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HOW ARE COMPANIES APPROACHING AMBIGUOUS LEGAL
REQUIREMENTS IN THEIR GLOBAL SUPPLY CHAINS? – RISK MANAGEMENT &
SECTOR-SPECIFIC APPROACHES

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Abstract:

In light of increasing mandatory Human Rights Due Diligence (mHRDD), this study examines how companies navigate ambiguous legal obligations under the German Act on Corporate Due Diligence Obligations in Supply Chains (LkSG). Through a qualitative single case study of the implementation of the LkSG's living wage requirements by German firms, drawing on interviews, document analyses and conference observations, we find that some companies collaborate with stakeholders and implement pilot programmes, while others adopt minimal compliance. The findings show that legal ambiguity gives flexibility for tailored solutions but also allows superficial measures, emphasising the need for clearer legal guidance and sector-specific support.

Keywords: Business and Human Rights, Human Rights Due Diligence, Legal Ambiguity, Living Wages, Food Supply Chain.

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List of Abbreviations

Abbreviations	Full Term
ACT	Action, Collaboration, Transformation
BHR	Business and Human Rights
BHRE	Business, Human Rights and the Environment
BSCI	Business Social Compliance Initiative
CSR	Corporate Social Responsibility
CSDDD	Corporate Sustainability Due Diligence Directive
EU	European Union
FAO	Food and Agriculture Organization
FMCG	Processing/ Fast-moving Consumer Goods Trader
GSCs	Global Supply Chains
HRDD	Human Rights Due Diligence
HRIAs	Human Rights Impact Assessments
IB	International Business
ILO	International Labour Organization
LI CoP	Living Income Community of Practice
LkSG	Lieferkettensorgfaltspflichtengesetz (German Supply Chain Due Diligence Act)
mHRDD	Mandatory Human Rights Due Diligence
MNCs	Multinational Companies
NACE	Nomenclature of Economic Activities
NOVA BHRE	NOVA Centre on Business Human Rights and the Environment
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
UNGC	United Nations Global Compact
UNGP	United Nations Guiding Principles on Business and Human Rights
WGI	World Bank's Worldwide Governance Indicators

1 Introduction

Multinational corporations (MNCs) operate in complex Global Supply Chains (GSCs), involving a vast network of suppliers and stakeholders. These supply chains present significant challenges related to protecting human rights, such as child labour, inadequate remuneration and unsafe working conditions because many activities take place in locations where human rights may not be effectively enforced (Barrientos, Gereffi, and Rossi 2011; Wang, Lee, and Li 2024; Ullah, Adams, Adams, and Attah-Boakye 2021). Institutional voids – defined as the lack of effective governance, regulations and enforcement mechanisms – exacerbate these issues by hindering accountability and fair market operations (Khanna and Palepu 1997; Marano, Tashman, and Kostova 2017). In such contexts, local governments are unable or unwilling to enforce labour laws, monitor working conditions, or address human rights violations (Kaufmann, Kraay, and Mastruzzi, 2009), which leaves workers vulnerable to exploitation and allows companies to operate without full accountability for human rights breaches they might cause or be involved in (Marano, Tashman, and Kostova 2017; Wettstein, Giuliani, Santangelo, and Stahl 2019).

Companies are increasingly expected to play a central role in addressing human rights issues in their GSCs (Wettstein al. 2019), because they have considerable economic and organisational resources, as well as influence, enabling them to encourage improvements (Scherer and Palazzo 2011). Tackling such issues requires the development of innovative approaches and international standards that extend beyond national borders (Marano and Kostova 2016; Bhaumik, Driffield, Gaur, Mickiewicz, and Vaaler 2019; Wettstein, et al. 2019). A key focus for addressing this is the implementation of Human Rights Due Diligence (HRDD) (Hess 2021; McCorquodale, Smit, Neely, and Brooks 2017; Wettstein, et al. 2019), a process designed to identify, prevent, and mitigate negative impacts on human rights within corporate operations (Ruggie 2011).

Voluntary frameworks that promote HRDD, such as the United Nations Guiding Principles on Business and Human Rights (UNGPs), the United Nations (UN) Global Compact (UNGC) and the OECD (Organisation for Economic Co-operation and Development) Guidelines on Multinational Enterprises, have played a critical role in guiding companies on responsible business conduct (Ruggie 2011; OECD 2023). These frameworks emphasise firm's responsibility to respect human rights across GSCs, particularly in regions with weaker legislation, where the ineffective laws shift this burden onto companies to fulfil their moral and legal obligations (Ruggie 2011; McCorquodale et al. 2017).

Stakeholders increasingly expect businesses to integrate these responsibilities into their practices, positioning them as key players in global governance (Wettstein et al. 2019). Incorporating HRDD frameworks into their broader strategies can even benefit firms as it may help decrease short-term costs and drive trust, long-term benefits and returns (Wettstein et al. 2019). While frameworks like the UNGPs and OECD Guidelines have raised awareness to HRDD, their reliance on voluntary adoption fails to sufficiently ensure that MNCs respect human rights in their GSCs (Wettstein et al. 2019). Many companies disclose their compliance to these frameworks, but these commitments do not always translate into practice or meaningful actions (Marano, Tashman, and Kostova 2017; Marano and Kostova 2016; Ullah et al. 2021).

To address these gaps recent developments in binding legislation, such as the Germany's Lieferkettensorgfaltspflichtengesetz (LkSG) ("Supply Chain Due Diligence Act"), France's Duty of Vigilance Law, and the European Corporate Sustainability Due Diligence Directive (CSDDD), were introduced or are currently under negotiation to hold companies accountable for their HRDD. These laws marked a critical shift towards hard, binding law, imposing substantial due diligence obligations to drive systematic change (Wettstein et al 2019). New legal frameworks such as the LkSG, which entered into force in 2023, illustrate this shift (Bundestag 2021). However, as these laws need to be applicable in various countries,

they are often characterized by legal ambiguity and a lack of clear implementation guidelines. This ambiguity poses several operational challenges. For instance, legislations frequently rely on broad and abstract concepts without precise definitions (McCorquodale et al. 2017), creating obstacles for the implementation. Such unclear standards make it difficult for firms to interpret and apply the requirements consistently, resulting in varying implementation of the same law (McCorquodale et al. 2017).

Companies also face difficulties in transposing ambiguous standards into practice due to the different socio-economic and institutional contexts of their global operations (Wettstein et al. 2019). Firms further need to continuously refine own approaches to evolving operational environments, including shifts in consumer expectations, regulatory changes, or disruptions in supply chain structures. These challenges are particularly pronounced in fragmented supply chains, such as those in the food sector, where operations extend across regions with different legal requirements (Reinecke and Donaghey 2020). For instance, a company may face difficulties setting fair wages for workers in a region where no legal minimum wage exists, while having to comply with strict wage laws in another country that mandates detailed wage structures.

As there is limited information on how companies approach such vague requirements, this study aims to explore the implementation of ambiguous human rights requirements in practice. More specifically, it addresses the following research question: *“How do companies approach ill-defined and ambiguous legal requirements in their global supply chains?”*. To investigate this, we study the case of the implementation of LkSG’s living wage requirements by German firms. One crucial and yet particularly ambiguous element in the LkSG is addressing wage inequalities to ensure workers in GSCs earn a living wage, which enables a decent standard of living (LeBaron, Edwards, Hunt, Sempéré, and Kyritsis 2022; Miller and Williams 2009). As reported by the International Labour Organization (ILO), in 2018, the majority of 3.3

billion people employed globally faced decent work deficits, lacking economic security, equal opportunities and a basis for human enhancement (International Labor Organization 2019). Additionally, the ILO (2019) revealed that only 52% of worldwide employees are classified as wage or salaried workers, highlighting systematic failures by both governments and corporations in enforcing human rights (International Labor Organization 2019). Weak legal frameworks and effective governance in many countries allows these violations to persist. For instance, 273 violations were disclosed by 160 MNCs, primarily from developed countries (Ullah et al. 2021).

This context underscores the need to analyse how companies approach unclear legal frameworks on living wages. This study focuses on German food companies, which offer a particularly relevant research context, due to their obligations under the LkSG, a pioneering regulatory framework for corporate accountability in GSCs. The food sector's involvement in high-risk supply chains further underlines its importance in addressing human rights concerns, such as living wages. Additionally, the LkSG's legal ambiguity, especially concerning living wages requirements, provide a unique opportunity to analyse how companies navigate and operationalise vague regulatory requirements.

To investigate this case, we conducted a qualitative single-case study (Yin 2009) of the implementation of LkSG's living wage requirements by German firms, focusing on German Food companies within the scope of the LkSG. Data was gathered through interviews with five companies, archival documents, and conference observations. To analyse our data, we employed systematic qualitative coding, based on Eisenhardt's (1989) framework and Bingham's five-phase process (2023). By using an inductive analysis, we identified first-order codes which uncovered emerging second-order themes. The triangulation of multiple data sources strengthened the reliability of the findings and enabled identifying key themes and aggregate dimensions that formed the study's conclusion (Yin 2009).

Our findings indicate that German food companies address the living wage requirements of the LkSG through diverse strategies reflecting the ambiguity of the law. Companies often rely on risk assessment tools to identify risks and prioritise them strategically within their supply chains. Companies further embed living wage commitments in their policies to varying degrees and adapt their approaches to sector-specific challenges. Many firms also advocate for clearer standards and engage in collaborative efforts to develop practical solutions. However, some companies utilise the vague standards to deprioritise or avoid implementing living wages.

These findings provide valuable insights into the practical application of ambiguous legal requirements, highlighting the unique challenges and strategies companies in the food sector adopt for implementing living wages. Bridging the gap between compliance and strategic management in HRDD, our study illustrates how firms balance regulatory expectations and operational realities. Furthermore, the study contributes to the Business and Human Rights (BHR) literature (Wettstein et al. 2019) by advancing the discourse on operationalising mandatory human rights due diligence under vague legal frameworks. It highlights the importance of aligning global expectations with local contexts through collaborative approaches and provides practical recommendations for policymakers to design clearer regulatory standards.

In terms of practical application, this research highlights the relevance of meaningful stakeholder engagement – including Non-Governmental Organisations (NGOs), regulators or local communities – in collectively interpreting these vague requirements. Drawing on the Political Corporate Social Responsibility (CSR) theory, we highlight the need to adopt bottom-up models where companies foster inclusive approaches to align global regulations with local contexts (Reinecke and Donaghey 2020). Collaborative models play a critical role in resolving interpretative issues, reducing corporate compliance costs while ensuring meaningful human rights outcomes (Reinecke and Donaghey 2020).

2 Literature Review

In this section, we review the literature on the implementation of human rights standards by MNCs, and the implementation of ambiguous legal requirements by MNCs in their GSCs.

Implementation of Human Rights Standards by MNCs in their GSCs

In recent years, MNCs have faced increasing pressure from global stakeholders to take more responsibility in tackling human rights abuses taking place within their global GSCs (Narula 2019; Preuss and Brown 2012). This pressure has led MNCs to develop strategies and mechanisms, such as supplier code of conducts and social audits, designed to ensure compliance with human rights and sustainability standards across their supplier networks (McCorquodale et al. 2017; Van Tulder, Van Wijk, and Kolk 2009; Yu 2008).

However, implementing human rights standards across global operations is fraught with challenges. One primary issue is institutional complexity, which refers to the coexistence of multiple, often conflicting, institutional pressures and expectations that organisations must navigate (Greenwood, Raynard, Kodeih, Micelotta, and Lounsbury 2011). For MNCs, such complexity arises from operating across diverse legal frameworks, regulatory environments and societal norms in both their home and the various host countries in which they operate (Kostova and Roth 2002). The challenges that arise from institutional complexity are particularly evident in emerging countries, where the presence of weak or poorly enforced regulations creates significant governance gaps that MNCs must address. These gaps force MNCs to reconcile global human rights standards with conflicting local practices (Marano and Kostova 2016). For example, the absence of robust labour laws in emerging countries often lead to wages falling below living wage standards, which forces MNCs to implement private regulatory mechanisms to address this issue (Schrage and Gilbert 2021).

