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"ASSESSING CORPORATE READINESS FOR THE EUROPEAN UNION'S CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE"

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Abstract

This thesis examines readiness of companies in the German-speaking area for the new Corporate Sustainability Due Diligence Directive (CSDDD). Qualitative interviews are used to analyse existing sustainability practices and the potential impact of the directive on corporate strategies and supply chains. The results show an initiative-taking attitude towards sustainability despite the challenges in understanding and implementing the directive. The scope of the study is limited by the regional focus and the restriction to interviews, suggesting further methods research for future studies. This work contributes to the discourse on corporate responsibility and the integration of sustainability into the EU legal framework.

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Keywords

Supply Chain Management, Corporate Sustainability Due Diligence Directive, European Union, Sustainability, Corporate Social Responsibility, EU Regulations

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Table of Contents

1 Introduction

At a time when sustainable business practices are commendable and crucial, understanding the legal framework that governs them is paramount. Following the 2008/09 financial crisis, the European Commission has stepped up its efforts to ensure that corporate activities inside and outside the European Union (EU) are aligned with global environmental and social sustainability standards (Skovgaard 2014). This study looks at this evolving landscape and sheds light on how companies adapt to these increased expectations and upcoming legislative changes, particularly considering the forthcoming CSDDD. Moreover, it provides a comprehensive journey through corporate social responsibility (CSR) milestones. It highlights the importance of events like the Rana Plaza disaster in Bangladesh, underlining the urgency of standardised regulations. The focus lies on crucial EU sustainability initiatives. The CSDDD, which is the focus of this study, is examined in detail to understand its objectives, scope and expected impact on companies. The research aims to assess the impact of the CSDDD on European trade and to identify its broader implications for supply chain management. The endeavour is pursued by answering two primary research questions, which will be posed in Chapter 3. These aim to understand the current strategies deployed by companies to tackle societal and environmental issues and their plans to prepare for the CSDDD.

A two-pronged approach was chosen to answer the research questions methodically. First, a systematic literature review was conducted to identify supply risk's various facets and determinants. Subsequently, semi-structured interviews were conducted with experienced professionals from multiple German sectors to gain insights into how companies adapt to the CSDDD. This research aims to look at the delicate interface between trade and responsibility through the lens of recent EU legislative measures. Before the study dives deep into the nuances and implications of forthcoming supply chain legislation, it begins with a review of the relevant literature to lay the groundwork. This ensures that readers have a solid contextual understanding before delving into the details of the legislation and its implications.

The thesis follows a structured approach, beginning with Chapter 1, "Introduction", which sets out the context and significance of the CSDDD in the European Union. Chapter 2, "Literature review", looks at the historical background of corporate social responsibility in the EU and the development of the CSDDD. Chapter 3, "Methodology", describes the research questions and methods, which primarily focus on semi-structured interviews and a systematic literature review. The results of these interviews are analysed in Chapter 4, "Analysis of the interviews", where various dimensions of companies' readiness for CSDDD are examined. Subchapters 4.1 to 4.8 correspond directly to the structure of the interview guide, the details of which can be found in Appendix 7.3. Chapter 5, "Conclusion", concludes the thesis by summarising the findings from the interviews to draw comprehensive conclusions about the impact and consequences of the CSDDD for European companies.

2 Literature Review

2.1 History of Corporate Social Responsibility in the European Union

CSR has become increasingly important in the corporate world. It is the idea that companies are not only responsible for their economic interests but also have a moral responsibility towards society and the environment (Paetzold 2010). The collapse of the Bangladesh Rana Plaza building in 2013, which resulted in the death of 1,135 workers from supplier factories of European and North American apparel multinationals, emphasised the importance of regulations that hold companies accountable for their practices along the supply chain (Bossavie, Cho and Heath 2023). The abuse of child labour, migrant workers and forced labour in many sectors, as well as irreparable environmental damage caused by corporate activities, are among the reasons for demanding EU legislation that requires companies to act responsibly (Antošová and Csikósová 2015). These unacceptable working conditions and labour practices have led to calls for change (Jurić, Zubović and Čulinović-Herc 2022).

Figure 1 offers a snapshot of the EU's journey in bolstering sustainability measures. The "Operational Legislation" captures foundational frameworks guiding corporate transparency and environmental commitments. The EU showcases newer strategies for integrating sustainability into business and ecological conservation in the "Recently Adopted" category. Meanwhile, the "Proposed or Under Review" section signals the forward-looking nature of the EU's aspirations, hinting at potential transformation and reinforcement areas. This overview underscores the EU's continuous commitment to championing a sustainable future.

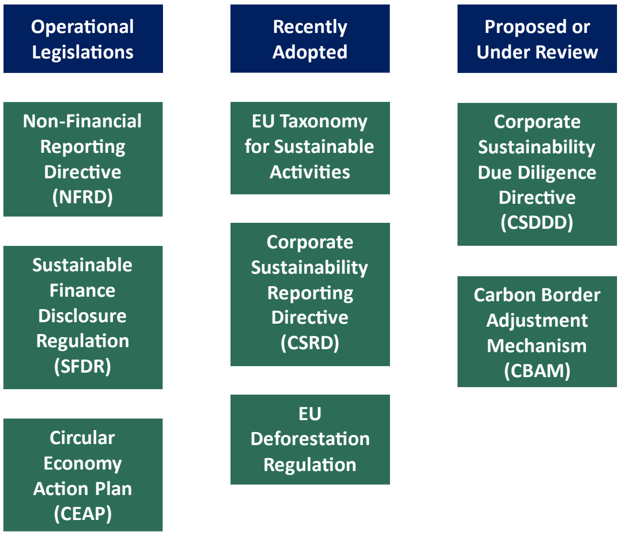

Figure 1: Overview of EU Sustainability Legislation

Source: According to Homeyer 2022

Various sustainability initiatives have emerged within the European Union's ambit, each tailored to foster more transparent, ethical and environmentally conscious corporate behaviour (Velte 2023). All of them will be explained in more detail in Appendix 7.2. This array includes operational legislation such as the NFRD, which demands expansive corporate disclosure on environmental stewardship, social outreach, employee well-being, anti-corruption practices and human rights initiatives (Breijer and Orij 2022). Progressing from the NFRD's groundwork, the CSRD introduced the innovative "dual materiality" principle. This mandates organisations to transparently address two pivotal dimensions: the influence of their operations on society and the environment, and vice versa — the sway of sustainable practices on their business outcomes (Baumüller and Grbenic 2021).

Further bolstering transparency in financial sectors, the Sustainable Financial Disclosure Regulation (SFDR) prescribes detailed guidelines. It ensures that market participants and authoritative bodies align seamlessly with the directive's objectives (Cremasco and Boni 2022). Adding to this tapestry, the EU Taxonomy Regulation crystallises the benchmarks for sustainability. Outlining meticulous criteria demarcates when an enterprise's activities are sustainable, creating clarity that elevates its market standing and investment appeal (Lucarelli 2020). Also, in March 2020, the European Commission unveiled the Circular Economy Action Plan (CEAP), a cornerstone of the European Green Deal which charts a course for sustainable growth within the continent. The CEAP is designed to pivot the European Union towards a circular economy, which promises to alleviate the strain on natural resources while fostering sustainable economic development and job creation (Alberich, Pansera and Hartley 2023). This shift is essential for stimulating economic vitality, realising the EU's ambitious objective of climate neutrality by 2050, and arresting the decline of biodiversity (Johansson 2021).

Newer introductions, such as the EU Deforestation Regulation and the Carbon Border Adjustment Mechanism (CBAM), continue to signify the EU's proactive stance. The former aims at conserving forests by ensuring that products entering the EU market do not contribute to global deforestation (Henn 2021), while CBAM serves as a levy on carbon-intensive imports, emphasising the EU's commitment to environmental protection and fair market practices (Zhong and Pei 2023).

Also, on a national level, countries have implemented other directives like the LKSG (German Supply Chain Act) (Konrads and Walter 2022). The LKSG came into force on January 1, 2023. The law regulates corporate responsibility for human rights compliance in supply chains for the first time (Würz and Birker 2022). It extends a company's value chain, figuratively speaking, beyond its business operations to include direct and indirect suppliers in the supply chain. According to the new law, companies should consider environmental, labour and social standards and human rights throughout the entire (global) supply chain (Schöbel 2022). Other countries like France, Netherlands and Norway have similar measures, but none cover the whole supply chain (European Coalition for Corporate Justice 2022).

Like the LKSG of 2021, the future CSDDD provides certain human rights and environmental due diligence requirements to be incorporated into the company's value chain. The planned CSDDD also explicitly reports the company's compliance with its due diligence obligations as part of the new sustainability report (Velte 2022). Regarding the scope of the due diligence obligations, the LKSG and the CSDDD differ because the LKSG is only obliged to check the upstream supply chain. In contrast, the CSDDD wants to reach further by extending the due diligence obligations to the company's activities, the activities of subsidiaries and the activities of companies with which the company has an established business relationship (Dittrich and Lippert 2023).

2.2 Development of the Corporate Sustainability Due Diligence Directive

A new EU directive requires companies to assess and manage their supply chains' environmental and social risks. The directive, the CSDDD, was adopted in 2022 and will be implemented from 2024 onwards (Commission 2022).

The proposed CSDDD by the EU aims to promote greater corporate responsibility by improving sustainability due diligence standards and corporate governance of human rights, as well as supporting stakeholders’ rights to access remedies. The directive will address potential human rights and sustainability risks by establishing obligations for companies and their subsidiaries. These requirements could also extend to entities with whom a company has a corporate relationship, ensuring that all parties are held accountable for their actions. The directive represents a significant step towards promoting sustainable and responsible business practices (Adam 2023). Furthermore, it considers the whole value chain and is an impact-driven approach (Saloranta and Hurmerinta-Haanpää 2023).

The directive is designed to assist companies in identifying and addressing the risks associated with their operations and supply chains, hurting the environment and human rights. Companies must mitigate these risks and report on their due diligence efforts. This legislation could significantly impact companies' operations, increasing transparency and accountability in supply chains and helping protect the environment and human rights. It can be seen as an attempt to address the under-deterrence of negative externalities on human rights and the environment, depending on corporate groups' strategic use of limited liability (Bains, Adcock and Crowe 2023).

