact on business generate many questions. We conclude this paper by outlining some relevant future research directions:

1. *The impact of sustainability practices on the environment.* If the new directive has the potential to impact industries inside and outside the EU, future research could explore how companies are adapting their sustainability practices in response to the CSDDD, particularly in terms of environmental impact reduction within the global value chain.
2. *Transformation of value chains.* Future research could also investigate to what extent the CSDDD will lead to wider transformations and restructuring of companies' value chains. Will companies start employing a multi-tiered governance approach, instead of dyadic? Will they purposefully exclude certain suppliers, or even entire countries, as a result of these transformations? How will they approach and engage with host-country governments on topics such as forced labor or Greenhouse Gas Emissions?
3. *Shared responsibility approach in contracts.* If contracts create a governance structure, as postulated by Locke's social contract theory, more studies investigating the adoption and effectiveness of a shared responsibility approach in such contracts—to address power asymmetry in buyer–supplier relationships—are necessary. Additionally, it would be valuable to understand how contract design can impact social responsibility and prevention of human rights violations and environmental issues in the global value chain.
4. *Human rights compliance and ethical corporate code of conduct.* Researchers interested in human rights and sustainability could investigate how large corporations will be or are addressing and mitigating human rights violations within their value chains following the CSDDD. Additionally, it would be interesting to investigate to what extent the CSDDD promotes ethical business conduct and social responsibility across industries.
5. *Government intervention and corporate influence.* Many researchers have advocated in favor of companies becoming more active in societal governance (see, for example, Scherer and Palazzo 2007, 2011; Ruggie 2017). However, is it appropriate to grant companies influence on institutions?

TABLE 1 | Critical overview of the newly proposed Corporate Sustainability Due Diligence Directive (CSDDD).

Potential opportunities	Challenges	Gaps	Contradictions	Potential impact of the CSDDD
<p>Considered to be an instrument for achieving the UN SDG, especially those related to environmental goals and human rights</p>	<p>Non-compliance with the proposed law could lead to criminal charges or suspension of the offending business</p>	<p>There is a lack of clarity on how companies should adhere to rules, the enforcement mechanisms, and the consequences of non-compliance</p>	<p>Clarity about what companies should do to meet certain standards, but unclear which concrete results should be obtained, or which concrete actions companies ought to undertake</p>	<p>EU's advancement toward a more sustainable, environmentally friendly, and climate-neutral economy</p>
<p>Regulation on the EU level has an opportunity to provide harmonization, legal certainty, and a level playing field to all actors</p>	<p>The directive is vague and ambiguous in some parts, there is a risk of misinterpretation of the directive, and it remains unclear which type of mandates will influence the human rights aspect</p>	<p>It is unclear what course of action is to be taken if a net zero transition action plan fails, or if a company's negative social and environmental impact is severe</p>	<p>The new regulation exempts high-risk businesses, such as emission-intensive industries, from disclosing net-zero emission transition plans</p>	<p>Being essential for integrating sustainability into a firm's due diligence processes and decision-making</p>
<p>Opportunity for companies to contribute to Agenda 2030</p>	<p>The new directive appears to set an obligation of <i>means</i> rather than an obligation of <i>results</i></p> <p>There are doubts about its effectiveness in the face of large companies' already growing political clout. It remains unclear if, when, and how they will try to shape future amendments in the new directive, to attend to their individual interests</p>	<p>It remains unclear how it will impact the financial services sector, and what obligations will be imposed on investors</p> <p>It is vaguely defined how efforts to mitigate social and environmental damage will be considered when determining liability, and the new directive does not specify the criteria for assessing the effectiveness of institutions, regulations, and administration</p>	<p>State intervention concerning the new directive law enforcement versus overall limited state ability to regulate large companies</p> <p>The current international supply contract is designed to be zero-sum (competitive) versus the need for a more pro-social contract (cooperative, common goal) to accommodate the new directive</p>	<p>Positive implications for businesses, environment, and the society</p>
<p>The danger of the due diligence process becoming a mere "tick-the-box" exercise focused on reporting and social auditing rather than driving changes toward a more sustainable future</p> <p>To set a corporate due diligence duty, companies are likely to face an increase in both operational costs and transactional costs</p>	<p>The impact on various industries is unclear and there is a potential for a directive to become a mere compliance exercise rather than a catalyst for meaningful change</p> <p>There is much focus on practices and policies but less inspiration for companies to move from the traditional way of doing business to a more ethical-sustainable-innovative approach</p>	<p>Risk of becoming a compliance exercise rather than a catalyst for meaningful change</p>	<p></p>	<p></p>

(Continues)

TABLE 1 | (Continued)

Potential opportunities	Challenges	Gaps	Contradictions	Potential impact of the CSDDD
	The successful implementation of the new directive will require a contractual shift from traditional extractive contracts to contracts that include shared responsibility between buyers and suppliers	There is a clear need to implement procedures, metrics, and policies, rather than imposing obligations of results		

How much flexibility is there for EU member states in the transposition into national laws (if any)? Interestingly, future studies could investigate the extent of corporate influence on the evolving CSDDD.

[5.1] *The government's engagement with stakeholders.* Given the vagueness and ambiguity observed in the new directive, it may be relevant that the government recognizes the need to establish regular channels for dialogue between policymakers, businesses, and other stakeholders to assess the impact of due diligence requirements and identify areas for improvement. Future studies should examine whether there will be a need to review the CSDDD's effectiveness after its inception. Interestingly, CSDDD is not the only law being launched within the EU. As part of the European Green Deal, a package of policies and laws are being proposed such as the Corporate Sustainability Reporting Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR). Although the CSRD and SFDR are out of the scope of this study, future studies could assess the relationships between the CSDDD and the forthcoming/proposed CSRD and SFDR. It is crucial, for instance, to better understand the extent to which they are complementary and interrelated as well as their combined impact on business (if any).

6. *Extending the Directive.* To what extent will other jurisdictions follow suit and adopt similar policies? Will the CSDDD have a regulatory spillover effect, especially on those countries that export to the EU? Is the EU becoming a global norm and rule setter?

Acknowledgements

The work by Nikolina Koporcic has been conducted as a part of the project financed by the Academy of Finland/Research Council of Finland (Decision number 355949).

Conflicts of Interest

The authors declare no conflicts of interest.

Data Availability Statement

Data sharing is not applicable to this article as no new data were created or analyzed in this study.

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