Cultural norms further complicate these challenges, as societal expectations influence how human rights standards are interpreted and applied (Aguilera and Jackson 2010; Miska,

Szöcs, and Schiffinger 2018). To illustrate, while international labour standards aim to protect children, some cultures may accept child labour as part of family traditions (Abdullah, Huynh, Emery, and Jordan 2022). These cultural differences complicate consistent implementation of global standards, underscoring the tension between universal principles and local realities (Wettstein et al. 2019). This tension becomes particularly pronounced in the context of global human rights standards, where companies must apply universal principles while adapting them to diverse cultural and institutional contexts (Olsen, Rehbein, Snelson-Powell, and Westermann-Behaylo 2022; Wijen 2014). Although human rights are based on a shared universal foundation, their practices and interpretations often differ significantly across regions (Wettstein et al. 2019). Companies are nonetheless expected to uphold these universal principles in all locations where they operate (Wettstein et al. 2019), even when they conflict with national laws or regulations (Ruggie 2011). This creates a unique challenge for MNCs, requiring them to balance the respect for universal principles with the complexities of each local context.

A growing body of research examines the tools MNCs use to identify and address their human rights impact and to conduct business responsibly (Fasterling and Demunijck 2013; Fasterling 2017; McCorquodale et al. 2017; Smit, Holly, McCorquodale, and Neely 2021; Thompson, Strickland III, Gamble, and Peteraf 2017). Among these, HRDD has emerged as a central tool for identifying and mitigating human rights risks in their GSCs (Dupont, Pietrzak, and Verbrugge 2024). Developed by the UN, it is referenced in major international frameworks, including the OECD Guidelines for Multinational Enterprises and the UNGPs.

Fasterling and Demunijck (2013) highlighted early on that HRDD might face limitations in effectively addressing business-related human rights issues, predicting that these problems would become more evident as the practices become more widely adopted. Indeed, as HRDD practices become more prevalent, their application often produces inconsistent results,

particularly in achieving compliance beyond direct suppliers. MNCs often struggle with limited supplier visibility and control over multiple tiers of their supply chains, especially in regions with weak governance or inconsistent regulatory enforcement. These limitations hinder the effective implementation of HRDD, making comprehensive human rights compliance across supply networks a persistent challenge (Smit et al. 2021).

While formal regulatory frameworks impose compliance obligations, informal cultural institutions often shape how these obligations are interpreted and operationalised locally. Research indicates that cultural orientations influence sustainability initiatives, CSR practices, and how firms respond to institutional pressures (Caprar and Neville 2012; Miska, Szöcs, and Schiffinger 2018).

McCorquodale et al. (2017) found that HRDD processes specifically tailored to human rights concerns are generally more effective at identifying risks than non-specific approaches that categorise issues under general headings like labour rights or health and safety. Their research revealed that companies using a human rights lens identified adverse human rights impacts nearly 80% of the time, compared to less than 20% for those relying on non-specific processes (McCorquodale et al. 2017). This difference is even more pronounced in assessing risks associated with third-party business relationships, such as suppliers and contractors (McCorquodale et al. 2017). Over 70% of companies using dedicated HRDD identified adverse human rights impacts linked to third-party activities, whereas 70% of companies using non-specific HRDD failed to do so (McCorquodale et al. 2017).

This underscores the importance of adopting a human rights-focused approach to due diligence, particularly for tackling the challenges posed by GSCs, where third-party impacts constitute a major source of human rights risks. However, a question remains: how can MNCs effectively integrate dedicated HRDD processes into their operations and supply chains? Answering this question is essential for achieving meaningful human rights outcomes.

Implementing Ambiguous Legal Requirements

In addition to the need for local adaptation, global human rights standards embody much ambiguity, leaving room for different interpretations by companies and stakeholders on how these standards should be applied (Merino 2022). Frameworks such as the UNGPs are intentionally broad to accommodate diverse contexts, but their broad nature can lead to uncertainty and inconsistent applications (Ruggie 2018; Buhmann 2018). Terms like “reasonable” or “appropriate measures” are frequently mentioned in international and national regulations but often lack precise definitions or benchmarks (Corten 1999; Dupont, Pietrzak, and Verbrugge 2024; Matland 1995). What is considered as “appropriate” often depends on the cultural, institutional, and economic setting in which the company operates, creating gaps in implementation and a lack of shared understanding of what compliance should look like (Sadiq and Governatori 2015). Obara (2017) underlines how corporations frequently struggle to operationalise human rights standards due to their abstract, controversial, and politically sensitive nature. This is particularly pronounced under regulations like the LkSG, where terms such as “appropriate” and “living wages” are left undefined (Bundestag 2021).

These ambiguities raise critical questions about how MNCs can implement human rights requirements effectively under such complex conditions. At times, navigating these regulatory and cultural complexities results in inconsistent compliance across international supply networks (Jamali, Lund-Thomsen, and Khara 2017) and in decoupling tactics, where firms symbolically adopt human rights policies without embedding them fully into their operations and supply chains (Meyer and Rowan 1977; Bromley and Powell 2012; Surroca, Tribó, and Zahra 2013). These symbolic actions allow firms to maintain their reputations with external stakeholders, even when their actual practices do not reflect their commitments (Marquis and Quian 2013).

Research indicates that ambiguity and uncertainty in standards often contribute to decoupling (Jamali, Lund-Thomsen, and Khara 2017). Similarly, LeBaron et al. (2022) found vague standards enable companies to claim compliance without meaningful implementation, as they allow firms and suppliers to interpret requirements minimally. For example, buyers often provide suppliers with vague labour codes, such as ensuring “fair wages” or “safe working conditions,” without offering clear benchmarks or guidance. Suppliers may interpret these terms minimally, equating “fair wages” to legal minimum wages rather than a living wage. This approach leads to symbolic compliance focused on documentation rather than actively addressing the underlying issues, such as poverty wages (LeBaron et al. 2022). Such practices create an illusion of progress while leaving fundamental challenges unaddressed.

Given these complexities, it is not straightforward to examine how MNCs substantially implement human rights standards in their GSCs. While HRDD has emerged as a central tool in this context, its implementation is not without challenges. Building on the challenges outlined earlier, the broad nature of global standards renders certain prescriptions quite vague and ambiguous, which can lead to various interpretations (Buhmann 2018). While such ambiguity gives companies flexibility to adapt their practices to local contexts, it frequently leads to weak implementation and inconsistent enforcement (Matland 1995; Van Leeuwen, Van Hoof, and Van Tatenhove 2012).

Ambiguous human rights standards, such as “living wages” or “fair working conditions”, exemplify this challenge. Living wage standards, for instance, are vague as they often lack precise definitions, clear implementation guidelines, or universally accepted benchmarks, leaving companies uncertain about what compliance entails in different jurisdictions. For example, while international organisations like the Global Living Wage Coalition define a living wage as the amount required for a decent standard of living for workers and their families (Global Living Wage Coalition 2023), others may equate it to slightly above

the legal minimum wage. These divergent interpretations create uncertainty for companies operating in GSCs, where costs of living and wage expectations vary significantly across regions.

This lack of clarity also extends to the concept of HRDD. Significant variation exists in how the concept is defined and applied across different international frameworks and national legal systems, with no universal consensus on a standard definition. (Mares 2012; Muchlinski 2014). Again, this flexibility allows companies to tailor their approaches, but it also increases uncertainty and complicate consistent compliance across GSCs (Dupont, Pietrzak, and Verbrugge 2024; Favotto and Kollman 2021). As a result, ambiguous standards risk undermining the effectiveness of HRDD.

Research shows that MNCs prefer clearly defined regulation, as these provide legal certainty, reduce operational risks and facilitate the integration of human rights concerns into compliance processes (McCorquodale et al. 2017; Smit et al. 2021). Clear standards enable firms to better align their organisational processes with external expectations, ensuring more consistent implementation. However, in practice, many regulatory frameworks lack this clarity, leaving companies to manage vague standards on their own. This raises important questions about how MNCs operationalise such vague requirements across their global operations. While existing research has largely focused on the development and formalisation of HRDD frameworks within international instruments and corporate policies (Wettstein et al. 2019), there is limited understanding of how these frameworks are translated into practices.

Exploring this gap is essential for understanding the practical challenges companies face when implementing ambiguous legal requirements and managing varying interpretations of human rights obligations. This study contributes to this discussion by exploring the relationship between vaguely defined legal requirements and organisational responses. Specifically, we explore the question: *“How do companies approach ill-defined and ambiguous legal*

requirements in their global supply chains?”. By exploring this question, we aim to uncover the practical challenges and strategies MNCs adopt in response to unclear regulatory expectations.

3 Research Context

A relevant example of ambiguous human rights requirements is the concept of living wages. While living wages requirements aim to ensure that workers’ remuneration allows for a decent standard of living, their implementation remains ambiguous due to vague definitions, regional differences, and inconsistent enforcement mechanisms. In this study, we choose to focus on living wage requirements as an exemplar of ambiguous standard that companies are required to implement. In this section, we provide explanations on the context in which we locate our study. More specifically, we explain the HRDD framework in which living wages are covered before diving into more detailed explanations on living wages.

3.1 HRDD Framework

As presented by the UNGP 17, companies should undertake HRDD to “identify, prevent, mitigate and account for how they address their adverse human rights impacts” in business activities and related relationships, according to each environment features, mainly, size of business and complexity, nature and severity of human rights impacts and operational context (Ruggie 2011). The scope of HRDD covers impacts caused or contributed by corporate operations within its relationships in value chains (Ruggie 2012). While this framework represents a voluntary set of principles, some states started to develop laws to legally enforce the demanded measures. For instance, the German LkSG explicitly builds on the HRDD framework outlined in the UNGPs and establishes requirements that reflect the key elements described there (Federal Ministry of Labour and Social Affairs 2021).

The following description focuses on the HRDD framework as defined by the UNGPs (Ruggie 2011). From UNGP 18 to 21, the UN recommends reliance on a structured HRDD

framework that integrates four key components: risk assessment, integration and action, tracking and communication (Ruggie 2011), as illustrated in Appendix A.

Firstly, UNGP 18 includes the risk assessment, in which companies should “identify actual and potential adverse human rights impacts”, by simultaneously integrating internal and external expertise, from affected stakeholders, to adjust to shifting environments, hence ensuring regular information updates (Ruggie 2011). The second step concentrates on the integration of human rights impacts assessments into corporate activities to “take appropriate action” to prevent and mitigate these impacts, considering the company’s level of involvement and leverage (ability to effectively change in actions that cause harm) (Ruggie 2011).

Moreover, within UNGP 20, companies’ HRDD should “track effectiveness their response” to face adverse human rights impacts and to guarantee that they reached the projected objectives. Hence, the monitoring process should aggregate qualitative and quantitative indicators of human rights performance, feedback from grievance mechanisms and, once more, integrate both affected stakeholder’s and vulnerable groups’ perspectives for a more holistic view (Ruggie 2011). Finally, Ruggie (2011) highlights the significance of clear and transparent communication by companies when address their human rights impacts, particularly “when concerns are raised by or on behalf of affected stakeholders”. UNGP 21 underlines that there should be a formal reporting in contexts with a high severity level of human rights risks (Ruggie 2011).