The new directive applies to the following companies:

- EU companies:
    - Group 1: All EU limited liability companies with over 500 employees and a net worldwide turnover exceeding EUR 150 million.
    - Group 2: Other limited liability companies that do not meet the thresholds of Group 1 but have more than 250 employees and a net worldwide turnover of at least EUR 40 million, provided that at least 50% of the net turnover is generated in pre-defined sectors with significant environmental impact.
- Non-EU companies operating in the EU with a turnover that meets the thresholds of groups 1 and 2.

The EU anticipates the directive will directly impact approximately 13,000 companies within the EU and around 4,000 companies outside the EU (Strupczewski 2022). The European Commission initially proposed the CSDDD on 23 February 2022. On 25 April 2023, the European Parliament’s Committee on Legal Affairs, commonly known as JURI, adopted a draft report (JURI Report) that included a suite of amendments to the CSDDD as proposed by the Commission. Interinstitutional negotiations on the CSDDD between the European Parliament, the European Council, and the European Commission can begin. Once the CSDDD has been formally adopted, which is not expected to happen before 2024, member states will have two years to implement it into their national legislation (Kemp 2023).

The ongoing discussions surrounding the current directive version, as highlighted by the EU Parliament resolution of June 2023, set the stage for understanding the prevailing regulatory landscape. As the European Parliament, European Commission, and European Council engage in trialogue discussions to finalise the directive (Bernaz 2023), it becomes crucial to unpack the intricacies of the proposed regulations. With this context in mind, the methodology adopted for this research becomes essential.

3 Methodology

3.1 Research Approach

The methodology section outlines the approach, tools and techniques used to gather and analyse data, ensuring a comprehensive understanding of the new directive's implications on European businesses.

The research area for this thesis is centred around assessing the readiness and responses of chosen examples of European businesses to the upcoming CSDDD issued by the European Union. This involves a deeper dive into companies' current sustainability initiatives and practices and their perceptions of and reactions to these practices regarding the CSDDD. Based on that, this analysis gives an outlook on the broader impacts of the new directive, particularly in terms of engagement with high-risk nations. The study is situated at the intersection of corporate social responsibility, regulatory compliance and supply chain management, focusing on how European businesses navigate within the evolving landscape of sustainability and due diligence requirements.

This thesis adopts a qualitative research methodology to explore and answer two pivotal research questions (RQ):

- *RQ_1:* What initiatives are currently in place, and how do companies perceive and respond to them concerning the CSDDD?
- *RQ_2:* What broader impacts does the CSDDD hold for European businesses, especially concerning their engagement with high-risk nations?

The primary data for this study was collected through a series of eleven semi-structured interviews with industry experts, detailed in Appendix 7.4. These interviews provided valuable insights and direct perspectives, contributing significantly to the primary research data. An academic literature review was conducted alongside these interviews, ensuring a robust and well-rounded understanding of the topic. The literature review follows the approach described by Denyer and Tranfield 2009. This process began with clearly defining the research questions, as outlined above, followed by establishing specific search terms, selecting appropriate databases and setting criteria for query and evaluation. The literature review was expanded by exploring additional sources through citation reviews and search engines. The choice of qualitative methods aligns well with the exploratory nature of this research, particularly given the recent emergence of the CSDDD. This approach facilitates a deeper dive into the complexities and subtleties of the directive and its implications, offering a nuanced understanding of its impact on European businesses.

3.2 Interviews and Qualitative Analysis

Semi-structured interviews, guided by a pre-defined framework, were conducted to ensure a balanced approach between structured inquiry and the flexibility to explore emergent themes.

The interview framework (see Appendix 7.3) was meticulously designed and shared with participants at the outset of each session to foster mutual understanding. The interviews were predominantly open-ended, allowing respondents to freely express their views, experiences and insights. This approach ensured that the richness and depth of individual perspectives were adequately captured, which might have been constrained in a more structured format like surveys. The respondents were carefully selected from diverse sectors, including academia, strategy and law consulting, high technology, pharmaceuticals, fruit processing, forestry equipment, software, global trade, public transport services and furniture association, offering a broad view of the topic. This selection was purposeful to ensure a multi-faceted understanding of the implications of CSDDD across various industries. The study mainly focused on professionals in German-speaking regions, recognising that these areas are already subject to more stringent regulations, thus providing insightful experiences and perceptions relevant to the study's objectives.

A line-by-line review was conducted to process the interview data, and the content was coded using MAXQDA software. A deductive content analysis approach, as described by Mayring 2014, was applied to categorise and interpret the data systematically. This methodological rigour facilitated a structured analysis across the eight thematic areas derived from the interview guide in line with the two research questions. It enabled a clear and coherent presentation of findings. The study aims to identify and analyse the challenges EU companies face under the future CSDDD and to understand how this directive will influence supply chain management and broader business strategies. By employing this qualitative approach, the study seeks to contribute valuable insights into the adaptation processes of European businesses in response to evolving sustainability and due diligence regulations.

4 Analysis of the Interviews

4.1 Participants' Profile and Role

The implementation of the CSDDD is approaching, and representative professionals from different sectors have been asked how they integrate sustainable strategies into business operations. A detailed overview of all the participants can be found in Appendix 7.4. A teaching professor highlights the bridge between academia and practical sustainability strategies, influencing future leaders and corporate approaches. Sustainability leaders drive innovation and ethical practices, like interviewees in the laser high technology and fruit production industries. A contacted global procurement leader introduces sustainability considerations into supply chain strategies in the pharmaceutical sector. Approached communications professionals emphasise transparency in integrating digitalisation, sustainability and profitability. Another contacted business leader in compliance software and global trade uses technology to support sustainable practices. As an interviewed association lead shows, environmental and standardisation tasks in the furniture industry continue evolving to meet new standards. A representative of sustainable procurement experts in public transportation addresses the operational aspects of CSDDD compliance. A legal advisor guides multinational companies on compliance and sees it as a force for positive change. A compliance officer, who also acts as a human rights officer in the forestry sector, underscores the growing complexity of corporate responsibility. From an academic supply chain view, a researcher applies findings to practical scenarios. These collective efforts by different professional groups show a broad willingness to embrace CSDDD and address businesses' ethical, social, and environmental responsibilities.

4.2 Participants’ Involvement in Societal and Environmental Initiatives

The professionals from various sectors actively align themselves with existing social and environmental initiatives, demonstrating their commitment to sustainability. These initiatives will be further explained in more depth in the Appendix 7.2.

The academic participants mirror promoting sustainable and ethical practices through fair trade principles and education. The consultants are committed to the UN Global Compact by aligning strategies with environmental, social and governance (ESG) standards and supporting clients' Sustainable Development Goals (SDGs). From the pharmaceutical industry side, the representative highlights comprehensive supplier codes that include environmental and social aspects and tools to ensure compliance with sustainability. The commitment to diversity charters and initiatives such as Safe Global Fair (SGF) and the Diversity Charter (Carta Pari Opportunità) demonstrates a focus on inclusivity and environmental responsibility in the fruit processing industry. The software entrepreneur adheres to international agreements like the Paris Agreement, addresses environmental challenges and offers legal solutions. The German Furniture Association lead emphasises integrating quality and sustainability into product standards. From a public transport standpoint, the expert reflects participation in reporting initiatives and collaboration with NGOs on low-emission programs. The lawyer adds that they participate in the UN Global Compact and adhere to the UN Guiding Principles on Business and Human Rights to help companies comply with regulations. The related participant emphasises their commitment to the UN SDGs and the Global Compact in forestry. These cross-sector commitments, particularly to the UN SDGs and the Global Compact, indicate comprehensive approaches to sustainability that balance ethical considerations with environmental protection. This lays the foundation for meeting future CSDDD needs and signals shifts towards a more sustainable and ethical business environment.

4.3 Relevance of Established Sustainability Initiatives to Professional Spheres

The commitment of various sectors mentioned above to existing social and environmental initiatives shows willingness and cross-sector interactions, forming the basis for future compliance with the CSDDD. In academia, as raised in the teaching sector, voluntary sustainability reporting marks potential accountability consistent with the ethos of the forthcoming CSDDD. The consulting industry's engagement with the LKSG underlines the importance of directives, especially for medium-sized companies. As a result, consultants support clients in managing the EU Sustainable Finance Disclosure Regulation (SFDR) and channelling investments into sustainable projects. High-tech experts help companies transition from the NFRD to the more comprehensive CSRD. The pharmaceutical industry shows high alignment with CSRD, reflecting the global reach of its operations and strong leadership in the EU, which has set common procurement standards worldwide. Preparing for CSRD reporting from 2025, the fruit processing sector demonstrates a proactive approach to sustainability. The software industry's commitment to LKSG, CSRD, more comprehensive EU taxonomy and EU regulation on deforestation underlines its forward-thinking mindset. Furniture industry associations not directly affected by initiatives such as EU regulation on deforestation assist their member companies in complying with new regulations. The represented public transport company refers to LKSG and integrates CSRD standards into operations, demonstrating a cross-departmental commitment to sustainability.

Proper involvement of the legal sector in the LKSG, CSRD and EU deforestation initiatives reflects its consultative key role in ensuring legal compliance in all facets of business. Educational research institutions incorporate discussions and awareness of new regulations, such as the Supply Chain Act, into their curricula. The forestry equipment sector prepares for the CSRD and the EU Taxonomy, indicating their alignment with the LKSG. These cross-sector efforts show that social and environmental considerations are deeply integrated into business operations. This foundation of initiatives and commitments serves as a stepping stone towards meeting the comprehensive requirements of approaching CSDDD.

4.4 Perception of Current Sustainability Regulation and Laws

Perceptions of current sustainability regulations and legislation by different professional groups reveal challenges and opportunities associated with preparing the later CSDDD. Responsible academics emphasise the importance of practising sustainability regulations and embody these principles to set models for future leaders. However, they express concerns about the monitoring and sanctioning of non-compliant companies. The advisory sector identifies the need for a tailored approach to regulations such as the LKSG and CSRD, particularly for B2C businesses that directly impact consumer markets. B2B companies may face a different test. From their view, for example, the healthcare sector, which often does not interact directly with end consumers, finds that more transparency is needed on how sustainable practices impact customers. The represented pharmaceutical industry, already committed to ethical standards, faces bureaucracy and resource overload. The high technology lead recognises the need for sustainability efforts but notes that they are resource-intensive and can conflict with short-term profitability. The complexity of regulations is a key challenge, particularly for smaller companies as the software entrepreneur presents, and can lead to non-EU companies avoiding trade with EU companies.

