



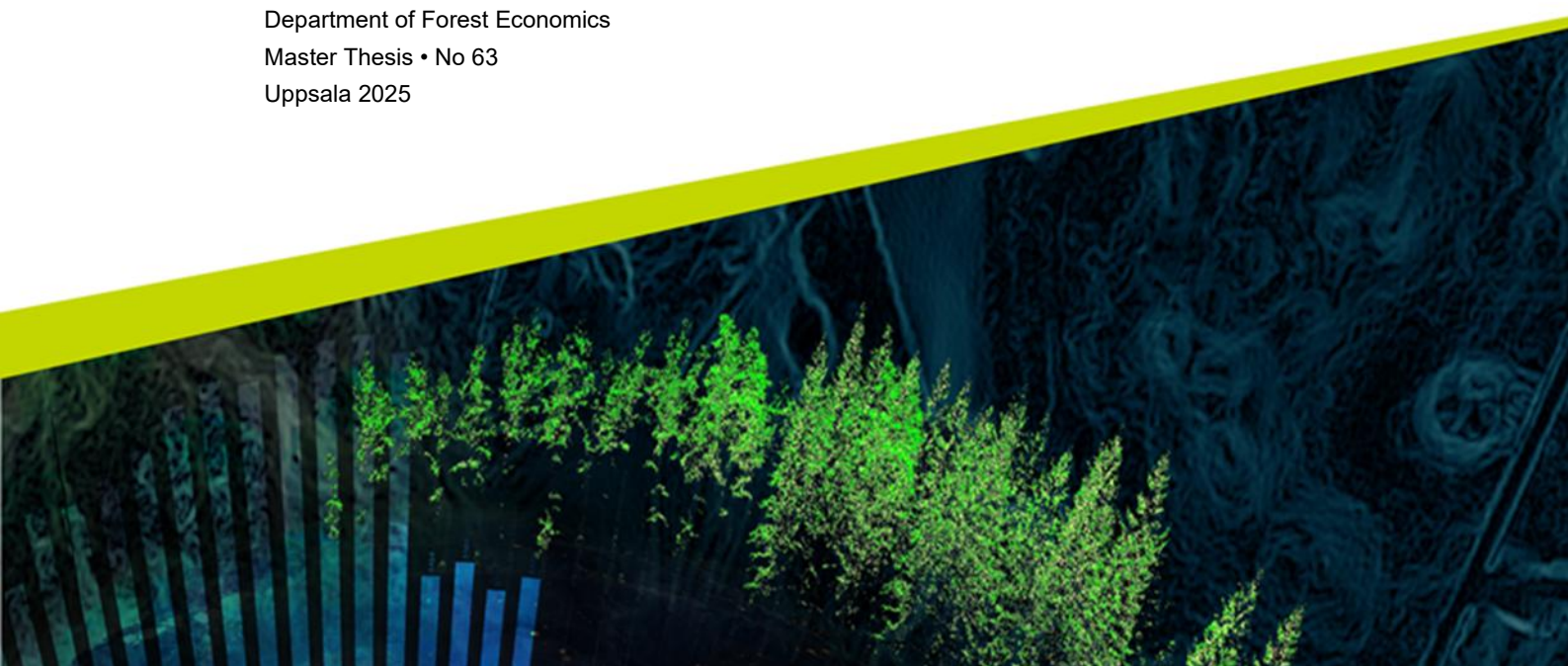
Corporate Sustainability Due Diligence Directive

– Lessons from due diligence legislations in the fashion industry

Corporate Sustainability Due Diligence Directive - Lärdomar från lagstiftning om tillbörlig aktsamhet inom modeindustrin

Linnéa Waninger

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Linnéa Waninger

Supervisor:	Cecilia Mark-Herbert, Swedish University of Agricultural Sciences, Department of Forest Economics
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Swedish University of Agricultural Sciences

Faculty of Forest Sciences

Department of Forest Economics

Summary

This thesis explores the Corporate Sustainability Due Diligence Directives (CSDDD) capacity in driving companies to implement effective and meaningful due diligence processes. It draws upon learnings from the implementation of the German Supply Chain Act (LkSG) and the Norwegian Transparency Act (NTA) in the textile and fashion sectors, analysing how these legislations have influenced company Human Rights Due Diligence (HRDD) practices. The thesis also sheds light on the potential effects of the Omnibus proposal. Eight companies in the textile and fashion industry have been included in the study.