All relevant stages considered, this framework provides guidance in how corporations should engage in HRDD process. This ongoing process requires meaningful stakeholder involvement, to ensure accuracy and continuous improvement in all stages (Centre and Uribe 2021). As Fasterling and Demuijnck (2013) assert, the pragmatic approach of UNGP to corporate human rights responsibilities is crucial to make human rights impact more visible and manageable for businesses.

3.2 Focus of this study: Living Wages and Ambiguity in Implementation

Living Wages and Living Income

Ensuring a fair remuneration for workers in GSCs is a key aspect of HRDD (OECD 2024). Within this framework, the concept of living wages has emerged to promote labour rights and ensure financial sufficiency (OECD 2024). Unlike minimum wages, which are legally mandated baselines and often insufficient to cover basic needs, living wages aim to provide workers with the income necessary for a decent standard of living (OECD 2024).

In the context of labour rights, it is important to differentiate between the concepts of “living wages” and “living incomes”, as these terms relate to different dimensions of economic sufficiency. The International Labor Organization (2024) defines a living wage as the remuneration workers receive for their conducted work which is paid in fixed periods and upholds a certain wage level. This level must allow for a “decent standard of living for workers and their families, taking into account the country circumstances and calculated for the work performed during the normal hours of work” (OECD 2024). Living wages cover basic needs such as food, housing, health, and education, based on local price data. In the agricultural sector, this concept applies to seasonal and contracted farm workers in primary production as well as employees in other supply chain segments, including processing, logistics, and retail.

In contrast, the concept of living income applies primarily to independent workers, particularly small-scale farmers. Although the ILO hasn’t formally defined the term “living income”, the Living Income Community of Practice (LI CoP) established a working definition that is widely recognised. According to the LI CoP, a living income refers to the net annual income required by a household to afford a decent standard of life for all household members (Living Income Community of Practice n.d.). Unlike living wages, it includes multiple income sources, including agricultural production that is consumed at home. This distinction highlights

the broader scope of living income, which is calculated for households rather than for individual workers.

Connected to these concepts are living wage and income gaps, which describe the difference between the actual earnings and the level required to afford a decent standard of living (OECD 2024). These gaps are identified using living wage and income benchmarks, which are calculated estimates enabling a decent standard of life (OECD 2024). These tools can be useful to guide the implementation of fair wage standards structurally.

Ambiguity in Implementation of Living Wage Standards

Although living wages and living incomes are theoretically well-defined, their implementation poses significant challenges. A key issue lies in the question of how to properly calculate living wage benchmarks, as there are significant differences in how factors, such as household needs and geographic cost variations, are accounted for. Even within a single country, variations in the cost of living make it difficult to establish consistent standards. This lack of standardisation presents a significant challenge for policymakers and firms seeking to implement uniform wage policies across GSCs. (Balestra, Hirsch, and Vaughan-Whitehead 2023)

As highlighted before, cultural factors can further influence the perception and implementation of living wages (Aguilera and Jackson 2010; Miska, Szöcs, and Schiffinger 2018). Legal differences across jurisdictions add another layer of complexity. Definitions and enforcement mechanisms for living wages differ widely, leaving firms to navigate conflicting requirements. For example, some countries tie living wages to poverty thresholds, while others incorporate broader household needs or geographic cost-of-living differences.

Although many firms commit to international standards, like those set by the Fair Wage Network or ILO, they often encounter conflicts between these global standards and local legal requirements. This misalignment creates uncertainty about which standards to prioritise and

undermines consistent implementation efforts (Balestra, Hirsch, and Vaughan-Whitehead 2023).

Despite these challenges, there is limited research on how companies approach the adoption of living wage requirements in contexts of regulatory ambiguity. Research gaps remain in understanding how companies apply living wage standards under mandatory frameworks, mainly regarding whether these efforts genuinely improve worker's conditions.

4 Methodology

This study is based on a single-case design to explore the nuanced and exploratory nature of the research question (Yin 2009). Our data was collected through interviews, observations and archival records to enable triangulation and to analyse complementary insights (Yin 2009). Eisenhardt's (1989) framework for conducting inductive research allowed for a systematic, theory-driven, and empirically grounded approach. Within this process, having a three-member team allowed us to analyse the same sources from different perspectives. For anonymity purposes, the identity of the selected companies and institutions is not disclosed, which ensures an unbiased reading and interpretation of our study and protects the organisations and interviewees.

4.1 Research Design

To address the research question "How do companies approach ill-defined and ambiguous legal requirements in their global supply chains?", this study adopts a single-case study design, an approach that is well-suited to examine "how" and "why" questions within complex, real-world settings (Yin 2009). A single case study is helpful to examine the complexity and layers of organisational responses to ambiguous legal requirements, especially when it is difficult to separate an issue from the broader context (Yin 2009). By incorporating global perspectives into the analysis, single-case studies can adopt a holistic approach. (Yin 2009). This approach allowed us to effectively examine our unit of analysis: companies' implementation of the

LkSG's living wage requirements. More specifically, we analysed how German companies in the food retail sector that are subject to the LkSG approach living wages within their GSCs (see 4.2).

This approach was valuable because we gathered insights from multiple sources, including corporations, external experts, and other entities (Yin 2009). Our focus lied on understanding the general mechanisms and challenges companies face in implementing these standards. Rather than analysing individual companies, supplier relationships, or departments in isolation, we used our data to understand companies' approaches across the industry holistically. This study adopts an inductive and exploratory approach, meaning it aims to generate findings where prior knowledge is limited and variables or relationships are not fully understood yet (Yin 2009). In this way, deeper insights can be gathered without predefined hypothesis, which is relevant for our research. As the implementation of ambiguous legal requirements is not straightforward and may vary widely across different organisations and contexts, an exploratory design provides flexibility to examine variations. It facilitates a nuanced understanding of how companies manage ambiguous regulatory frameworks and generates adaptable insights at the intersection of BHR and IB research. In the next section, we describe the case of Implementation of LkSG's Ambiguous Requirements for living ages.

4.2 The Case of Companies' Implementation of LkSG's Ambiguous Requirements for Living Wages

Germany's Regulatory Framework and Challenges in the Food Retail Sector

We examine the implementation of living wage requirements by German companies that are subject to the LkSG within the food retail sector. The scope of the LkSG requirements encompasses companies, regardless of legal form, that either have their main headquarters, principal branch, administrative centre, or statutory seat within Germany (Federal Ministry of Labour and Social Affairs 2021). Furthermore, the need to employ at least 1,000 employees

domestically, including employees stationed abroad (Federal Ministry of Labour and Social Affairs 2021). Companies with a domestic branch that meet the employee count requirements, are included as well (Federal Ministry of Labour and Social Affairs 2021). The law requires counting temporary workers employed for more than six months, as well as employees of all affiliated companies within a group under paragraph 15 of the German Stock Corporation Act if they are based in Germany (Federal Ministry of Labour and Social Affairs 2021). These criteria identify companies obligated to implement the LkSG's HRDD requirements in GSCs. As part of their due diligence, companies are required to establish human rights standards and to extend these obligations to all direct suppliers of their GSCs.

Germany was selected as empirical setting as one of the first countries to enact a regulation on HRDD, i.e. the LkSG in 2021 (Federal Ministry of Labour and Social Affairs 2021). Requirements to address human rights risks include the prohibition of withholding adequate living wages (Bundestag 2021). However, while the law represents an important step towards corporate responsibility, it also introduces ambiguity, especially in the definition and operationalisation of living wages.

The food retail sector provides a particularly critical context to examine how human rights standards are adopted across the border of companies' own entities (Rojas-Reyes, Rivera-Cadavid, and Peña-Orozco 2024). Meeting the LkSG's HRDD requirements is especially challenging for firms within this industry, as they procure a substantial amount of their products from direct suppliers that are based in emerging markets (Rojas-Reyes, Rivera-Cadavid, and Peña-Orozco 2024). The OECD-FAO (Food and Agriculture Organization) Guidance identifies food supply chain as inherently high-risk due to frequent labour rights abuses and supply chain structures that often extend into regions with weaker regulatory oversight (OECD and FAO 2016). Systemic issues, such as informal labour and subcontracting, reinforce the ambiguity of implementing living wages, as companies navigate

high-risk supply chains while attempting to meet ethical wage standards (Rojas-Reyes, Rivera-Cadavid, and Peña-Orozco 2024). The absence of enforceable standards increases the risk that requirements remain superficial or symbolic, rather than substantial. Given these challenges, there is a critical need to understand how German companies in the food retail sector are operationalising the requirements of the LkSG in practice.

Living Wage Due Diligence under the LkSG

The LkSG defines living wages as wages that meet at least the legal minimum wage standard in the employee's country. (Bundestag 2021). The LkSG emphasises "prohibition of withholding an adequate living wage" as a key due diligence obligation. The scope of companies' obligation is determined by their assessment of the scale of their operations, their influence, the severity and likelihood of violations, and their role in causing the risks (Bundestag 2021).

While the LkSG primarily focuses on living wages for employed workers, considerations in relation to living incomes can be helpful for understanding companies' implementation of the LkSG's ambiguous requirements for living wages. While the LkSG requires the payment of "adequate living wages" (Bundestag 2021), it doesn't explicitly mention living income (Living Income Community of Practice n.d.), which includes a broader scope of financial sufficiency and diverse sources of income. This differentiation is particularly relevant in the food supply chain, because small scale farmers are mostly independent workers and not formally employed (OECD 2024). Therefore, they don't receive wages, and their household income is derived from various activities. This makes the concept of living income essential to understand their financial needs under the LkSG.

The LkSG integrates living wage standards within its broader due diligence framework. Enterprises must perform risk analysis, integrate risk management systems (Bundestag 2021), and establish "appropriate preventive measures", for instance, in their human rights strategies

and supplier contracts (Bundestag 2021). Firms are also required to take “appropriate remedial action” for direct supplier breaches, which potentially terminates business relationships, implement an “appropriate internal complaints procedure”, and report annually on their due diligence obligations (Bundestag 2021). Lastly, if companies gather “substantiated knowledge” of human rights risks or violations from indirect suppliers (including living wage breaches), they must extend complaints mechanisms and risk management systems (Bundestag 2021).

The requirement for companies to ensure the payment of living wages within their GSCs under the LkSG represents a specific example of the challenges posed by ambiguous legal standards. Although the law obligates companies to address this issue, it fails to clearly define or standardise the calculation of living wages. This lack of a unified standard creates substantial uncertainty for companies trying to effectively adopt living wages in their GSCs and questions the reliability of HRDD frameworks (Favotto and Kollman 2021).

4.3 Data Collection

We collected four main types of qualitative data, including both primary and secondary sources: (a) interviews with German companies of the food sector, (b) interviews with civil society members (c) archival documents from German companies of the food sector and from external institutions, (d) conference notes. An overview of the collected data can be found in Appendix B. In this section, we describe the data collection process for each of these components. Drawing on multiple sources, data triangulation allowed us to capture a wide range of documentary information and to strengthen the validity of our research (Yin 2009). It enabled us to compare and contrast the findings from the different units of observation within a single-case study that converges it into a deep analysis of the food industry.

Interviews with Companies and Stakeholders

We conducted semi-structured interviews with 5 companies and 3 stakeholders, for instance with civil society members and representatives from external institutions. We used a semi-

structured format for the interviews to maintain a systematic approach while having the flexibility for follow-up questions based on respondents' answers. In this way, we were able to adjust our approach to each context and its specificities. In total, we have conducted 9 interviews, that lasted 30 to 60 minutes. We interviewed Human Rights Officers (N=1), Sustainability Managers (N=4), a Social Compliance Project Manager (N=1) and External institutions (N=3) during our data collection phase.

a) Interviews with German Food Companies

To identify relevant firms for our study, we began with determining which German companies are subject to the LkSG. For this, we used the Orbis database from Bureau van Dijk, and conducted a search based on four main criteria: (1) active company status; (2) location in Germany; (3) specific Nomenclature of Economic Activities (NACE) codes related to the food industry - 10 (Manufacture of food products); 11 (Manufacture of beverages); 463 (Wholesale of food, beverages and tobacco); 4711 (Retail sale in non-specialised stores with food, beverages or tobacco predominating); and 472 (Retail sale of food, beverages and tobacco in specialised stores); (4) a minimum of 1,000 employees. These criteria allowed us to focus specifically on German companies operating in the food sector that are likely to be impacted by the LkSG due to their size.