Despite these challenges, industry leaders such as those in the furniture sector see the regulations as a helpful framework for implementing sustainability measures, even if it can be daunting. The transportation expert and legal professional point to the bureaucratic nature of the regulations and question whether they can make a difference. The stringent requirements, which often need more clarity, are challenging to implement, and collecting the data required to comply with the regulations involves considerable effort. Overall, while the objectives of sustainability regulations are praised, there is scepticism about the effectiveness of enforcement and the consequences of non-compliance. When companies prepare for the CSDDD, they must balance their goals with business realities.

4.5 Readiness for Corporate Sustainability Due Diligence Directive

The state of preparation for the CSDDD in the different professional sectors shows a mixed landscape of readiness and expectation. Each industry is approaching the directive with initiatives tailored to their challenges and opportunities for compliance.

The academic interviewees reflect on integrating sustainability into their curricula for various degree programs to ensure that future principles of CSDDD can be integrated into students' education. This approach is seen as key to teaching sustainability values to future leaders. Consulting firms' participants view the directive as an emerging consideration on the horizon but not yet integrated into their current practices. They conclude it is too idealistic to assume companies are preparing CSDDD so far. This view reflects a cautious approach to the impending regulations, with an eye on future compliance. Companies of Manufacturing representatives already within the scope of the LKSG are confident that they are well prepared. However, as the high technology expert underlines, they acknowledge that more distant tiers become invisible, and it is challenging to extend transparency beyond direct suppliers, highlighting the complexity of compliance throughout the supply chain. The pharmaceutical lead points out that, supported by a Sustainability Council, they are prepared for the CSDDD to consider running German legislation. Nevertheless, they recognise that while direct control of suppliers is manageable, monitoring and managing risks further down the supply chain is increasingly difficult. Companies not directly subject to German supply chain legislation, as represented by the fruit manufacturer expert, recognise supply chain due diligence as an essential area of focus and are taking preparatory steps, such as conducting stakeholder surveys and impact assessments. Some companies use proprietary software solutions such as 'Trustnet Trade', developed by the company of the interviewed software entrepreneur, to facilitate compliance, highlighting a proactive approach to integrating regulatory differences into their operational systems. As demonstrated by the association lead, the furniture industry in Germany is using its experience with the LKSG to prepare for the CSDDD, noting the similarities and additional requirements, particularly concerning environmental due diligence and liability aspects. They provide a proven branch' concept to support their members.

Companies are closely monitoring developments about the CSDDD and trying to anticipate and adapt to the directive's impact on their activities so far. They know more details. This is an overall view from the interviewees of public transport, legal consultancy, academic research and the forestry machinery industry. Core thoughts in all interviews are that clients of service providers, particularly in the ESG sector, are preparing to meet European-level requirements. They are focusing on existing obligations while gradually preparing to take the CSDDD into account in the foreseeable future. Educational institutions have yet to incorporate the CSDDD into their teaching materials due to the evolving nature of the directive. Still, they strive to provide students with practical, actionable insights and a forward-looking perspective on sustainability regulations.

This diversity of preparation approaches reflects the general trend of companies actively engaging with the CSDDD through direct compliance efforts or considering the directive as part of a larger sustainability strategy. As the implementation of the directive approaches, these preparatory activities are crucial to ensure that companies can meet the upcoming regulatory requirements while continuing to operate effectively in their respective markets.

4.6 Anticipated Challenges in Implementing the CSDDD

Although a solid high-level mindset to implement sustainability can be confirmed, the more significant volume of answers regarding anticipations and concerns is evident (similar to Chapter 4.4). That shows that professionals from all sectors face several challenges in preparing to implement the CSDDD. These challenges range from the pragmatic to the strategic and include operational and policy-oriented concerns.

The interviewee of the teaching sector of Academics brings up that for small and medium-sized enterprises (SMEs), the intensity of adapting to the requirements of the CSDDD is high and potential sanctions or fees will not motivate. From his standpoint, balancing goals' achievements and high documentation amount will be crucial. The consultancy part spotlights the level of detail within the regulations and raises questions for companies at different stages of sustainability. While some are proactive with questionnaires and IT systems, others may need to revise their supply contracts fundamentally. The transformation of regulation into operation will be critical, and attention will be paid to smaller companies that cannot send auditors or create certificates. Fashion and food might be on top of being under consumers' awareness, but others with less visibility have no framework. Beyond, it is underscored that start-ups in the Global South do not have either knowledge or capacity. The transparency required in the supply chain is a common concern from high technology experts, particularly the need to trace back to raw material suppliers. The depth of this scrutiny is beyond the current capacity of many companies and is a significant challenge across industries. Both high technology and pharmacy representatives point out that competitive factors further complicate the situation, as suppliers may refuse to disclose their sub-suppliers for competitive reasons. This reluctance complicates compliance efforts, and the deeper into the supply chain companies go, the more complex the task becomes. Resource allocation is another critical issue, as companies must invest time and money to understand the higher levels of their supply chains. Trade secrets and the proprietary nature of supplier information can present significant hurdles to conducting thorough due diligence. Companies, especially in the pharmaceutical industry, must weigh the impact of due diligence against the potential effect on product availability and patient care. The risk of being unable to supply life-saving medicines due to compliance issues is a significant ethical and operational issue. Case-by-case decisions will be needed to manage such conflicts. CSDDD is a political program where lawmakers have the best intentions, but the loss of customers and suppliers by following a political program must be mitigated.

In Central Europe, companies with controlled supply chains expect fewer problems, as the representative of fruit production notes. However, the risk of greenwashing becomes an issue when dealing with more distant suppliers, highlighting the need for robust due diligence measures.

The inconsistency of existing national regulations across Europe presents a strategic challenge as companies attempt to manage individual EU member states' different implementation speeds and enforcement strategies. This disparity can distort competition and create a "Wild West" environment for enforcement, as the software and global trade entrepreneur emphasises.

Responsibility for fulfilling due diligence obligations, in particular risk assessment, is seen as a task that should also be taken on by the European Commission, similar to the approach planned for the EU regulation on deforestation, as the association lead of the furniture industry remarks. Companies need to work on the consistency between policy measures and industry expectations, which can lead to problematic compliance scenarios. He especially brings up some inconsequence of politicians because, for example, they negotiate with high-risk nations to secure energy resources, which does not provide a role model for the industry. Liability under the CSDDD is a significant concern, as failure to manage risk and ensure compliance can have serious consequences. Companies are aware that they need to adapt their processes and are considering how to address these risks effectively.

The diversity of approaches and the imminent introduction of additional regulations, such as the LKSG, require companies to adapt their compliance strategies frequently. This fluidity requires constant vigilance and adaptation. As the related lead of public transport demonstrates, a higher level of familiarity with managing regulations shows that companies like public transport feel in a better position. The comprehensive nature of the future directive overwhelms some companies, as the legal expert highlights, especially when it comes to transparency beyond immediate suppliers. The depth of supply chain verification required by the CSDDD pushes many companies to their limits. Professional services and software tools are emerging to help companies visualise and manage their supply chains and provide clarity in a complex regulatory landscape, which is underlined in the interviewed academic research part. However, aligning actions with partners and ensuring collective compliance remains a difficult task, as the lead of the forestry machinery industry summarises.

The approach to implementing the CSDDD in the future is characterised by an acknowledgement of complexity and concerted efforts to address the expected challenges. Companies are taking various paths, from leveraging technology to revamping supply chain management practices, to prepare for the upcoming directive.

4.7 Resource Allocation for CSDDD Implementation

As companies prepare for the CSDDD, strategic resource allocation is critical to compliance. While resource requirements vary, the focus is on efficiency and cost-effectiveness.

Companies plan to reallocate existing resources to meet CSDDD requirements, suggesting an adaptation strategy rather than a significant resource increase. The experience of complying with the German Supply Chain Act (LKSG) is beneficial as sectors such as high technology, pharmaceuticals, forestry machinery and public transport intend to shift the focus of personnel from the LKSG to the CSDDD. This is evidence of a dynamic internal capacity reorganisation.

The consultants' representatives expect existing staff and departments to take on additional tasks related to the CSDDD, using existing organisational structures and expertise to avoid extensive bureaucratic expansion. Consultants are expected to play an important role, especially for companies previously working with sustainability experts as the fruit production responsible underlines. Dedicated staff in companies already dealing with regulations, such as the LKSG, will continue to take on CSDDD-related tasks, indicating an existing specialisation within the teams. The furniture association representative does not expect significant changes in resource allocation among his members and plans to continue using accessible tools such as Excel for compliance. The participant from the forestry machinery industry believes that the structures created for compliance with the LKSG might be sufficient for the CSDDD, meaning that the basic compliance framework can be adapted. The possibility of hiring additional staff is pointed out, but this remains tentative, depending on the final form and requirements of the CSDDD. Software tools are seen as crucial for due diligence, but companies are waiting for precise requirements before starting development. Companies equipped for the current German legislation expect a smooth transition and will only need to make minor system adjustments for the CSDDD.

Conversely, less prepared companies may face significant challenges in developing a compliance framework from scratch. Academic representatives also plan to delve deeper into the topic as more details on the CSDDD become available. In summary, preparations for the CSDDD involve strategic resource planning, with companies endeavouring to use existing frameworks and staff efficiently while remaining open to introducing new tools and the possible expansion of teams. This approach focuses on maintaining agility and adaptability in a changing regulatory landscape.

4.8 Concluding Remarks of Participants regarding CSDDD Impact

Experts agree that the CSDDD will significantly impact companies by bringing additional controls, costs, operational changes and strategic considerations. It is a critical development in corporate responsibility that emphasises social and ethical issues.

The directive is expected to raise awareness of sustainability within supply chains. Procurement departments could gain more influence as they are given a broader mandate to consider environmental, social and governance (ESG) issues. This could lead to more substantial negotiating power, not only for better prices but also for improved sustainability practices. Some experts believe that the CSDDD could force companies to rethink global partnerships, especially in areas where human rights or environmental concerns play a role. This reassessment could change the presence of companies in specific regions or markets. Worries about the directive's impact on supply chains have been raised, particularly regarding potential restrictions from external organisations such as NGOs or challenges in maintaining supplier relationships.