After defining these selection criteria, our search resulted in a list of 190 companies meeting these requirements. After identifying and grouping firms that operate under the same entity, we obtained a total of 156 enterprises. We contacted all these qualifying companies via E-mail, LinkedIn, and in some cases by phone, inviting them to participate in the study. From this group, we received 58 rejection emails, including ones from Company F and G. Reasons of declining our request included the lack of capacity to attend our interview or a policy of not collaborating on thesis projects. Only 5 firms responded positively to share information with

us, within the timeframe of this study (Company A-E). We conducted the interviews with these companies (see Appendix C).

While these companies are subject to the same overall requirements on living wages, they occupy different supply chain positions. For instance, Company C operates as a wholesaler, working directly with farmers and suppliers of vegetables and fruits. Additionally, companies A, B and D can be positioned as Processing/ Fast-moving Consumer Goods Trader (FMCG), for operating within frozen food processing (including fish and vegetables), meat and dairy and coffee industry, respectively. Particularly, Company D, within its distribution through third-party retailers, is a key FMCG trader of the coffee sector. Finally, Company E is as retailer, considering the sale and reliance on suppliers of fruits, vegetables, fish, coffee, and cocoa, among other products. These varying positions in the supply chain allowed us to gather insights that reflect the different considerations of each position. (see Appendix D).

The GSCs of these companies entail suppliers of various countries. An overview of identified direct suppliers operating in emerging markets can be found in Appendix E. While the specific economic and cultural conditions in these regions are not analysed in detail, the inclusion highlights the diverse contexts in which companies must implement living wage standards, emphasising the complex nature of compliance efforts across GSCs.

Through our semi-structured guideline, we asked introductory questions about the interviewee's role and responsibility within the company's HRDD strategy, which created a context before specific topics of the implementation of living wages, such as "Could you walk me through the process of operationalising/ preparing to operationalise these living wage standards across your supplier network/ in different regions?"; supplier relationships and compliance, such as "How does your company balance between providing support to suppliers and holding them accountable for compliance with the standards? How much autonomy do you give them, and where does your company take the lead?"; and challenges, like "What have been

the key challenges in ensuring that LkSG living wage standards are established in practice? How has the company addressed these challenges?”, could be understood.

b) Interviews with stakeholders

Besides corporate interviews, we collected perspectives from key stakeholders of the German food supply chain that would contribute to provide additional insights regarding companies' approach to the LkSG. The data collection progressed by identifying potential civil society members and external institutions that would be well-suited to complement our knowledge regarding the selected unit of analysis. These institutions were selected based on their degree of involvement in the food supply chain, their expertise in sustainability governance, mainly connected with living wage requirements, and the extent to which their role influence or shape corporate practices accordingly to the LkSG. We have selected and contacted 3 targeted institutions, through E-mail and LinkedIn, inviting them to participate in the study. We received positive answers from all of these entities, see Appendix C for an overview.

Institution A contributes as a policy advisor entity that deals with national and international human rights problems, bridging dialogue and judicial interventions between government bodies and civil society. In addition, Institution B's role focus on advocating for regulations to build corporate accountability for human rights violations. Considering living wage requirements, it evaluates specific cases of companies' adherence to these bidding frameworks. Finally, Institution C designs projects that assist companies and governments with technical knowledge and capacity-building on sustainability and human rights issues.

The interview questions were tailored to increase our understanding in human rights promotion, legal accountability, and in aligning corporate approaches. They included, for instance, “How can companies successfully engage with suppliers to establish living wage standards? Can you give us examples of effective or challenging approaches that you've seen, especially across diverse regulatory environments?”; or “What practical main challenges do

you observe in operationalising living wage standards across different organisations?"; as well as individual questions adapted to the context of their work and involvement in living wages.

c) Archival Records

In addition to the interview data, we analysed available 88 public documents from the interviewed companies and from external entities that deal with the LkSG. Furthermore, we included documents of Company F and Company G in the analysis of archival records due to their comprehensive living wage strategies and their extensive reporting on the topic (See Appendix B). Both of these companies are retailers similar to Company E, selling fruits, vegetables, cocoa, coffee, among other. The analysed documents included Codes of Conduct, Sustainability reports, Policy statements that directly referred to the requirements of the LkSG, and compliance practices that have been communicated through the company's website, among others. A detailed overview of the types of documents analysed can be found in Appendix F. Subsequently, the abstracted information was categorised considering the interview guideline topics and compared with the interview data.

d) Conference Notes

Lastly, we gathered data while attending the Fourth Annual Conference, on the 19th of November 2024, entitled "Unpacking Human Rights and Environmental Due Diligence" and organised by the NOVA Centre on Business Human Rights and the Environment (NOVA BHRE) as students' ambassadors. We had the opportunity to engage with BHR field experts, such as academics, corporate representatives, and civil society members, who shared valuable insights on the obstacles and strategies that companies pursue for implementing HRDD under legal frameworks, which was extremely enriching to shape our study.

This conference featured 26 panellists and keynote speakers across the opening session and 5 panel discussions. We took comprehensive notes during the 4 panel discussions and keynote presentations. Particularly, during the 75 minutes of panel 3 discussion, we could collect

substantial perspectives on corporate approaches for living wages in GSCs. These contributions supported us by disclosing and contextualising corporate strategies and governance mechanisms, like fair wages, that firms are progressively incorporating in their strategies.

Overall, this experience enriched our research principally by offering real-world perceptions from experts that actively engage with human rights topics, within the BHR fields, hence increasing the rigour and credibility of our examination.

4.4 Data Analysis

Systematic Qualitative Coding for Data Examination

We analysed the interview data as well as the archival records using qualitative coding (Eisenhardt 1989; Eisenhardt 1991; Bingham 2023), while drawing on the conference notes to structure our aggregate findings. Qualitative coding allowed us to systematically identify and categorise the selected codes, while ensuring transparency and accuracy (Eisenhardt 1989). This contributed to our study by enabling us to accurately interpret patterns and capture potential emergent themes to build our findings (Eisenhardt 1989). Simultaneously, this inductive research benefited from the flexibility related to qualitative coding, as we categorised codes into new themes that had emerged from our analysis (Eisenhardt 1989). An overview of the evolution from our specific first-order codes to second-order themes and aggregate findings can be found in Table 1 of section five.

Data Analysis of Using an Inductive Process

We based our data analysis on Eisenhardt's framework (1989), and the Five-Phase Process of Analysis' purposed by Bingham (2023) (available in Appendix G and Appendix H), adapting these frameworks to suit our single-case study approach. Throughout our research progress, we initially aimed to conduct a multiple case study and started our data analysis following Eisenhardt's (1989) framework. This framework describes an iterative, data-driven process to build empirically supported theories through 6 stages: (1) "Within-Case Analysis"; (2) "Cross-

Case Analysis”; (3) “Iterative Hypothesis Shaping”; (4) “Triangulation”; (5) “Theoretical Saturation”; (6) “Literature Integration”; (7) “Closure”.

However, due to challenges in accessing additional company data, we adapted Eisenhardt’s (1989) framework to fit our single case study. The phases “Within-Case Analysis” and “Triangulation” were particularly relevant to explore and validate insights from multiple data sources. On the other hand, stages like “Cross-Case Analysis” and “Theoretical Saturation” were less applicable, as they are more suited to identifying and refining patterns across multiple-case studies.

Bingham’s (2023) framework supported us to conduct qualitative coding analysis with increased transparency and reliability. Bingham (2023) structures a framework that accurately incorporates raw data into actionable results. This framework includes 5 processes: (1) “Organising the Data”; (2) “Sorting the Data”; (3) “Understanding the Data”; (4) “Interpreting the Data”; (5) “Explaining the Data”. While combining systematic coding and theoretical integration, it helped us defining a substantial foundation to guarantee that findings were robust, actionable, and strongly supported by the data (Bingham 2023). Thus, we have only relied on Phases 3,4 and 5 by tailoring its inductive analysis considerations.

Throughout the process, we prioritised an inductive method, especially during coding, to align with the interactive nature of case studies (Eisenhardt 1989). Building on our exploratory approach, which starts with empirical data followed by subsequent explanations, an inductive “bottom-up” line was helpful to understand the emerging topics and unexpected insights of our interviewees and to develop codes relating to the topics that were brought up (Myers 2020).

Development of first-order codes

Analysis of Company and Stakeholder Interviews

To systematically organise our data, we recorded each interview and used Sonix and FireFlies.ai to extract transcripts (Sonix 2024; Fireflies.ai 2024). Afterwards, we transferred the interview

transcript to Microsoft Word to correct and format our data into a clear text. To structure our data, we created a table with three columns: “Interview Transcript”; “First-order codes”; and “Interpretation”. In this context, as Bingham (2023) suggests, our inductive analysis started with an open or initial coding (Charmaz 2014). To prepare our coding process, we printed the structured transcripts, highlighted relevant quotes and added some comments. We uploaded our examinations on the Microsoft Word table, to conduct our first coding cycle. For this, we identified patterns or recurring ideas and labelled them into first-order codes. This helped us to identify emerging aspects that were relevant for second-order themes and patterns in a further stage (Eisenhardt 1989). For instance, “Engaging in voluntary frameworks to address regulatory ambiguity” and “Pushing for binding legal standards to ensure industry alignment” were recognised as first-order codes.

Analysis of Archival Data

Additionally, we analysed documents, such as company reports and policy documents, to ensure triangulation of our findings and cross-validate them with our interview data (Yin 2009). After carefully reading the documents to get a comprehensive understanding of their content, we were able to assess the relevance of each document to our research. We prepared the relevant archival data by using Microsoft Excel to organise the documents systematically. For each company and institution, we created a separate worksheet containing all documents associated with that entity. We assigned clear filenames to each document to identify the source of our data, ensuring that it is categorised correctly.

Afterwards, we highlighted the key information for our research question and extracted relevant sections of each document to conduct the initial coding process. For instance, “Collaborating on the development of shared standards and tools” and “Enhancing transparency and fostering shared learning” were identified as first-order codes. The first coding cycle

process of the archival data followed a similar process as of the interview data. After defining them, we collected all codes across companies and institutions in a separated sheet.

Analysis of Conference Notes

Alternatively, the analysis of NOVA BHRE Conference notes followed a different approach. While we applied coding cycles for interviews and archival records, the conference notes served as a complementary source to help structure our aggregate findings. Nevertheless, all data sources were crucial for identifying key ideas and patterns for our research question (Eisenhardt 1989).

In this context, after combining all our written observations, we removed doubled information and reorganised the collected evidence by systematically arranging the relevant comments using Microsoft Word. We created a table with two columns, “Notes” and “Interpretation” to organise our data and related remarks. For each panel, we listed the most significant comments and assigned the panellists’ names to each annotation. Finally, we highlighted the relevant information for our research question, ensuring that both the comments and the interpretations were incorporated in the process of defining our aggregate findings.