The directive is expected to have redistributive effects, with wealthier regions potentially bearing the costs of implementing sustainable practices, which could affect global trade dynamics. However, there is optimism that market supply will not be affected. The CSDDD is seen as an opportunity for improvement as it encourages companies to look closely at their supply chains. Organisations with structured approaches to sustainable capitalism are expected to benefit. In some industries, the directive has already influenced supplier selection, such as in the German furniture market, where resistance to the sustainability requirements of German companies has been observed. Compliance and due diligence are expected to take centre stage, but significant changes in supply chain structures or supplier relationships are not likely everywhere. There is hope for greater harmonisation of sustainability efforts between companies, simplifying suppliers' compliance. However, there is concern that companies could exclude high-risk regions or suppliers from their supply chains if they do not comply, which could restrict global trade relations. The directive is also expected to increase pressure on companies regarding civil liability and enforcement, requiring a reassessment of regional and supply chain risks. Companies may need to allocate more staff to manage the requirements of the CSDDD. The directive's expected "pull effect" across Europe could lead to standard harmonisation and encourage many businesses, including small and medium-sized enterprises, to engage with the directive's requirements. In summary, the CSDDD will increase the focus on sustainable practices in European companies' value chains and lead to changes in sourcing strategies, supplier relationships and resource allocation.

5 Conclusion

The conclusion of this thesis summarises the examination of chosen European companies' preparations for the CSDDD. It reflects on the broader impacts that are expected because of the implementation of the CSDDD.

The research questions at the heart of this thesis aimed to shed light on the current landscape of corporate sustainability practices and predict the impact of the forthcoming CSDDD on European companies. The results show a nuanced picture of proactive adaptation and strategic foresight among companies preparing for the directive to varying degrees.

Concerning *RQ1*, the questions regarding existing initiatives revealed a wide range of engagement. Several companies have embedded sustainability into their business models and use it as a competitive advantage. These companies are not only prepared for the CSDDD but also set industry benchmarks and demonstrate that they align their strategic objectives with overall corporate sustainability goals. On the other hand, some companies, especially SMEs, still need help with the fundamental aspects of sustainability practices. The reallocation of resources in favour of sustainability efforts indicates a strategic realignment, suggesting that CSDDD can be a catalyst for change and an opportunity for innovation and leadership in corporate responsibility.

About RQ2, the study explains the expected broader impact of the CSDDD and predicts a significant shift in European companies' operations. The directive will be a primary change driver, forcing companies to review their supply chains thoroughly. High-risk engagements are expected to be subject to a rigorous reassessment, potentially reshaping global trade and partnership dynamics. This could lead to a more ethical market where sustainability and social responsibility are not just compliance requirements but an integral part of core business strategies.

In addition, the research highlights the potential for the CSDDD to change the risk management landscape, as companies may need to adopt more comprehensive and forward-looking approaches to identifying and mitigating sustainability risks. This change could also impact corporate governance ethos as sustainability considerations become as crucial as financial factors. Nevertheless, the results of RQ2 indicate that companies cannot manage the effort alone. With tier 2+ levels in the supply chain often far away, smaller companies miss transparency and lack clear guidance in future implementation. In principle, all are willing to contribute to regulations. However, they are concerned about sanctions to manage sustainability correctly when collaborating with unknown partners in high-risk nations that they cannot influence. Cooperating with companies, politicians, and legislation will be essential for a successful CSDDD implementation in the future.

A limitation of this research arises from the focus on the geographical area and participants due to a particular emphasis on the German market and the German-speaking province of South Tyrol in Italy. While Germany is an essential economic area in the EU and South Tyrol offers a unique mix of cultures, they represent only one part of the diverse European landscape. Therefore, the results of this study may not be fully transferable to other EU contexts where German standards are not given as a basis. Significantly, academic interviewees added that there is a strong need within the EU to have more discussion, research, and sources in the academic community. Their remark that research has just commenced in this context also implies there is not yet much available research and literature to compare, particularly with concerns and assumptions raised by the interviewees. A further limitation was the methodological decision regarding the exclusive use of interviews as the only data collection method. However, this decision was intentional, given the evolving nature of the topic under investigation. The interviews allowed, on the one hand, for an in-depth exploration and provided an opportunity for a more profound understanding that may not have been possible through surveys. On the other hand, the scope and applicability of the study's findings may be limited by not including other methods, such as surveys. While this singular approach offers richer insights, it could limit the range of perspectives and depth of understanding across different European contexts.

Another limitation was to raise questions to interviewees from their represented businesses' perspective. A watch-out can be made that all set themselves in the centre of view and reflected their investments in creating better standards for high-risk nations. No one highlighted the benefits of securing the profit of one's own business by establishing sustainability standards like the fishing industry did decades before (Haas, et al. 2019). An outlook on this topic would have spread this thesis. Nevertheless, the question of how willingness to consider sustainability depends on the level of resources' (un-)availability might be interesting for another research.

There is a clear path for future research that builds on the foundations laid in this thesis. Subsequent studies should broaden the geographical and cultural scope and include a broader range of EU perspectives to enrich the understanding of the impact of CSDDD. Furthermore, including quantitative methods or a mixed methods approach could increase the robustness of future research and provide a more holistic view of the directive's impact. As the implementation of the CSDDD progresses, its influence on corporate sustainability practices in the EU will undoubtedly increase. Ongoing research will be critical to policy development and business strategy to ensure that sustainability is aligned with the practical realities of economic and operational viability.

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7 Appendix

7.1 Abbreviations

CBAM	Carbon Border Adjustment Mechanism
CEAP	Circular Economic Action Plan
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	Corporate Social Responsibility
CSRD	Corporate Social Reporting Directive
ESG	Environmental, Social and Governance
EU	European Union
JURI	European Parliament's Committee on Legal Affairs
LKSG	German Supply Chain Act
NFRD	Non-Financial Reporting Directive
NGO	Non-Governmental Organisation
SDG	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SGF	Safe Global Fair
SME	Small and Medium Enterprises
UN	United Nations

7.2 Existing Societal and Environmental Initiatives

This paper examines various frameworks and initiatives that shape corporate sustainability and responsibility at a global level.

Legislation	Detail
Carbon Border Adjustment Mechanism (CBAM)	- Introduction of a carbon price on imports of selected products into the EU to encourage low-carbon production - Aims to prevent carbon leakage and incentivise international producers to reduce their emissions - Aligns with the EU's climate targets by promoting a level playing field for domestic and foreign producers (Zhong and Pei 2023)
Circular Economic Action Plan (CEAP)	- The aim is to reduce waste and extend the life cycle of resources in the EU economy - Promote sustainable consumption and production patterns to reduce the pressure on natural resources

	- Part of the European Green Deal, which promotes innovation and growth through sustainability (Alberich, Pansera and Hartley 2023)
Corporate Social Reporting Directive (CSRD)	- Organisations are obliged to disclose the impact of their activities on society and the environment - Improves the transparency of sustainability reporting for large companies and all listed companies - Introduces stricter reporting requirements to promote accountability in the area of corporate social responsibility (Baumüller and Grbenic 2021)
Corporate Sustainability Due Diligence Directive (CSDDD)	- Requires comprehensive due diligence on human rights and environmental impacts in corporate supply chains. - Establishes reporting requirements to ensure transparency and corporate accountability - Represents a legislative push to integrate sustainable practices into EU-level corporate governance (Commission 2022).
Diversity Charter (Carta Pari Opportunità)	- A voluntary commitment in Italy to promote diversity and non-discrimination in the workplace - Promotes an inclusive corporate culture and HR policies that improve workforce diversity - Reflects a broader European movement for equality and diversity in the corporate environment (Fondazione Sodalitas 2020)
Environmental, Social and Governance (ESG)	- Provides a framework for assessing the impact of companies on social and environmental issues - Influences investment decisions by incorporating ethical considerations into company valuation - Serves as a guide for companies to operate sustainably and with social responsibility (Tsang, Frost and Huijuan 2023)
EU Deforestation Regulation	- Aims to curb global deforestation by regulating products entering the EU market - Ensures that product sourcing does not contribute to forest degradation or deforestation - Reflects the EU's commitment to global environmental responsibility and sustainable supply chains (Henn 2021)

EU Taxonomy	- Introduction of a classification system to define sustainable economic activities in the EU - Provides criteria to guide companies and investors towards environmentally sustainable behaviour - Facilitates a clear understanding of sustainability and helps with investment and business decisions (Lucarelli 2020)
German Supply Chain Act (LKSG)	-Legal obligation of companies to respect human rights and environmental standards in their global supply chains - Includes both direct and indirect suppliers and extends corporate responsibility beyond direct operations - Aims to promote responsible business behaviour and sustainable management practices (Würz and Birker 2022; Schöbel 2022)
Non-Financial Reporting Directive (NFRD)	- Requires companies to disclose their approach to social and environmental challenges - Covers a wide range of aspects of corporate responsibility, including employee wellbeing and anti-corruption - Lays the foundation for improved transparency of corporate governance in the EU (Breijer and Orij 2022)
Paris Agreement	- An international agreement focussed on climate change mitigation, adaptation and finance - Represents a unified global effort to limit global warming and its impacts - Promotes economic transformation towards sustainable models in response to climate-related risks (Savaresi 2016)
Safe Global Fair (SGF)	- Ensures product integrity and consumer protection in the global juice industry - Utilises standards and certification to combat food fraud and maintain fair market conditions - Uses advanced technologies to verify the authenticity and safety of juice products (SGF International e.V. 2020)
Sustainable Development Goals (SDGs)	- Includes 17 goals to address global challenges such as poverty, inequality and climate change - Contains a universal call to action for sustainable development to protect the planet and ensure prosperity for all - Serves as a blueprint for international cooperation and sustainable policy formulation (Allen, Metternicht and Wiedmann 2018)

Sustainable Finance Disclosure Regulation (SFDR)	- Regulates the disclosure of sustainability information for the financial sector to promote transparency in sustainable investments - Helps investors make informed decisions based on ESG criteria - Part of the EU action plan on financing sustainable growth and integrating sustainability into financial policy (Cremasco and Boni 2022)"
United Nations Global Compact	- Encourages companies worldwide to pursue sustainable and socially responsible policies. - Represents the most significant corporate sustainability initiative, with principles on human rights, labour, environment and anti-corruption - Supports companies in aligning their business activities with universal sustainability principles (Leonard and Gonzalez-Perez 2015)
United Nations Guiding Principles	- Sets out guidelines for companies to address adverse human rights impacts - Establishes the 'Protect, Respect, and Remedy' framework as the global standard for human rights in business practices - Provides concrete steps for companies to prevent human rights abuses and ensure accountability (Addo 2014)

7.3 Interview Guide

Introduction

- Welcome and introduction of the interviewees
- Explanation of the purpose of the interview

Start recording the interview

Background Information (chapters 4.1 – 4.2 of the analysis)	1. Can you please tell me about your professional role? 2. Can you please tell me about your involvement in (1) environmental and (2) societal initiatives (e.g., UN Global Compact)?
RQ1: Current Strategies and Initiatives (chapters 4.3 – 4.4 of the analysis)	3. Which initiatives are already relevant in your professional environment regarding (1) societal and (2) environmental challenges? (e.g.,

	LkSG, CSRD, NFRD, EU Taxonomy) 4. How do you perceive the current sustainability regulations and laws concerning your profession?
RQ2: Preparation for CSDDD (chapters 4.5 – 4.7 of the analysis)	5. Is your company/institution actively preparing to implement the CSDDD? • If yes, please provide examples. • If not, do you have CSDDD in mind when working on other societal and environmental initiatives? 6. What challenges do you anticipate in implementing the CSDDD, and how is your company/institution planning to address these? 7. What resources will be projected towards the implementation of the CSDDD? (e.g., software tools, departments)
Conclusion (chapter 4.8 of the analysis)	8. How do you think the CSDDD will affect your/other (1) company/ institution and your/their (2) value chain?