Second-Order Themes and Aggregate Dimensions

We applied different cycles of coding to support the reliability of our data (Saldaña 2013). After developing first-order codes, we continued to define second-order themes. In this second phase, we gathered the first-order codes from all interviews and archival data to proceed with pattern coding. This step involved grouping the first-order codes into a smaller number of key themes (Miles, Huberman, and Saldaña 2020; Saldaña 2013). During this phase, we reviewed the first-order codes to identify relationships, similarities and differences. Afterwards, we refined them by merging related ideas, revising unclear codes and eliminating irrelevant codes from the previous stage (Saldaña 2013). At the same time, we reviewed our prepared data to contextualise our perception and codes. Combined with the insights of the NOVA BHRE

Conference, we were able to develop a collective understanding of the content. We captured not only convergent patterns but also arising divergent views, which we extracted in the themes as well. To illustrate, the defined first-order codes “Collaboration and development of shared standards and tools”, “Driving tailored solutions through proprietary frameworks”, and “Enhancing transparency and fostering shared learning” were conceptualised in the broader theme “Co-Creation of Industry Standards through Collaboration and Capacity Building”.

Lastly, as a third step, we developed our second-order themes into 6 aggregate dimensions by analysing and integrating second-order themes. (Bingham 2023). After revising our themes and checking for completeness of our data segments, we looked at the themes as a whole. In this way, we were able to explore what they reveal collectively rather than analysing them in an isolated manner (Eisenhardt 1989). We moved from our themes and data, refining the themes until distinct clusters emerged. We converted these themes into defined aggregate findings, for instance, the second-order themes “Advocacy for Regulatory Standards and Policy Alignment” and “Co-Creation of Industry Standards Through Collaboration and Capacity-Building” were labelled under the aggregate finding “Shaping Standards and Advocating for Living Wages”.

5 Findings

We found that companies approach ambiguous legal requirements by balancing their interpretations of regulatory demands with operational priorities and available resources in distinct ways. They employ a variety of strategies to navigate these complexities, addressing regulatory expectations, stakeholder demands, and sector-specific challenges. More specifically, they (1) Manage Perceptions of Risk Related to Living Wages, (2) Commit to Addressing Living Wages in Internal Policies, (3) Learn and Adapt: Sector-Specific Approaches, (4) Shape Standards and Advocate for Living Wages, (5) Collaborate with Suppliers, Governments and Civil Society Stakeholders, (6) Absence of Implementation Due

to Risk Prioritisation. These approaches derived from the coding framework that was developed during the analysis. Table 1 provides an overview of the final code structure, showing how they were categorised into overarching themes and the corresponding aggregate dimensions.

Table 1: Overview of code evolution and theme refinement

First-order codes	Second-order Themes	Aggregate Dimensions
<ul style="list-style-type: none"> - Integrating external indices for risk identification - Aggregating risk categories into broad clusters (e.g. human rights, ecological risks) - Supplementing external tools with supplier self-assessments and expert consultations - Conducting Human Rights Impact Assessments (HRIAs) for deeper supply chain analysis 	Identifying risks and reliance on high-level compliance tools	Managing Perceptions of Risk Related to Living Wages
<ul style="list-style-type: none"> - Prioritising risks based on visibility and stakeholder expectations (e.g., child labour, product quality) - Aligning risk focus with sectoral needs (e.g., coffee, cocoa, bananas in agriculture) - Weighing risks by proximity to core markets, geopolitical instability, and operational impact 	Tailored prioritisation of risks	
<ul style="list-style-type: none"> - Aligning living wages with broad human rights and sustainability strategies - Embedding holistic approaches to interconnected challenges - Committing to living wages strictly within general human rights strategies 	Internal Commitment and Strategic Integration	Committing to Addressing Living Wages in Internal Policies
<ul style="list-style-type: none"> - Challenges in interpreting vague regulations - Using international benchmarks to define living wages - Relying on governments to define and align minimum requirements with living wage standards 	Addressing Ambiguity in Living Wage Standards	
<ul style="list-style-type: none"> - Evaluating sector-specific risks and wage issues in textiles and agriculture - Drawing lessons from non-food industries - Leveraging internal experience from multi-sector operations (e.g., companies active in both food and textile sectors) - Recognising the limitations of transferring approaches directly from textile to agriculture 	Iterative learning and sector-specific adaptation	Learning and Adapting: Sector-Specific Approaches
<ul style="list-style-type: none"> - Addressing sectoral complexities such as fragmentation, seasonality, and reliance on smallholders in agriculture - Developing localised approaches - Highlighting the scalability limitations of pilot projects and the need for continuous monitoring 	Tailored strategies for individual products and high-risk regions	

Group part

<ul style="list-style-type: none"> - Engaging in voluntary frameworks to address regulatory ambiguity - Pushing for binding legal standards to ensure industry alignment 	<p>Advocacy for Regulatory Standards and Policy Alignment</p>	<p>Shaping Standards and Advocating for Living Wages</p>
<ul style="list-style-type: none"> - Collaborating on the development of shared standards and tools - Driving tailored solutions through proprietary frameworks - Enhancing transparency and fostering shared learning 	<p>Co-Creation of Industry Standards Through Collaboration and Capacity Building</p>	
<ul style="list-style-type: none"> - Participating in multi-stakeholder initiatives - Supporting collective bargaining and trade union engagement - Identifying antitrust and trade union barriers in collaborations 	<p>Industry-Wide Collaboration and Stakeholder Engagement</p>	<p>Collaborating with Suppliers, Governments, and Civil Society Stakeholders</p>
<ul style="list-style-type: none"> - Establishing long-term relationships to mitigate compliance risks - Adopting gradual adaptation for supplier compliance - Leveraging direct support mechanisms 	<p>Building Collaborative Supplier Relationships</p>	
<ul style="list-style-type: none"> - Enabling superficial compliance through flexibility in LkSG - Relying on audits that verify minimum wage compliance without addressing living wages - Prioritising baseline legal requirements over systemic wage challenges 	<p>Reliance on reactive compliance mechanisms</p>	
<ul style="list-style-type: none"> - Balancing consumer expectations for affordability and quality with sustainability requirements - Focusing on visible issues or those with immediate business impact while neglecting lower-tier supply chains 	<p>Prioritising Business-Centric Goals Over Systemic Change</p>	<p>Absence of Implementation Due to Risk Prioritisation</p>

The first section explores how companies identify, categorise and prioritise the risks associated with living wages, highlighting how risk assessment tools and frameworks shape their strategies (Finding 5.1). The following part analyses how varying levels of internal commitment and organisational interpretations influence the implementation of living wage requirements (Finding **Fehler! Verweisquelle konnte nicht gefunden werden.**). Building on this, the analysis highlights how companies tailor their strategies and adapt according to the unique complexities of agricultural supply chains (Finding 5.2). Additionally, we analyse companies' efforts to shape standards and advocate for living wage standards, as well as to find collaborative solutions to operationalise these ambiguous requirements (Findings **Fehler! Verweisquelle konnte nicht gefunden werden.** and **Fehler! Verweisquelle konnte nicht gefunden werden.**). Finally, we conclude by pointing to the cases where the implementation

of living wage requirements is absent or deprioritised due to resource constraints, strategic decisions or ambiguity within the LkSG (Finding 0).

By analysing these interrelated dimensions, we discovered that companies approach ambiguous legal requirements by prioritising visible risks, tailoring strategies to their operations, and leveraging the flexibility of laws like the LkSG to align with their immediate priorities. Companies adopt varied approaches, from proactive integration of living wages into human rights frameworks to minimal compliance connected to statutory standards. We also found that sector-specific challenges, in the food supply chain, pushed some companies to develop tailored initiatives and to collaborate with stakeholders. However, other companies focused on reactive compliance, prioritising cost and reputation over systemic change.

5.1 Managing Perceptions of Risk Related to Living Wages

We found that companies worked on managing perceptions of risk by identifying and prioritising risks within their supply chains using tools like external indices and supplier surveys. These tools provided a structured approach to meet the legal requirements of conducting a risk assessment, but often failed to capture systemic risks like living wages. The flexibility of the LkSG's requirements often led to a focus on visible risks, such as product quality or child labour, over less visible issues like wage inequality in lower-tier supply chains. This risk prioritisation highlights a tension between achieving compliance and addressing deeper, systemic issues.

This examines how companies identified and prioritised their risks related to living wages within their supply chains, focusing on the tools they used and how these shaped their strategies. Risk assessments, mandated by the LkSG, influence corporate actions by shaping how risks are categorised. However, the concept of "risk" can be understood in two ways: (1) risks to rightsholders, like wage inequality or child labour; and (2) reputational and legal risks to businesses tied to perceived non-compliance.

The ambiguity of the LkSG offer companies significant flexibility in how they identify and prioritise risks like living wages, which further shapes their compliance strategies. However, this flexibility also places a responsibility on them to focus on critical risks, particularly those most likely to occur at the base of the supply chain, such as wage inequality and other labour rights violations. If these risks are not addressed effectively, there is a risk of superficial compliance, which is often criticised as ‘whitewashing’ or ‘glossing over’. These dynamics determine whether companies treat living wages as priority issues in their HRDD efforts.

5.1.1 Using External Tools to Identify Supply Chain Risks

The analysed companies relied on external tools, such as indices and risk frameworks, to identify risks related to living wages within their supply chains. These tools include the World Justice Project Index, World Bank's Worldwide Governance Indicators (WGI) and the Business Social Compliance Initiative (BSCI) country ratings. They assign scores for countries based on factors such as governance quality, labour rights, and rule of law. For instance, the WGI measures dimensions like regulatory quality and political stability, while the BSCI country ratings focus on social compliance, examining working conditions and labour rights in supplier regions. These indices help companies to categorise countries as high, medium, or low risk. For example, if a country receives a low score in relation to labour rights, companies classify it as high-risk country.

While these tools present a structured approach for companies to identify their risks, they often lack the granularity to capture specific issues like wage inequality. Indices often produce generalised categories such as “Human Rights”, which can obscure specific risks like living wages. Company B exemplified this approach, describing their clustering method: “We only distinguish between risk countries in case of ecological situations, human rights situations, and stability in the country itself”. While this method aligns with regulatory requirements, it

fails to highlight specific risks such as wage inequality or capture the living conditions of seasonal workers in the specific supply chain. Company B acknowledges this limitation: “Of course, if you merge scorings like this, you still comply with the law, but you cannot specifically look into that situation [living wages]” and further admits “this could still lead to non-comfortable situations”.

To overcome these limitations, some companies incorporated supplier surveys and expert consultations into their evaluation process. This added contextual depth and identified potential risk hotspots. Nevertheless, a reliance on high-level indices has often led companies to prioritise compliance over addressing systematic challenges like living wages. Some companies, such as Company E and Company D, deployed more targeted methods by conducting more dedicated Human Rights Impact Assessments (HRIAs) to identify risks across their supply chains. These approaches demonstrate more profound commitment to resolve wage-related issues.

5.1.2 Tailoring Risk Prioritisation Through Ambiguity

The companies used the flexibility of the LkSG to prioritise risks based on their operational needs, sectoral focus, and resource capacities. Some companies focused on specific commodities or regions that are considered particularly risky and aligned their strategies with their business models and stakeholder expectations. For instance, Company E and Company D prioritised agricultural commodities such as coffee, cocoa, and bananas. Company E elaborated “When we define our areas for prioritisation, currently we have bananas, [...] coffee and cocoa”. For these specific high-risk products, the companies further prioritised specific regions flagged for significant wage gaps, based on localised data and stakeholder input.

Other companies did not prioritise living wage risks and focused on risks with immediate business impacts. Company B, for instance, focused on product quality as this has a direct impact on consumer health. Company A focused on child labour, emphasising its

visibility as a reputational concern: “We know that in some countries this is really common practise, that children are working. So we are concentrating on this”. Additionally, geographical distance influenced prioritisation. Several companies pointed to systemic labour rules breaches in Spain’s agricultural sector and emphasised the need to tackle them. Company A also highlighted the geopolitical instability as another factor: "It's also now Europe because we have the situation of the war and the situation of immigrants".

These examples illustrate how companies leveraged the flexibility of the LkSG to prioritise risks based on their proximity to core markets, visibility to stakeholders and perceived urgency. This often led companies to deprioritise living wages, which further influenced their compliance strategy.

5.2 Learning and Adapting: Sector-Specific Approaches

We found that companies responded to the ambiguous requirements of the LkSG by drawing on experiences from other industries, tailoring their strategies to the food sector’s specific challenges, and piloting innovative programmes. The vagueness of the LkSG allowed companies flexibility to adapt their strategies to specific supply chain characteristics and offered margins for manoeuvre to experiment and innovate. However, this vagueness also created uncertainty if the legal requirements were fully met. It could be seen as a lack of guidance in critical decisions on how to adequately address the specific complexities of their supply chains, possibly entailing or contributing to reproaches that companies would only try to whitewash. This section analyses how companies have managed to find a balance between compliance and flexibility while facing the complexities of agricultural supply chains.

5.2.1 Drawing Lessons from More Advanced Industries

Our research indicates that companies in the food sector looked for guidance from industries that are more advanced in implementing living wages to approach the ambiguous legal

requirements. The companies drew on both internal and external experiences to inform their living wage approaches and adapt the practices to the food sector.

The analysis revealed that several representatives from companies referred to the non-food sector, particularly the textile industry, when discussing the implementation of living wages. In fact, the textile industry was – after a number of scandals and under growing public pressure – among the first sectors to address labour conditions and living wages. This suggests that companies in the food sector sought guidance and orientation from industries which have a longer history of dealing with such requirements.

Both company D and company E drew on internal knowledge from their non-food or textile operations to inform their food supply chain strategies on living wages. Company D, for example, highlighted lessons from non-food: “We've tried a lot in non-food, and that has shown us that individually working with individual suppliers in any of the calculation projects [...] is not going to work”. The company further emphasised collective action and systematic approaches to wage issues in the textile sector, indicating that this specific subsector served as a baseline for their food strategy development. External initiatives, like Tchibo's ACT (Action, Collaboration, Transformation) framework also provided guidance. Although ACT was designed for textiles, its principles – industry-wide agreements, purchasing practices alignment, and stakeholder collaboration – are recognised by the analysed companies, which are trying to adapt similar approaches in the food sector.

These findings demonstrate how companies drew on experiences from more advanced sectors to address ambiguous requirements. However, the transferability of these experiences was obviously limited. While they provided valuable insights, agricultural and food supply chains often required significant adaptations due their specific supply chain structures, as explored next.

5.2.2 Addressing Agricultural Supply Chain Complexities

The research revealed that the companies adopted context-specific approaches to implement living wages, taking into account the structural differences between agricultural and textile supply chains. The analysed companies noted significant differences between agricultural and textile supply chains, such as fragmentation and seasonality in agriculture, which hindered the direct replication of non-food approaches. As Company D explains, “Non-food programmes are not really applicable to the food sector”. Unlike textiles, agriculture requires managing both living wages and living incomes, as explained in the research context (3.2). While living wages apply to employed agricultural workers, living incomes relate to independent smallholders. Company D highlighted the different operationalisation of the two concepts: “Living income is a different one, conceptually and strategically”. This dual focus underlines the complexity of operationalising wage initiatives in food supply chains.

Additionally, agricultural supply chains are often unstable. Unlike non-food sectors, companies or intermediaries do not always source from the same farmers. As Company D explained: “In non-food, we have stable suppliers and factories [...] mainly you have the same workers for at least a couple of years”. This stability and consistency facilitate the implementation of living wage programmes and the monitoring of living wages. In agriculture, seasonality and the fluctuating nature of agricultural workers complicate the implementation of living wages. Migrant workers often move between plantations, making consistent wage improvements difficult.

These structural differences highlight the challenges of adapting solutions from other sectors and emphasise the need for context-specific approaches in agriculture. The presence of migrant and seasonal workers, coupled with supply chain fragmentation and the dual focus on living wages and incomes, underscores why standardised solutions are often insufficient in addressing agricultural wage issues.

5.2.3 Developing Context-Specific Solutions Through Pilot Projects

The diversity of agricultural supply chains prevented the development of standardised solutions, leading companies to rely on pilot projects and localised strategies. As agricultural and food supply chains vary widely for the different commodities and products, there is no standard solution for operationalising living wages or living incomes. As Company E explains, “You look at one supply chain or if you look at the other, it’s hard to pinpoint a consistent standard”. This diversity of products, origins and supply chains required companies to tailor their approaches to the specific structures and dynamics of the particular supply chain.

Some companies implemented pilot projects in specific supply chains (e.g. coffee, banana, cacao) to test effective ways of ensuring living income and living wages on the ground. Company E, for instance, implemented a living wage project for a certain supply chain, that includes wage matrices in specific regions. The company explains, “We use salary matrices in specific projects to better understand and address wage gaps”. This approach reflects a data driven strategy based on the assessment of the wage gap.

For products such as coffee, cocoa or oranges, where fragmented supply structures and smallholders prevail, companies developed different strategies to address living incomes for producers. Company D highlighted its focus on empowering smallholder farmers in its coffee supply chain through capacity-building programmes and income diversification. As Company D explained, “We work with smallholder farmers, and it’s about income diversification and ensuring higher incomes”. This localised approach prioritises long-term impact by investing in training for the farmers on how to improve the quality and productivity of their coffee production. The company explained, “If you have more yield and quality, you might also get more money for that”. While these initiatives demonstrate successful context-specific solutions for implementing living wages, the companies recognised the limited scalability. As a representative of company E noted “I’m not really sure how far this could be replicated for other

products”. The sheer number and diversity of possible supply chains and the costs of pilot projects show the limits of their broader application.

5.2.4 Facing Challenges in Monitoring and Ensuring Compliance

Our findings indicate that the challenges of monitoring and enforcing compliance in the context of fragmented agricultural supply chains often discouraged companies from implementing or continuing living wage efforts. The complexity of these supply chains, with their multiple intermediaries, lack of direct supplier relationships and limited transparency present substantial barriers: As company B explained: “In agriculture, we do not really have a direct connection with the source of our raw materials”. Similarly, company D explains “. In Vietnam, for example, you have many intermediaries. And sometimes it's quite difficult to really get onto the farmer”. Perceived barriers such as supply chain fragmentation and systematic local issues often discouraged companies from attempting more ambitious action. For example, Company D described the scale of the challenge: “You can tackle 200 factories, but 12.5 million coffee farmers [...] it's a different supply chain”. These overwhelming numbers often led companies to focus on areas where success seemed more achievable, deprioritising broader wage initiatives.

Systematic barriers in local contexts further compounded these challenges. Company D shared an example from a textile project in Bangladesh, where paying living wages backfired. The factory increased the rent which cancelled out the intended benefit for the workers. A representative of the company explained “The landlord discovered that they are getting more money, so they increased the rents [...] the workers did not get more money”. Such negative outcomes lead to frustration and reluctance to directly pay higher wages. Company E echoed this concern: “Even if we pay a higher price to a factory, then how would we be sure that this does not go to a bigger car for the factory management but would actually be paid to the workers?”.

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These risks and uncertainties often led companies to stop or avoid initiatives. Company F tried to find a solution for ensuring that living wages reach workers. Due to the lack of existing systems that reliably pass wage increases to plantation workers, the company developed customised solutions, including bonuses and in-kind benefits like supermarket vouchers. While these approaches are promising, they require close cooperation with the suppliers and continuous monitoring in order to be successful, which remains difficult and costly in fragmented agricultural supply chains with high reliance on intermediaries.

Another significant challenge that discouraged companies was the long-term sustainability of their initiatives. Company E reflected on its limitations, stating, “There is no programme, there is no training in the world where you can train and then you can leave and then your impact is sustainable”. This sentiment was echoed, as noted by Company E: “Even Company D says, they did this programme for years in some factories, but as soon as they leave, everything will crumble”. These examples highlight the need for persistent efforts and ongoing support to ensure lasting impact, which raises doubts among the companies the long-term effectiveness of these solutions.

The high frequency and variety of challenges mentioned by the companies demonstrates their struggle to manage the complexities of implementing living wages in food supply chains. While the ambiguity of the LkSG provides companies with the flexibility for developing their own approaches, it also places significant demands on companies to innovate and experiment with implementation practices. This regulatory ambiguity, however, cannot be avoided as it is impossible to legislate concrete solutions for the diverse and complex situations that companies face in global supply chains. As a result, the burden of operationalising these requirements often lies with the companies, which creates additional effort that inevitably influences the cost structure and is ultimately reflected in the pricing of the products.

5.3 Absence of Implementation Due to Risk Prioritisation

We found that some companies did not implement meaningful actions on living wages as they did not identify living wages as a high-risk in their supply chains or deprioritised them in favour of other risks, such as child labour or quality concerns. This lack of prioritisation raises questions about whether companies' assessments reflect the actual severity of living wage risks for rightsholders or whether they are more focused on mitigating reputational risks.

The ambiguity in the LkSG contributed to this dynamic by allowing companies to focus on immediate, measurable goals, such as cost efficiency and reputational concerns, over systemic challenges like wage inequality in lower tiers of supply chains.

5.3.1 Relying on Reactive Compliance Mechanisms

Many companies relied on reactive compliance mechanisms such as audits and complaint systems to reveal living wage violations, even though they are aware of their limitations. Audits, for example, typically verify minimum wage compliance without assessing whether workers earn a living wage. Company E explains reliability concerns for audits: “We see a huge gap in basically the data that’s coming from audits. Because even though the audit would tell us that the minimum wage is paid in these factories, when we go there, we see a lot of times in our training that this is not the case”. Company B further acknowledges the ineffectiveness of complaint mechanisms: “We do have a complaint mechanism in place, and in theory this should, or this can be contacted by you or by any worker in the supply chain. In practice, of course, this is not happening”. This shows that the companies prioritise formally meeting baseline legal requirements over effectively addressing systemic issues. As these companies highlighted the high financial and personal efforts to set up the mechanisms, it seems like their reactive approach to living wages is also due to their limited resources.

5.3.2 Challenges of Ambiguity in Implementation

It could be argued that the ambiguity of the LkSG has resulted in a lack of implementation, because it allows companies to focus on immediate or easily measurable goals, which may result in deprioritising systemic challenges like living wages. Without explicit mandates to address wage disparities, companies justified minimalistic approaches that prioritise cost efficiency and reputational concerns. Company B underscored this tension: “You have to bring all the requirements together. Requirements on quality, on price, and on sustainability itself. Therefore, of course, we are pretty much focusing on price and quality still”.

Consumer expectations also play a role as some companies struggled to balance demands for affordable, high-quality products with the additional costs of implementing living wage measures. This created a barrier to addressing wage issues, which require significant resources and long-term commitment. As a result, systemic challenges in lower tiers of supply chains, where transparency is limited, were often deprioritised.

While the LkSG allows for flexibility, it also creates space for superficial compliance, enabling companies to focus on areas that are more visible or directly impactful to their business model. As a result, systemic issues like wage inequality may not always be addressed, particularly in lower tiers of supply chains where transparency is limited.

6 Discussion

The objective of this study was to examine the ways companies approach vague legal requirements. Our empirical case focused on German food companies, investigating how they interpret and operationalise the legal living wage provisions of the LkSG. Our findings revealed several approaches that companies employed to address the ambiguous requirements, which can be categorised into two contrasting strategies. Some companies actively engaged in ‘solution-finding’ to address the living wage requirements by collaborating with stakeholders, advocating for clearer guidelines on living wages and piloting innovative programmes to find

practical ways to implement living wages in their agricultural supply chains. In contrast, other companies limited their actions to fulfilling the minimum requirements like conducting standard risk assessments and establishing complaint mechanisms. This approach often led to living wages being deprioritised, which served as a justification for not pursuing further actions in this area.