Stop recording the interview

Closing

- Clarification of outstanding questions
- Thank you for participating in the interview

The interview questions 1 - 8 relate to the subchapters 4.1 - 4.8

7.4 Overview of Interview Participants & Qualitative Content Analysis

Interview No.	Job Title	Company	Company Size	Industry
A	Professor	ISM	80+	Academics (Teaching)
B	Project Manager	RS Group	80+	Consulting

C	Global Purchasing Manager	Trumpf	15,000+	High Technology
D	Senior Sourcing Manager	Anonymous	48,000+	Pharmaceuticals
E	PR, Communication, Sustainability Manager	Anonymous	220+	Fruit production
F	Co-Founder, COO and Managing Director	Cargodian	10+	Software, Global Trade
G	Head of Technology - Environment - Standardization	Association of the German Furniture Industry e. V.	10+	Association
H	Expert in sustainable procurement	Berliner Verkehrsbetriebe (BVG)	15,000+	Public Transportation
I	Associate / Compliance & Investigations (IWCF - Investigations, White Collar and Fraud)	Hogan Lovells	2,600+	Legal
J	Senior engineer	Technische Universität Hamburg (TUHH)	20+	Academics (Research)
K	Compliance & Human Rights Officer	Anonymous	20,000+	Forestry equipment

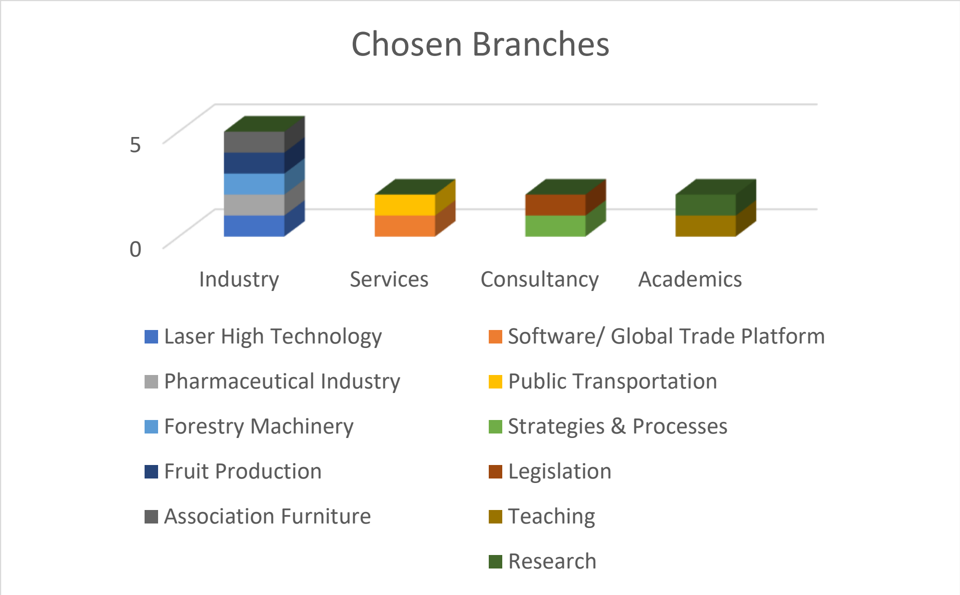

Figure 2: Chosen Branches

Source: Own display

7.4.1 Interview Code: A

Position and company: Professor at International School of Management, Germany (Teaching)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 17.10.2023 (duration ≈ 15 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	A	Background Information	Professional Role	teaching professor at the university here at the International School of Management regarding research on sustainable topics
No. 2	A	Background Information	Societal & Environmental Initiatives	first Fair Trade University in Hamburg
No. 2	A	Background Information	Societal & Environmental Initiatives	sustainable consumption of food, energy etc. at the University

No. 3	A	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	reporting on sustainability voluntarily
No. 3	A	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	no obligation to execute sustainability regulations
No. 4	A	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	regulations necessary because we are teaching about these requirements, law requirements, so you cannot teach this without living it
No. 4	A	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	on the lower level, bureaucracy might be an issue
No. 5	A	RQ2: Preparation for CSDDD	Preparation Status	So mainly the curriculum. So we have within the programs, so the master degrees or bachelor degrees. So we have subjects which are on sustainability
No. 5	A	RQ2: Preparation for CSDDD	Preparation Status	Continuous preparation of newer developments and laws to integrate into future curriculum
No. 6	A	RQ2: Preparation for CSDDD	Anticipated Challenges	some aspects I look at from my perspective are too weak
No. 6	A	RQ2: Preparation for CSDDD	Anticipated Challenges	some aspects that small and medium-sized enterprises will cope with are immense, they might struggle
No. 6	A	RQ2: Preparation for CSDDD	Anticipated Challenges	concerns about the high amount of documentation
No. 6	A	RQ2: Preparation for CSDDD	Anticipated Challenges	need to balance achievement of goals with high effort
No. 6	A	RQ2: Preparation for CSDDD	Anticipated Challenges	fees will not motivate

No. 7	A	RQ2: Preparation for CSDDD	Resources Allocation	Finding solutions how to be conformed and how to be conformed in a very cost-efficient way
No. 8	A	Conclusion	Impact on Companies and their Value Chains	More control will face additional costs to personal resources
No. 8	A	Conclusion	Impact on Companies and their Value Chains	But this is an evolution. So progress process, is mandatory, even though it costs money. So we see that this is a necessary step
No. 8	A	Conclusion	Impact on Companies and their Value Chains	So impact that people start thinking about these social ethical issues
No. 8	A	Conclusion	Impact on Companies and their Value Chains	now they are forced at least to think about it
No. 8	A	Conclusion	Impact on Companies and Their Value Chains	I'm not sure if the situation of the supplier will change. But I'm sure being more aware of the problem is a first step to executing better ethical and social standards
No. 8	A	Conclusion	Impact on Companies and their Value Chains	companies will align with new standards increasingly

7.4.2 Interview Code: B

Position and company: Project Manager at RS Group (Consultancy)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 19.10.2023 (duration ≈ 25 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**

No. 1	B	Background Information	Professional Role	I'm the Tribe Lead for the sustainability topics in my company. My team and I help customers along the whole supply chain and the value chain to implement sustainability processes or goals, always in the area between digitalization, sustainability, and profitability.
No. 2	B	Background Information	Societal & Environmental Initiatives	We are in the UN Global Compact
No. 2	B	Background Information	Societal & Environmental Initiatives	We report on the 3 fields of Environment, Social, Governance (ESG)
No. 2	B	Background Information	Societal & Environmental Initiatives	We provide a platform i.e. in the pharmaceutical area to apply regulations between operational business and sustainability
No. 2	B	Background Information	Societal & Environmental Initiatives	focus on supporting the SDGs about customers and own company
No. 3	B	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Yes, all of them. The LKSG is the supply chain regulation, very important for our customers in the Deutsche Mittelstand
No. 3	B	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	EU taxonomy, we support a finance company in Frankfurt to implement SFDR in their portfolio
No. 3	B	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	NFRD when it comes to sustainability reporting and also leading them, helping them transform from NFRD or the German Nachhaltigkeitsregulations to CSRD

No. 4	B	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	Very diverse, because some companies have a huge impact on the B2C market
No. 4	B	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	those companies already prepared very well to implement all these regulations when it comes to the supply chain law, for example, or CSRD itself
No. 4	B	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	B2B companies, they don't have that much reach to the end customers. Therefore, the pressure is not that much there
No. 4	B	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	But when you look in other companies that are not so much in the broad view of the end customer, for example, you don't think it, but maybe hospital companies or health care companies, of course, they have a big impact on the customer itself. But normally when you have a need for medicine, when you have a need for hospital services, you don't ask them, are you sustainable?
No. 5	B	RQ2: Preparation for CSDDD	Preparation Status	it's seen as something on the horizon
No. 5	B	RQ2: Preparation for CSDDD	Preparation Status	but changes are not known yet
No. 5	B	RQ2: Preparation for CSDDD	Preparation Status	it is too idealistic to say companies are already preparing. "A good horse just jumps as high as it must."
No. 6	B	RQ2: Preparation for CSDDD	Anticipated Challenges	How detailed the regulation will be is a big question. Companies are at different stages in terms of sustainability – some are very proactive with questionnaires

				and IT systems, while others may simply change their supply agreements
No. 6	B	RQ2: Preparation for CSDDD	Anticipated Challenges	The biggest challenge is providing a clear framework and directives for what companies need to do and having a real impact. For some, it's about how to rethink their products and how they are sourced
No. 6	B	RQ2: Preparation for CSDDD	Anticipated Challenges	Translate what regulation means in your operational business. i.e. LKSG says you should act appropriately in supply chain. But what is appropriate, to extract SAP data or to blame critical customers? How to bring up issues? Smaller companies cannot send auditors or create certificates.
No. 6	B	RQ2: Preparation for CSDDD	Anticipated Challenges	While fashion and food industries are on top because of consumers' visibility, others with less visibility suffer from missing framework.
No. 6	B	RQ2: Preparation for CSDDD	Anticipated Challenges	Clear impact to help the Global South, but how? How do we give young start-ups who cannot manage sustainability and who do not have expensive tools?
No. 7	B	RQ2: Preparation for CSDDD	Resources Allocation	it's likely that the same resources currently being used now will be shifted to a different scope.
No. 7	B	RQ2: Preparation for CSDDD	Resources Allocation	Software development will not start until requirements are clear. No one starts with expensive tools so far.