This divergence highlights how companies interpret and operationalise vague legal requirements. It further underscores that the flexibility of legal framework enables tailored solutions but also carries the risk of superficial compliance, which supports previous literature (Dupont, Pietrzak, and Verbrugge 2024; Favotto and Kollman 2021). The analysis revealed a distinct separation between ‘implementers’ and ‘non-implementers’, which raises important questions about the factors influencing these contrasting strategies and the broader implications of the regulatory ambiguity.

Divergent Company Approaches to Ambiguity

a) Proactive Implementers The companies actively addressing living wages share notable characteristics that likely explain their engagement. These companies are larger in size, operate in supply chains that are widely regarded as critical in terms of living wages (e.g. coffee, cocoa and bananas) (Fairtrade International 2024), and are directly in contact with the end customers through their retailing activities. This direct consumer interaction exposed them to intensified public scrutiny and stakeholder pressure, which act as drivers for their human rights efforts (Preuss and Brown 2012). For instance, all four companies have faced public campaigns highlighting living wage issues in their supply chains, which likely initiated their active approach and pushed them to actively address the issue. Thus, the companies demonstrated commitments to address living wages and integrated them into their broader sustainability or CSR goals. These efforts might be unrelated to the LkSG requirements, as the companies have started to address living wages before the law was enacted. The firms also engaged in ongoing

discussions shaping the law and advocated for inclusion of living wage requirements. This proactive commitment to shape industry standards appears to be linked to their size and resource availability. Larger companies are better equipped to allocate resources for pilot programmes and engage in stakeholder collaboration, illustrating how broader organisational capacities and stakeholder pressures intersect with their approaches to ambiguous regulatory requirements.

b) Minimal Compliers In contrast, companies that focused on meeting the minimum legal requirements, showed different characteristics. They were smaller in size (1000-5000 employees), operate mainly in product supply chains that were less associated with living wage challenges, and were not positioned at the end points of supply chains. These firms interpreted living wage requirements narrowly, equating them with minimum wages, or deprioritised the issue within their risk assessment. The decision to adapt a narrow definition or deprioritise living wages may be the result of several factors. While it might reflect the actual realities of their supply chains and the prevalence of other risks, like child labour or quality issues, it could also stem from broader systematic challenges in HRDD implementation, such as resource constraints, sector-specific challenges and stakeholder pressures. The representatives of smaller companies emphasised the significant effort required to meet the general LkSG, such as the establishment of a robust risk assessment process and complaint mechanisms. It is therefore probable that they are lacking the resources to look further into specific human rights issues, such as ensuring living wages are paid. The informal and fragmented nature of supply chains in the food sector makes it challenging to identify and resolve living wage risks, particularly for smaller firms with limited access to data or leverage over suppliers. Furthermore, unlike larger firms with direct consumer interaction, smaller companies experience lower public scrutiny, which reduces the external incentives to engage with living wage issues. This may

have led to a perception of minimal business risk associated with wage inequality, leading to a decision to focus on minimum compliance.

This demonstrates the interplay between regulatory flexibility and external pressures like fears of reputational damage influencing a company's strategic response. While our findings highlight that the legal flexibility allows companies to employ a 'reactive' or 'proactive' approach, further research is needed to fully understand the factors leading to these strategies and their intersection with broader systematic challenges in HRDD implementation.

The Role of Regulatory Ambiguity

However, our research points to a fundamental limitation of the vague legal framework – its reliance on companies' subjective assessments, which allows them to focus on 'business risks', such as reputational damage, rather than 'rightsholder's risks' like wage inequalities. This flexibility permits companies to deprioritise critical human rights issues, such as living wages, in favour of risks that are more visible or impactful for their business. The choice to use generalised risk assessment tools, like high-level indices that do not show specific living wage risks, further intensify this issue.

As shown in our findings, the companies that conducted thorough human rights assessments, including human rights impact assessments for specific products and supply chains, identified and prioritised living wages. While previous research (McCorquodale et al. 2017) has demonstrated the importance of dedicated HRDD processes, our findings indicate that regulatory ambiguity enables companies to bypass these by utilising generalised risk assessment tools that dilute the focus on specific risks, such as living wages. This supports the criticism of vague legal regulatory frameworks that the lack of standardised benchmarks wallows for superficial compliance rather than substantive outcomes.

These limitations raise questions about whether clearer guidelines or stronger enforcement mechanisms could drive more uniform engagement with living wages

requirements. While some companies might use the ambiguity of the law and vagueness of the term living wage as a justification for inaction, the findings suggest that the main barrier lies elsewhere. As there are several guidelines available on the implementation of living wages, the companies might overstate the difficulty of regulatory ambiguity. Instead, the real obstacle appears to stem from the complexity of integrating living wages into practice, given limited resources and the broader challenges associated with HRDD implementation.

The relative newness of the LkSG also seems to play a role, particularly for smaller companies that are still in the early stages of understanding and adapting to its requirements. Ongoing political discussions on the general requirements of the LkSG, as well as the interpretation of living wages, have made some companies reluctant to invest resources. This has resulted in a “wait-and-see” approach, as illustrated by the representative of company B, who noted: “in whole Germany, it is an ongoing discussion, and therefore we are not opening up the discussion ourselves here”. This suggests that more explicit directives from the government on the specific living wage requirements, along with a more definitive standpoint on the status of the law, could help to encourage the implementation of living wages.

However, the broader challenges in ensuring consistent engagement with living wages, particularly in enforcement and operationalisation, remain significant barriers. As highlighted in the NOVA BHRE Conference, these complex challenges cannot be addressed within a “one-size-fits-all” solution. Our findings reveal that while larger companies are actively exploring effective solutions to implement living wages, they still face significant challenges as their specific supply chain dynamics require close collaboration and context-specific initiatives. The companies highlighted the importance of stakeholder collaboration and pilot programmes, which aligns with existing literature (Reinecke and Donaghey 2020). However, the need for ongoing support and limited scalability of these initiatives raises questions on their long-term

effectiveness. Additionally, it remains uncertain if the initiatives are applicable to smaller companies with limited resources.

Implications for Practice

Addressing these challenges will require targeted support and mechanisms to enable companies of all sizes to engage with living wage requirements in a meaningful way. Governments, industry associations, and NGOs must provide clearer guidance on living wage requirements, including sector-specific guidelines and recommended risk assessment tools or benchmarks to reduce interpretative variability. For smaller firms, capacity-building initiatives such as training programmes, resource-sharing platforms, and financial incentives can help mitigate resource constraints and meaningful measures.

Multi-stakeholder collaboration is another critical element for progress. Establishing collaborative platforms to facilitate shared accountability and knowledge-sharing across sectors could help aligning efforts and address distinctive challenges. Additionally, companies must re-evaluate their purchasing practices, such as mechanisms like low-cost sourcing and tight deadlines conflict with ethical commitments to living wages. As Berta Fercik emphasised during the NOVA BHRE Conference, “compliance is not solely a supplier responsibility but also a reflection of buyer behaviour”. Therefore, companies need to focus on collaborative agreements with suppliers, such as fair pricing policies and flexible contracts. These measures could provide suppliers with the financial stability necessary for wage improvements. However, these changes might require regulatory guidance and consumer support to drive meaningful action within industries.

The role of audits in living wage implementation also requires critical examination. Current audits frequently fail to encompass the full range of wage practices, including in-kind benefits such as housing and food vouchers, which serve to supplement cash wages but are often disregarded. Insights from the NOVA BHRE emphasised the need for broader auditing

frameworks that accounts for the full spectrum of wage practices to identify shortcomings in implementation.

Finally, companies should aim for a more outcome-focused approach, prioritising tangible and quantifiable progress over the mere completion of procedural tasks. The incorporation of specific, quantifiable objectives into HRDD strategies will ensure that rights holders experience direct benefits, such as wage increases and worker empowerment.

Our findings highlight that although some companies have made significant advances in implementing HRDD and operationalising living wages, there are still significant gaps that need to be addressed. There is a huge difference in complying with the LkSG and effectively implementing living wages on the ground. The effectiveness of the LkSG will ultimately depend not just on the structures companies put in place but on their ability to deliver tangible improvements for workers and rightsholders. Addressing this requires a shift in both corporate behaviour and regulatory focus, emphasising accountability for outcomes rather than processes.

Research Limitations

While this study provides valuable insights into how companies navigate ambiguous legal requirements, its scope is constrained by certain limitations. Firstly, it should be noted that our case study exclusively examined German food companies, which limits the transferability of the findings to other industries. The agricultural supply chains analysed in this study are marked by distinctive characteristics, including fragmented structures, a reliance on informal labour, and significant variations in wage expectations. It is possible that these dynamics may not be reflected in other sectors with more formalised supply chain operations.

Second, the reliance of qualitative data from interviews and publicly available documents may introduce potential biases. Companies that were willing to participate may have already been more engaged with living wage issues, which could have skewed the findings to more progressive practices. Additionally, variations in the roles and experience levels of the

interviewees may have influenced the depth and scope of the perspectives captured. For example, a sustainability manager may focus more on corporate strategies, while a Human Rights or Compliance Officer might emphasise general LkSG structures without delving into specific human rights issues like living wages, leading to variations in the data.

Third, our research focused primarily on how living wages are operationalised within supply chains and did not address internal corporate practices, such as the implementation of living wage policies within a company's own operations.

Finally, our research was conducted within a limited timeframe, which precluded the possibility to analyse changes in corporate strategies over time. As the political discussions mature and regulatory landscape evolves, companies' approaches to the LkSG may shift. Further long-term studies are therefore required to track these developments.

7 Conclusion

As human rights laws evolve, the challenge of interpreting ambiguous requirements remains a critical issue for companies. The specifications for living wage under the LkSG, for example, leave room for different interpretations that often hinders meaningful compliance. It is therefore crucial to understand how companies are navigating these unclear formulations and how it affects their approach to ensure human rights in their GSCs.

This study highlighted that German food companies adopt contrasting strategies when addressing the LkSG's living wage requirements. While some companies demonstrated a strong ethical commitment and engaged in collaboration and sector-specific solutions, others limited themselves to the introduction of simple minimum criteria, referred to statutory requirements or focused on risks of high public perception. These differences reflect the interaction of several factors, including company size, resource availability, public scrutiny and supply chain characteristics. Larger companies with greater resources and exposure to public pressure are more likely to adopt proactive strategies, using their capacity to pilot programmes and engage

with stakeholders. In contrast, smaller companies with limited resources and operating in less visible sectors are more likely to adopt reactive strategies, focusing on basic compliance and de-prioritising living wage issues.

This contrast reflects the dual role of legal ambiguity – leaving scope for flexibility to innovate and adapt to specific contexts, but also for window-dressing and minimum effort that might undermine the law’s intent. The findings also emphasised the need to address sector-specific challenges such as the complexity of agricultural supply chains and to promote cooperation between stakeholders. These are essential for ensuring that living wage initiatives lead to tangible results and don’t just exist on paper.

Future research should examine how different industries, such as the electronics sector, respond to similar legal ambiguity. Additionally, long-term studies could reveal how business strategies evolve under the influence of changing regulations, market dynamics and societal expectations, especially in the context of upcoming frameworks such as the CSDDD. Future studies should also examine the perspectives of workers or local communities to better assess the actual impact of living wages policies on those directly affected.

Ultimately, it is crucial to find a balance between flexibility and accountability, a goal that both policymakers and companies must address. Policymakers can provide clearer guidelines to reduce interpretative variability, while companies must ensure that their practices translate into meaningful outcomes. Research plays a pivotal role in identifying how this balance can be achieved in practice, offering recommendations for both regulatory design and corporate strategies.

These findings have broader implications for future mandatory due diligence laws. As more nations develop similar frameworks, they will need to address challenges like regulatory ambiguity and ensure that laws incentivise tangible improvements rather than procedural compliance. Policymakers should integrate sector-specific guidance and mechanisms to support

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smaller firms, thereby fostering inclusivity and ensuring that human rights protections extend across global supply chains.

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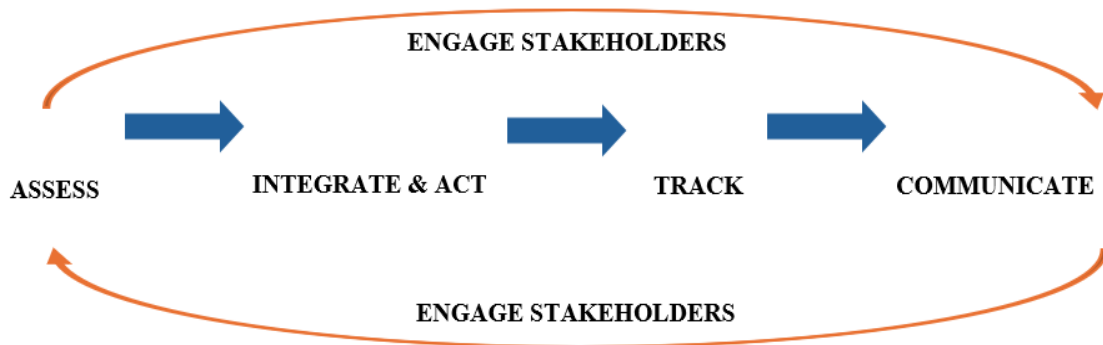
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Appendix A: HRDD Framework

This diagram illustrates the Human Rights Due Diligence (HRDD) process as outlined in the UNGP framework. It highlights the cyclical nature of HRDD, involving assessment, integration and action, tracking progress, and communication, all underpinned by continuous stakeholder engagement.



Adapted from the UNGP framework: the process includes assessment, followed by integration and action, tracking progress, and communication (Ruggie 2011)

Appendix B: Data Collection Overview

Data Type	Description	Collected Data	Source/Details
Interviews with German Companies	Semi-structured interviews with companies operating in the German food sector to gather insights on HRDD and living wage implementation.	6 interviews.	Positions: 1 Human Rights Officer, 4 Sustainability Managers, 1 Social Compliance Project Manager. Interviews lasted 30-60 minutes each.
Interviews with Stakeholders	Semi-structured interviews with members of civil society and external institutions to understand broader perspectives on living wage practices and LkSG implementation.	3 interviews.	Institution A (Policy advisor), Institution B (NGO), Institution C (Government-owned agency).
Archival Records	Public documents, including Codes of Conduct, Sustainability Reports, and Policy Statements from the analysed companies and external institutions.	88 documents.	Categories: HRDD, Sustainability Policies, Compliance Practices, among others. Used for triangulation and comparison with interview data.
Conference Notes	Notes and observations from the Fourth Annual Conference, “Unpacking Human Rights and Environmental Due Diligence”.	4 panels, 26 panellists and keynote speakers.	Topics related to HRDD and corporate governance mechanisms for living wages in GSCs.

Appendix C: Company and Institution Profiles

Section 1: Companies

Company	Size	Supply Chain Position	Interviewee Position
Company A	[1000; 5000]	Processing/ Fast-moving consumer goods trader	Human Rights Officer
Company B	[1000; 5000]	Processing/ Fast-moving consumer goods trader	Sustainability Manager
Company C	[1000; 5000]	Wholesaler	Sustainability Manager
Company D	[5000; 10000]	Processing/ Fast-moving consumer goods trader	2 Sustainability Managers
Company E	[100000; 500000]	Retailer	Social Compliance Project Manager
Company F	[100000; 500000]	Retailer	-
Company G	[100000; 500000]	Retailer	-

Section 2: Institutions

Institution	Size	Interviewee Position	Institutional Role
Institution A	[0;1000]	Advisor	Policy advisor body: human rights awareness promoter at both national and international scopes; Intermediary between governments, authorities and civil society.
Institution B	[0;1000]	Policy Advisor	NGO: advocates for regulations to ensure corporate accountability for human rights violations internationally, evaluating specific cases and breaches.
Institution C	[5000; 10000]	Business and Human Rights Expert	Government-owned agency develops projects to assist companies and governments on sustainability and human rights issues.

Appendix D: Simplified Agriculture Supply Chain – Living Income and Living Wage

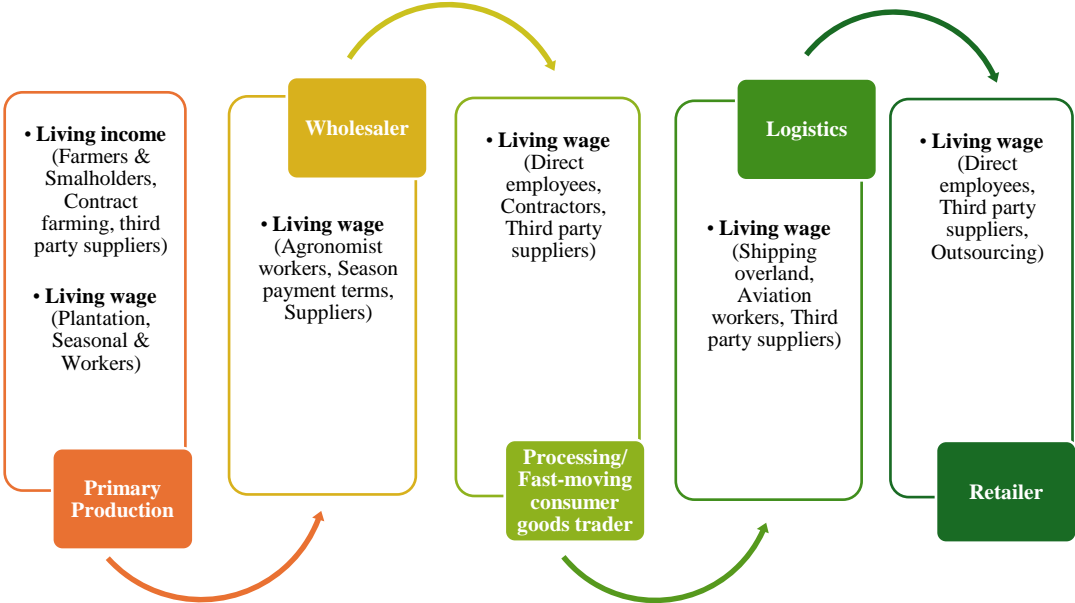


Figure adapted from OECD Handbook on Due Diligence for Enabling Living Incomes and Living Wages in Agriculture, Garment, and Footwear Supply Chains (2024).

Appendix E: Overview of Supplier Countries in Emerging Markets

This list comprises all supplier countries from all companies analysed in this study, categorized by continent.

Africa

- South Africa
- Maroc
- Ghana

South America

- Chile
- Ecuador
- Colombia
- Brazil
- Peru
- Central America
- Costa Rica
- Guatemala
- Honduras

Asia

- China
- Thailand
- India
- Pakistan
- Bangladesh
- Vietnam
- Malaysia
- Indonesia
- Sri Lanka
- Philippines

Europe

- Poland
- Turkey

Appendix F: Types of Documents Analysed per Company

Source	Documentation Analysed	
Company A	<ul style="list-style-type: none"> - Rules of Procedure for the LkSG - Online News - CSR Report 2016; 2018; 2020 - Annual Report 2019; 2020 - Code of Conduct for Business Partners 	<ul style="list-style-type: none"> - LkSG Statement - Code of Conduct for Suppliers - Website articles - Annual Report 2023
Company B	<ul style="list-style-type: none"> - Annual Report 2023 - Progress Report - Online News - Online Sustainability Report - Website articles 	<ul style="list-style-type: none"> - Progress Report 2021
Company C	<ul style="list-style-type: none"> - Available Online Interview - Policy Statement on Human Rights 2023 - Code of Conduct for Business Partners 2024 - Supplier Declaration 	<ul style="list-style-type: none"> - Website articles - Online news
Company D	<ul style="list-style-type: none"> - Sustainability Report 2022/2024 - Human Rights and Environmental Policy - Tailored Programmes online information - Responsible Purchasing Practices Report - Rules of Procedure Statements 	<ul style="list-style-type: none"> - Human Rights and Environmental Policy Statement - Social and Environmental Policies - Online news - Website articles
Company E	<ul style="list-style-type: none"> - Sustainability Report 2022 - Supplier Code of Conduct 2024 - Policy Statement 2024 - Sustainability Guideline 2022 - Living Wages and Income Guideline - Gender Guideline 	<ul style="list-style-type: none"> - Child Labour Guideline - Group Progress Report 2023 - Social and Human Rights Guidelines 2021 - Online news - Website articles
Company F	<ul style="list-style-type: none"> - Human Rights and Environment Policy Statement - LkSG Statement - CSR Progress Reports - Human rights and Environment due diligence statement - Sustainability Reports 	<ul style="list-style-type: none"> - Living Wages and Living Income International Position Statement - Codes of Conduct for suppliers and business partners - Online news - Website articles
Company G	<ul style="list-style-type: none"> - Human Rights and Environment Policy Statements - Statement on Supermarket-Check 2022-2026 - CSR progress reports - Sustainability Reports 	<ul style="list-style-type: none"> - Living Wages and Living Income International Position Statement - Online news - Website articles
Institution C	<ul style="list-style-type: none"> - Website project articles and news - Project Statements - Living Wages project articles - Articles on legal mechanisms in emerging countries - Responsible Purchasing Practices articles 	<ul style="list-style-type: none"> - Guidelines and Frameworks for Advisory Purposes - Projects Progress and report - KPIs guidelines - Case studies - Website articles
Additional	<ul style="list-style-type: none"> - OECD Handbook on due diligence for enabling living incomes and living wages in agriculture, garment and footwear supply chain 2024 	

Appendix G: Eisenhardt's (1989) Framework for Qualitative Coding

Phase	Description
Within-Case Analysis	Develop precise narratives considering each case individually to understand the context and key aspects of the analysis.
Cross-Case Analysis	Identify patterns across cases through categorisation, comparisons, and analysing the data from varying perspectives to uncover broader insights.
Iterative Hypothesis Shaping	Refine constructs by comparing emerging patterns with the data to enhance the validity of the analysis.
Triangulation	Use multiple data sources, methods, and insights to strengthen the findings and ensure robustness.
Theoretical Saturation	Continuously adjust with the introduction of new cases or revised protocols to capture emerging themes and ensure comprehensiveness.
Literature Integration	Compare emergent theories with existing literature to validate findings, identify contradictions, and enhance theoretical depth.
Closure	Conclude the process when an accurate and credible theory is fully developed, ensuring the findings are comprehensive and reliable.

Appendix H: Five-Phase Process of Analysis' Purposed by Bingham (2023)

Phase	Description
Organising the Data	Categorises the data, organising it in an accessible and systematic way using deductive analysis and attribute coding to classify data by type or source and track procedural details.
Sorting the Data	Engages in pre-coding, establishing pre-defined codes aligned with the study's aim and research questions, filtering data into categories, and noting emergent ideas or patterns for later exploration.
Understanding the Data	Shifts to inductive analysis to identify patterns and themes from the data, allowing for the development and refinement of codes during interactions with the collected data.
Interpreting the Data	Identifies patterns and themes to create findings statements. Uses pattern coding to categorise codes into broader patterns and themes, refining the data into precise and actionable findings.
Explaining the Data	Combines deductive and inductive analysis to examine findings within established literature and theoretical frameworks, analysing how findings converge or diverge from existing research.