No. 8	B	Conclusion	Impact on Companies and their Value Chains	It will give procurement more power and knowledge. The modern procurement department needs to understand that value creation comes not only with better prices but also with the ESG impact made in the company and the supply chain

7.4.3 Interview Code: C

Position and company: Global Purchasing Manager at Trumpf (Laser High and Technology)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 19.10.2023 (duration ≈ 15 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	C	Background Information	Professional Role	project manager and oversee all issues related to sustainability in the supply chain
No. 3	C	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Definitely LKSG, very clear. CSRD is also already being worked on. EU taxonomy, I heard we are doing nothing, and NFRD, I'm not quite sure
No. 4	C	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	It is received very negatively. A very bureaucratic monster it was at the beginning
No. 4	C	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	I mean, a company is there to make money, to pay employees, and sometimes the two goals, making money and also being sustainable, run a bit contrary

No. 5	C	RQ2: Preparation for CSDDD	Preparation Status	biggest difference is that more and more small businesses are getting involved. This is irrelevant for us because we are already within the scope of consideration with LKSG.
No. 5	C	RQ2: Preparation for CSDDD	Preparation Status	We have the new directive on our time horizon, but we are not yet preparing anything more concretely so far as the law is not yet established in Germany.
No. 5	C	RQ2: Preparation for CSDDD	Preparation Status	we just don't have the transparency to know who comes after our direct supplier, so Tier 2, Tier 3, Tier N, and so on. This is viewed very critically, and we still don't have a plan on how we're going to get transparency there, and all the other topics run parallel with LKSG, setting up the whole process
No. 6	C	RQ2: Preparation for CSDDD	Anticipated Challenges	The transparency in the supply chain, not only having to analyse the immediate supplier and your own business area but up to the raw material supplier, and no company has this information, for various reasons, and I think everyone will fail on this
No. 6	C	RQ2: Preparation for CSDDD	Anticipated Challenges	Even if you try your best, there are suppliers who, for competitive reasons, do not want to reveal their sub-suppliers or to talk about trade secrets.
No. 7	C	RQ2: Preparation for CSDDD	Resources Allocation	There are one or two people who deal with it, similar to how it was with the LKSG. The positions are created and then, as the focus shifts away from LKSG because the

				processes are implemented, these two capacities become available and will then focus on the European law
No. 7	C	RQ2: Preparation for CSDDD	Resources Allocation	The approach seems to be more about reallocating existing personnel and resources to adapt to new regulatory requirements
No. 8	C	Conclusion	Impact on Companies and their Value Chains	that's already a big impact, that external people can influence in which countries a company does business, whether it's setting up its own companies or building suppliers
No. 8	C	Conclusion	Impact on Companies and their Value Chains	I think, could be the biggest thing, and with all the crisis areas, that they then say, 'Yes, but why are you doing business with, I don't know, it is known that country XY violates human rights, why are you still working with them?
No. 8	C	Conclusion	Impact on Companies and their Value Chains	the risk is that NGOs get insights and try to limit and influence your business

7.4.4 Interview Code: D

Position and company: Senior Sourcing Manager at Anonymous (Pharmaceutical Industry)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 27.10.2023 (duration ≈ 30 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	D	Background Information	Professional Role	global lead for sourcing of direct materials in one of the big pharma companies

No. 1	D	Background Information	Professional Role	contract management with suppliers, check due diligence, assess and onboard suppliers
No. 2	D	Background Information	Societal & Environmental Initiatives	supplier code of conduct. That includes those environmental and societal initiatives
No. 2	D	Background Information	Societal & Environmental Initiatives	UNSDGs and ESG are reviewed when potential supplier is checked
No. 2	D	Background Information	Societal & Environmental Initiatives	internal risk tool shows that there is an elevated risk, even if they sign off on their own commitment to comply with our rather lengthy supplier code of conduct, we do some further diligence, dig deeper
No. 2	D	Background Information	Societal & Environmental Initiatives	risk is investigated by category, geography, industry, service type
No. 3	D	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Since 2 years LKSG is specific to Germany. And this has been rolled out in our company
No. 3	D	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Germany is strictest country and provides common standard for global scale.
No. 3	D	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	LKSG is leading standard for Global Procurement. In EU there is a lot of leadership.
No. 3	D	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	we are fully compliant, not taking any shortcuts here with the LKSG. The other requirements, I think the CSRD is the newer one
No. 4	D	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	We are a highly regulated industry with pharmaceuticals and also there are ethical and responsibility statuses. So this has been a core of our business operating model for decades already

No. 4	D	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	Apply to global suppliers and the cooperation with Non-EU areas are challenging.
No. 4	D	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	now with the latest developments, there has been the volume has significantly increased and it is taking a lot of additional resources. But we have that responsibility and we have a good foundation. We have an organizational structure in our company supporting these initiatives that has expanded and that of course costs money
No. 4	D	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	We fully buy into the sense, they do make sense, all of those initiatives, but they don't come for free. If we want to have that level of sustainability, if we want to make the world better, we have to invest in that
No. 5	D	RQ2: Preparation for CSDDD	Preparation Status	We lobby with the law makers.
No. 5	D	RQ2: Preparation for CSDDD	Preparation Status	Yes, we are preparing for the European initiative. When the German law was issued, it was already known that these plans are coming. But there are still many unknowns. So these uncertainties and also the liability for our direct suppliers, we are in very good control
No. 5	D	RQ2: Preparation for CSDDD	Preparation Status	LKSG was a good preparation. We have tools in place. A set Sustainability Council supports us.
No. 5	D	RQ2: Preparation for CSDDD	Preparation Status	But the further down you go or up in the supply chain, it becomes much more difficult to really identify these risks

No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	The challenges, well, as I mentioned, it's the resources we have to invest and the time frame that has to be done
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	Law makers have best intention. But more reports mean more bureaucracy.
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	So we are still responsible even if our first tier supplier, who we have to contract with, signs off that they do it. If they don't follow their contractual agreement, we are still on the hook. So we have to invest to better understand the higher levels of the supply chain
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	Missing transparency in lower tiers. 1st and 2nd tier are well-known, final responsibility on lower levels is difficult.
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	Those may be trade secrets that our suppliers may not reveal their suppliers. How can we then do a proper assessment? So that may become a major challenge
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	another challenge is when we discover something that there is a risk, which has been there for, well, since we use the supply chain, can we mitigate it? Can we find alternates? We are in an industry where you are often sole sourced and have no alternates
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	as I said earlier, if we are liable in the end, it may be a business decision how much liability can we take? And if we cannot take that liability, what will that mean to our products, to the market?

No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	And for us as a pharmaceutical company, to the patient, is it because we identified a risk cannot bear that a patient will run out of medicine and will maybe lack a life-saving medicine?
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	We might case-by-case decisions and full effective assessment to solve conflicts between sustainability risks and potential delivery stops.
No. 6	D	RQ2: Preparation for CSDDD	Anticipated Challenges	CSDDD is a political program. We need not loose customers and suppliers in the follow of a political program.
No. 7	D	RQ2: Preparation for CSDDD	Resources Allocation	I think we do have the structures. We do have the organization that supports this type of initiative. But they will need new resources. So I don't think we need new departments or similar, but the existing departments will get more responsibility, more tasks, more work to do
No. 7	D	RQ2: Preparation for CSDDD	Resources Allocation	We need joined initiatives and to invest time to realize implementation by sharing best practices and common approaches.
No. 7	D	RQ2: Preparation for CSDDD	Resources Allocation	There will be more bureaucracy, but that is all within existing structures. So I do not anticipate that a big challenge to be implemented, that we have to create something brand new
No. 8	D	Conclusion	Impact on Companies and their Value Chains	You're talking about the global south who may be a risk. If there is a risk, we have to fix it there and it will be funded by the global north. The global north will have to pay for

				those risks are removed from the global south
No. 8	D	Conclusion	Impact on Companies and their Value Chains	It will be paid by the customer, by the patient in the western hemisphere or the global north, but hopefully it will not negatively affect the supply of what we bring to the market
No. 8	D	Conclusion	Impact on Companies and their Value Chains	The quality and availability of needed products should not suffer by regulations.

7.4.5 Interview Code: E

Position and company: PR, Communication, Sustainability Manager at Anonymous (Fruit Production)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 27.10.2023 (duration ≈ 20 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	E	Background Information	Professional Role	My position involves sustainability and communication in my leading role in a cooperative
No. 2	E	Background Information	Societal & Environmental Initiatives	we participate in the Diversity Charter, known in Italy as Carta delle Pariopportunità
No. 2	E	Background Information	Societal & Environmental Initiatives	We also engage in specific sustainability initiatives and industrial partnerships, such as SGF (Safe Global Fair) and Assomella
No. 3	E	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	presenting a voluntary sustainability report according to the GRI standard

No. 3	E	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	We will be required to report according to the CSRD from 2025. So we are heading in that direction, preparing for next year and already getting involved now
No. 4	E	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	I have mixed feelings. It is a lot more effort, requiring more personnel and data processing. Many things we are already doing, but I believe it's worth the effort
No. 4	E	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	I don't feel overwhelmed by what's coming
No. 5	E	RQ2: Preparation for CSDDD	Preparation Status	Yes, we are preparing for it. Although we are not subject to the German Supply Chain Due Diligence Act, supply chain is a major topic for us
No. 5	E	RQ2: Preparation for CSDDD	Preparation Status	We have already conducted a simple materiality assessment with stakeholder surveys and impact analysis, but this will need to be updated
No. 6	E	RQ2: Preparation for CSDDD	Anticipated Challenges	For companies in Central Europe with controlled supply chains as in our cooperative, we don't expect major problems. The challenge increases when dealing with more distant suppliers, where there is a risk of greenwashing
No. 6	E	RQ2: Preparation for CSDDD	Anticipated Challenges	It's not enough to just send a Code of Conduct to suppliers who might sign it without commitment
No. 6	E	RQ2: Preparation for CSDDD	Anticipated Challenges	we have a small business buying ingredients outside EU. Collaboration with Global South might be difficult due to their gap of knowledge around sustainability.

No. 7	E	RQ2: Preparation for CSDDD	Resources Allocation	We will likely work with consultants. We have collaborated with a sustainability consulting firm in Vienna and are well-prepared to address these challenges transversally within the company. I coordinate the entire process, working with responsible individuals from our six strategic areas
No. 8	E	Conclusion	Impact on Companies and their Value Chains	I believe it will make us a better company. It's an opportunity for improvement as we look more closely into our supply chain
No. 8	E	Conclusion	Impact on Companies and their Value Chains	it will change us, but I see it as a positive change. I find this development very good, and it will be very beneficial for companies like ours, which have a certain structure and are cooperative with a humanistic approach to capitalism.

7.4.6 Interview Code: F

Position and company: Co-Founder, COO and Managing Director at Cargodian (Software, Global Trade)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 27.10.2023 (duration ≈ 25 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	F	Background Information	Professional Role	owner and Managing Director of a company in which we have two different focuses of business. One is the global trade and the second one is we are a software provider to help

				companies to deal with legal requirements
No. 2	F	Background Information	Societal & Environmental Initiatives	committed to the Paris Agreement
No. 2	F	Background Information	Societal & Environmental Initiatives	as a software provider involved to provide solutions regarding regulations of customers and own company
No. 3	F	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Definitely the LKSG, the CSRD, the EU taxonomy and what is important for us is the EU regulation of deforestation
No. 4	F	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	I feel like two heads underwater. It's incredibly difficult to keep up to date. We are flooded with regulation and it's too much and too complex. It's not necessarily because of the complexity, but it is partially also contradicting and it's not streamlined
No. 4	F	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	The complexity, the quantity, and that it's partially contradicting each other is what makes it very difficult for us
No. 4	F	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	High bureaucracy. Trading partners from outside EU do not understand EU requirements and prefer to avoid business with EU.
No. 5	F	RQ2: Preparation for CSDDD	Preparation Status	we're using our own software called Trustnet Trade. But of course, we are preparing now for the aspects of the of the CS Triple D because we have a couple of differences between the two regulations

No. 5	F	RQ2: Preparation for CSDDD	Preparation Status	we have done the delta analysis, we know what the differences are and we're implementing in the software already the respective differences between the two regulations. So at the end, our customers can still use the same solution. And as we use our own software, yes, we have the solution in-house
No. 6	F	RQ2: Preparation for CSDDD	Anticipated Challenges	The lack of consistency. Because if you look at the various existing national regulations in Europe, the CS Triple D tries to cover everything, but what we see is the biggest challenge is already now the European countries have a much different implementation speed of comparable regulation
No. 6	F	RQ2: Preparation for CSDDD	Anticipated Challenges	how quick or how slow will it be implemented into national law within the within the European Union? And the next challenge is how strictly is it followed up in every EU member state? Because we have some countries where it will be followed up rather strictly, for example, Germany, I'm pretty sure. And then you have other EU member states, for example, France or Greece, nobody cares
No. 6	F	RQ2: Preparation for CSDDD	Anticipated Challenges	It leads to complete distortion of competition in services. So this is what I see as the biggest challenge for us as a company because we are losing competitiveness, we are losing competitiveness because we have a global trade business

No. 6	F	RQ2: Preparation for CSDDD	Anticipated Challenges	From a regulation point of view, yeah, it's unique, but from an enforcement not unique, it's unified, but from an enforcement point of view. Wild, wild west
No. 7	F	RQ2: Preparation for CSDDD	Resources Allocation	we have one dedicated person only dealing with regulations such as the LKSG, such as the CS Triple D, such as the deforestation regulation. So we have one full time person just dealing with that kind of things
No. 8	F	Conclusion	Impact on Companies and their Value Chains	It has significant impact because we can see already now with the impact of the LKSG that it is more difficult to find suppliers because they do not like the approach. They perceive the approach from German companies as interfering with their internal business
No. 8	F	Conclusion	Impact on Companies and their Value Chains	when I speak to our purchasers when I speak to our buyers who try to buy things globally, they face huge resistance from our sellers globally to on the willingness to sell to us because they don't like this kind of interference

7.4.7 Interview Code: G

Position and company: Head of Technology - Environment – Standardization at Association of the German Furniture Industry e. V.

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 29.10.2023 (duration ≈ 15 minutes)

Transcript (relevant selected quotes)

Question	Code	Chapter	Subcode	Segment
No. 1	G	Background Information	Professional Role	I have been working at the Association of the German Furniture Industry, where I lead in technology, environment, and standardization. Among other things, I also deal with compliance issues related to supply chains and similar matters
No. 2	G	Background Information	Societal & Environmental Initiatives	we are members of the German Quality Association of Furniture
No. 2	G	Background Information	Societal & Environmental Initiatives	They are members of the UN Global Compact initiative
No. 3	G	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	As an association, we are not directly affected, but we do represent companies that are. We monitor these legislative processes at both national and European levels. When these laws become effective, we help companies comply by providing guidelines and assistance
No. 4	G	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	Despite being a relatively small number, these regulations have a domino effect. Directly affected companies, often large retail businesses, pass on their obligations down the supply chain, sometimes extending beyond what is required by the LKSG. This creates challenges, as it is not always consistent with the intentions of the law, which emphasizes appropriate and effective measures based on risk analysis

No. 4	G	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	It is the right approach and the needs are seen, but everyone requires advice.
No. 4	G	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	Responsibility can go back and forth between trade partner and manufacturers. The relationship can suffer from different sizes of collaborating companies. No interest in full risk assessment when bigger company has to execute compliance, smaller not.
No. 4	G	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	Foundation for structures is important which consider in future regulations how to position associated manufacturers versus trade.
No. 5	G	RQ2: Preparation for CSDDD	Preparation Status	the German furniture industry is already quite prepared due to the LKSG. The LKSG and CSDDD share similar structures and mechanisms. The CSDDD might address a few more diligence duties, especially in the environmental sector, and include aspects like liability, which are not covered by the LKSG
No. 5	G	RQ2: Preparation for CSDDD	Preparation Status	"Branchenkonzept" (branches' concept) in place to provide guidance regarding new regulations
No. 6	G	RQ2: Preparation for CSDDD	Anticipated Challenges	The main challenge is fulfilling the respective due diligence duties, especially risk assessment. I feel that the European Commission should also undertake risk assessments for countries, similar to what is planned for the EU's Deforestation Regulation

No. 6	G	RQ2: Preparation for CSDDD	Anticipated Challenges	This inconsistency between what is expected of the industry and how politics operates can be problematic. The industry and politics should be in step with each other, but currently, this is not always the case
No. 6	G	RQ2: Preparation for CSDDD	Anticipated Challenges	Inconsistent behaviour by politicians when there is collaboration with high-risk nations
No. 6	G	RQ2: Preparation for CSDDD	Anticipated Challenges	Regarding liability, which is a significant aspect of CSDDD, it's more about managing risk and ensuring compliance, as failure to do so can lead to significant consequences
No. 7	G	RQ2: Preparation for CSDDD	Resources Allocation	Regarding additional resources, I don’t foresee any significant changes within the association itself
No. 7	G	RQ2: Preparation for CSDDD	Resources Allocation	More complex and expensive software solutions might be considered later, but for now, we believe our current approach with Excel is adequate for what we intend to do
No. 7	G	RQ2: Preparation for CSDDD	Resources Allocation	But fundamentally, the structures we've built for LKSG compliance will serve us well for CSDDD too.
No. 8	G	Conclusion	Impact on Companies and their Value Chains	I don't foresee fundamental changes in the supply chain structures. Most German furniture companies don't directly import from outside Europe
No. 8	G	Conclusion	Impact on Companies and their Value Chains	But I don't expect a significant shift in how we operate. We'll continue to use suppliers from

				countries where we already have established relationships
No. 8	G	Conclusion	Impact on Companies and their Value Chains	The primary change will be an increased focus on compliance and managing the additional due diligence requirements

7.4.8 Interview Code: H

Position and company: Expert for sustainable procurement at Berliner Verkehrsbetriebe (BVG) (Public Transport)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 03.11.2023 (duration ≈ 30 minutes)

Transcript (relevant selected quotes)

Question	Code	Chapter	Subcode	Segment
No. 1	H	Background Information	Professional Role	I'm an expert for sustainable procurement in the purchasing department of the BVG, which is important because sustainability is located in different departments and also the implementation of the LKSG or also the CS Triple D will be implemented in different departments. So I'm part of the human rights team, which is a cross-sectional unit consisting of the human rights officer, the law department, compliance department, occupational safety, fire protection environment, which is one department, and obviously the purchasing department
No. 2	H	Background Information	Societal & Environmental Initiatives	we are part of the UN Global Compact

No. 2	H	Background Information	Societal & Environmental Initiatives	German initiative, DNK, which is also more based on reporting. Then we work with Electronic Spot in the low-emission vehicle program. Electronic Spot is an NGO and they help us to get deeper into the supply chain and also to monitor that
No. 2	H	Background Information	Societal & Environmental Initiatives	we are part of the VdV, which is the Verband der Deutschen Verkehrsunternehmen, which is more overall working on how to do the Mobilitätswende
No. 3	H	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	So we definitely fall under the LKSG. And we also have another project running related to the CSRD, yeah, which is also consisting of different departments and so on
No. 4	H	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	I think it's a great help because it gives us the backing of the hierarchy. It's easier to work also within different teams together to implement all this. So this is good
No. 4	H	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	However, we see that there are so many different regulations. And especially for the purchasing department, it's sometimes really, really tough to have this overview, what is relevant for them, because they also fall under the Vergaberecht, which is already pretty tricky
No. 4	H	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	you also perceive it as a barrier, because then it's getting very bureaucratic. And then you can also wonder, well, are we really heading where we want to have an impact? Or is it just to fill some requirements? So this is always in fine balance, but we're trying always to focus on

No. 5	H	RQ2: Preparation for CSDDD	Preparation Status	So at the moment, we just try to see what is happening and already to anticipate what this might mean for us
No. 6	H	RQ2: Preparation for CSDDD	Anticipated Challenges	at the moment, we have all those different approaches. And then we have another regulation, which is, again, a bit different of the LKSG. And then we also already have to change all the things which you already implemented or in the area where it's relevant
No. 6	H	RQ2: Preparation for CSDDD	Anticipated Challenges	when it comes to our suppliers, we have several thousands. So and then, I mean, right now, we just purchase the product. So we purchase buses, we purchase metros, we purchase trams
No. 7	H	RQ2: Preparation for CSDDD	Resources Allocation	we have this core team of human rights. I guess that we will also take care of the implementation of the CS Triple D
No. 7	H	RQ2: Preparation for CSDDD	Resources Allocation	Maybe we might also hire some more person, but this remains to be seen
No. 8	H	Conclusion	Impact on Companies and their Value Chains	I really hope that with the regulation, we will have more harmonization, and we will not have every company, like at the moment, is like having their own approach. And I hope if the regulation is the same, that we can also harmonize our projects more, so that also for the suppliers, it's getting easier
No. 8	H	Conclusion	Impact on Companies and their Value Chains	Quick information and clarity is needed to have no gap of input and resources when it comes to implementation.

7.4.9 Interview Code: I

Position and company: Associate / Compliance & Investigations (IWCF - Investigations, White Collar and Fraud) at Hogan Lovells (Law Consultancy)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 06.11.2023 (duration ≈ 25 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	I	Background Information	Professional Role	I'm associate with Hogan Lovells in the IWCF practice group. We are mainly focusing on huge cross-border investigations and compliance work in the ESG compliance sphere
No. 2	I	Background Information	Societal & Environmental Initiatives	"So practically, the UN Global Compact or even the UN Guiding Principles on Business and Human Rights
No. 3	I	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	We are involved in the LKSG, CSRD and EU Deforestation
No. 4	I	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	I think the goal of all these different pieces of legislation or international frameworks is pretty clear and it's nothing to have a solid dispute about. So I think it's kind of common sense that companies should try to do their business in a compliant way, which negatively reduces the negative effects of their activities on both human rights and the environment to the best possible extent

No. 4	I	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	Switching to the legal standpoint, I think this legislation has its pros and cons, but mainly we see a lot of uncertainty and let me think about how to say it the best way. It is a huge act for enterprises to actually implement the requirements because these requirements are very strict on the one hand when it comes to sanctions, but they are very flexible and unclear when it comes to material requirements
No. 4	I	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	So companies often don't have the relevant data, so they need to collect it, which is a huge task, requires great efforts, and they need to collaborate with their suppliers on most of these topics. So you need to make both your client aware of the new issue and your supplier. So this is like a huge effort necessary and a great task to deal with
No. 5	I	RQ2: Preparation for CSDDD	Preparation Status	So to sum it up, our clients, they are interested in what happens on the European level. They try to prepare to the best possible extent already now to date, but they are not overwhelmingly concerned about this regulation since they deal with so many other requirements in the ESG sphere
No. 5	I	RQ2: Preparation for CSDDD	Preparation Status	so they don't have capacity to already deal with the CSRD. So they think, okay, we take a good stance on the German Act, and we take a good stance on the Corporate Sustainability Reporting Directive, and then we would like to have a good setup to also handle the CSRD

				requirements in maybe just a couple of years
No. 6	I	RQ2: Preparation for CSDDD	Anticipated Challenges	I think there will be a lot of pressure once the content of the directive has shaped more. And then I think this will be one of the top priorities for companies to implement, but it will be an overwhelming task
No. 7	I	RQ2: Preparation for CSDDD	Resources Allocation	I think it is essential to have software tools in place which support the fulfilment of your due diligence obligations under both the German Act and your potential European legislation. And for German companies, I think they will have a relatively smooth start because they will have a solid basic setup and they just need to amend this setup in order to cover the new aspects of the European legislation once it's enacted
No. 7	I	RQ2: Preparation for CSDDD	Resources Allocation	And all other companies, they start from zero and that will be an even bigger task for them then
No. 8	I	Conclusion	Impact on Companies and their Value Chains	But what we currently already see is that companies tend to exclude certain high-risk regions or suppliers from their supply chain, provided that they are not willing to cooperate
No. 8	I	Conclusion	Impact on Companies and their Value Chains	It provides for civil liability. So there will be a lot more pressure on it, also on the enforcement side. Yes. So I think this will be one very important aspect to consider for companies when they think

				about their supply chains and their regional exposure

7.4.10 Interview Code: J

Position and company: Senior engineer at Technische Universität Hamburg (TUHH) (Research)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 07.11.2023 (duration ≈ 20 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**
No. 1	J	Background Information	Professional Role	I am a senior engineer at the Institute of Logistics and Corporate Management here at TU Harburg, primarily dealing with supply chain risk management in my research, but as the deputy head of the institute, I'm responsible for everything else as well, meaning all the administrations, our projects there
No. 2	J	Background Information	Societal & Environmental Initiatives	there's no big sustainability strategy at the TU
No. 3	J	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Yes, we do let it flow a bit into the lectures, mentioning that something is coming, namely the Supply Chain Act, because we are extremely affected in supply chain management. We also conduct many projects with small and medium-sized enterprises and it shows that they are more affected and have to be active in this regard, sometimes starting with the basics

No. 4	J	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	In theory, everything sounds great, and it's commendable that it's being tackled at all. If this topic hadn't been addressed, we couldn't set long-term goals. It usually fails, of course, in implementation
No. 4	J	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	What institutions are there to really control it, and what happens if a company doesn't adhere to all these guidelines? There's still a lot of leeway for companies to violate them without being strongly sanctioned
No. 5	J	RQ2: Preparation for CSDDD	Preparation Status	No, we don't cover it in the lectures yet, simply because it's still very malleable, and we try to give the students something hands-on, something that's already being implemented, but we do like to provide an outlook on this area
No. 6	J	RQ2: Preparation for CSDDD	Anticipated Challenges	I think the biggest challenge is transparency. As you mentioned earlier, it's not just about identifying Tier One, which is relatively easy by looking at your immediate contractual partner, but really going along the entire supply chain. Many companies quickly reach their limits in this area
No. 6	J	RQ2: Preparation for CSDDD	Anticipated Challenges	It's incredibly difficult for companies to reconstruct and establish this, so they usually need professional help. There are providers who now take this over and make it very transparent or visually represent it in a software tool
No. 6	J	RQ2: Preparation for CSDDD	Anticipated Challenges	It doesn't help to think about measures if you can't tailor these measures to the partners and see

				what happens if one or more partners don't comply
No. 7	J	RQ2: Preparation for CSDDD	Resources Allocation	If it actually comes to pass, if it's implemented, we'll integrate it more strongly, but at the moment, as I said, we're trying to focus more on the general supply chain fundamentals
No. 8	J	Conclusion	Impact on Companies and their Value Chains	Of course, there will be changes in companies, starting with the fact that many may have to staff themselves personally to take on this topic, which might have been treated stepmotherly until now
No. 8	J	Conclusion	Impact on Companies and their Value Chains	since it is supposed to be implemented across Europe, there is, let's say, a suction effect. So, other countries have to comply as well, and so the willingness of international companies to take on this topic is stronger than if it were just one country and all others would close themselves off to it. So, the more companies have to do it and are drawn into it, especially small and medium-sized companies, the greater, I think, is the overall radiance

7.4.11 Interview Code: K

Position and company: Compliance & Human Rights Officer at Anonymous (Forestry Machinery Industry)

Interviewer: Jobst Diederichsen

Place of interview: MS Teams

Time and date: 24.11.2023 (duration ≈ 25 minutes)

Transcript (relevant selected quotes)

Question	**Code**	**Chapter**	**Subcode**	**Segment**

No. 1	K	Background Information	Professional Role	So my role is the compliance officer for the whole group and within that. So I also have the topic of human rights officer. So the role of the human rights officer.
No. 2	K	Background Information	Societal & Environmental Initiatives	So the UN SDGs is one of our targets for the group. But we also participate of the UN Global Compact. And here I'm representing my company in the area of human rights
No. 3	K	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	So my company is in everything involved. So we have the German Supply Chain Act. We started quite interesting. So we started with a project sustainable supply chain, even before the German Supply Chain Act was enforced
No. 3	K	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Then secondly, the CSRD, we just had, it was in summer, we did the gap analysis together with KPMG and they identified our gaps regarding the CSRD requirements. And to be honest here, the gap assessment was a lot of red. So we need to be much more
No. 3	K	RQ1: Current Strategies and Initiatives	Current Adoption of Initiatives	Yeah, right. So it's also part of the Lagebericht and we're also working on that. But it's more sustainability office together with our finance department. And they're also steering sustainability, steering the project for CSRD and EU taxonomy.
No. 4	K	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	For the moment, it's too much regulation. It is sometimes not really possible to fulfil all the laws. And if you're trying to do your best in fulfilling that, then the authorities are coming and saying, no, you have to split that role from the human rights

				officer, not implementation and risk management, control the risk management. Okay, but how should we do that? Because we don't have the capacity
No. 4	K	RQ1: Current Strategies and Initiatives	Perception of Sustainability Regulations	We have all that topics, human rights, not only in Germany. We have that in Norway. We have that in India, in the US, in Brazil, you give reinforced labour prevention in the US. We have so many things. And it's difficult to fulfil everything right now
No. 5	K	RQ2: Preparation for CSDDD	Preparation Status	Yes, we are preparing as much as possible because you know that it's still under discussion in the EU. But still, we identify the potential gaps regarding the German Supply Chain Act. So we also have a look on the progress. And then if it's final, then we will start in more detail
No. 6	K	RQ2: Preparation for CSDDD	Anticipated Challenges	the biggest challenge will be to have an eye on the full supply chain. Not only the direct suppliers. So you have to take care of your indirect suppliers, your tier three, tier four. How should we do this? It's difficult to know. It's a challenge to do with your tier one suppliers. They were receiving several questionnaires from all the companies. And they are bored filling out that
No. 7	K	RQ2: Preparation for CSDDD	Resources Allocation	No new software. Well, we have software for the German Supply Chain Act regarding supplier assessment. We can use that, I think, for CS Triple D too. They also say, hey, our software is also CS Triple D ready. I don't know how they can say that because there is no final CS Triple D. But anyhow, we try to leverage as much as possible from our

				current efforts we did regarding the German Supply Chain Act
No. 8	K	Conclusion	Impact on Companies and their Value Chains	To be honest, there will be some changes in the supply chain. But this will take years if there will be a change. So what is the reason for having that corporate sustainability due diligence directive? That companies have to take care of things usually states have to take care of. So human rights, one thing, other thing, other environmental rights. And if we start now approaching our suppliers in filling out questionnaires and doing supplier audits, yeah, they will maybe change their behaviour