Two main data collection techniques have been used: a qualitative content analysis and an interview study. The content analysis served as the primary source of data collection, assessing the companies HRDD practices by reviewing sustainability reports and other publicly available information describing their HRDD processes. The thesis compares how the companies reported on HRDD processes in 2021 and 2023 to answer the following questions: (1) what has changed, (2) how closely do the companies align with the OECD Guidelines for Multinational Enterprises (OECD) and UN Guiding Principles on Business and Human Rights (UNGPs), and (3) what gaps remain. The years were selected because neither the NTA nor the LkSG had entered into force in 2021, whereas both had by 2023. To complement the content analysis, semi-structured interviews were conducted with sustainability professionals (referred to as *Key informants* in this thesis). The interviews had two main focuses: validating the findings from the content analysis and contributing to insights on the Omnibus proposal.

The theoretical framework draws on New Institutional Theory and Lauren Edelman's Legal Endogeneity Theory. It assumes that various factors influence how companies respond to legal requirements, ranging from the law itself to societal and stakeholder expectations, and peer behaviour. The framework explains corporate responses to regulation through three key dimensions: the regulatory dimension, the normative and mimetic dimension, and the legal endogeneity dimension. The latter one emphasises that law is not solely an external force shaping organisational behaviour (i.e., laws are *exogenous* to organisation), but that the meaning of law and compliance is actively co-constructed by the organisational practices (i.e., laws are *endogenous* to organisations). For the CSDDD, this suggests that how companies interpret and implement the Directive will not solely depend on its formal legal text, but also on how its provisions are translated, shaped, and legitimised within corporate practices.

While the thesis suggests that the companies have improved their HRDD processes between 2021 and 2023, gaps against the OECD and UNGPs remain. This highlights potential risks of shortcomings in the future effectiveness of the CSDDD. For the CSDDD to have the desired outcomes, the thesis argues that it will be critical to provide guidance on how the HRDD should be implemented and set clear expectations on companies. In addition, enforcement mechanism (i.e., sanctions and civil liabilities) should be ensured and effectively implemented in national legislation. In short, the goal should be to keep the law *exogenous* to companies at its early stages of implementation, rather than its meaning being shaped by the companies' own interpretations. The Omnibus creates additional risk to effective implementation of the Directive. Importantly, the fact that gaps remain even in the relatively advanced textile and fashion industry suggest that even bigger challenges may lie ahead in less advanced sectors, raising important questions about how well the Directive can drive real change that creates meaningful improvement for workers and communities along global value chains.

Sammanfattning

Denna uppsats undersöker Direktiv om tillbörlig aktsamhet för företag i fråga om hållbarhet (EN: *Corporate Sustainability Due Diligence-direktivets, CSDDD*) kapacitet att driva företag att implementera effektiva och meningsfulla processer för tillbörlig aktsamhet. Uppsatsen bygger på lärdomar från implementeringen av den tyska Lieferkettengesetz (LkSG) och den norska Åpenhetsloven (NTA) inom textil- och modebranschen, och analyserar hur dessa lagstiftningar har påverkat företagens arbete med tillbörlig aktsamhet för mänskliga rättigheter (EN: *Human Rights Due Diligence, HRDD*). Uppsatsen belyser även de potentiella effekterna av Omnibus-förslaget. Åtta företag inom textil- och modeindustrin har inkluderat i studien.

Två huvudsakliga datainsamlingstekniker har använts: en kvalitativ innehållsanalys och en intervjustudie. Innehållsanalysen utgjorde den primära datakällan. Den granskade företags HRDD-processer genom att analysera hållbarhetsrapporter och annan offentligt tillgänglig information som beskriver företags arbete med HRDD. Uppsatsen jämför hur företagen rapporterade HRDD-processer mellan 2021 och 2023 för att besvara följande frågor: (1) vad har förändrats, (2) hur väl följer företagens OECD:s riktlinjer för multinationella företag (OECD) och FN:s vägledande principer för företag och mänskliga rättigheter (UNGPs), samt (3) vilka gap återstår. Årtalet 2021 och 2023 valdes eftersom varken NTA eller LkSG hade trätt i kraft år 2021, dock var lagstiftningarna implementerade år 2023. Innehållsanalysen kompletterades med semistrukturerade intervjuer med hållbarhetsexperter (benämnda *nyckelinformanter* i denna uppsats). Intervjuerna hade två huvudsakliga syften: att validera resultaten från innehållsanalysen och bidra med insikter om Omnibus-förslaget.

Det teoretiska ramverket bygger på ny-institutionell teori samt Lauren Edelmans teori om rättslig endogenitet (EN: *Legal Endogeneity*). Det utgår från att företags reaktioner på lagkrav påverkas av olika faktorer – lagens utformning och samhälleliga förväntningar till intressenters krav samt rådande normer och beteenden inom branschen. Företags respons på lagar förklaras genom tre centrala dimensioner: den regulatoriska dimensionen, den normativa och mimetiska dimensionen samt dimensionen för rättslig endogenitet. Den sistnämnda belyser att lagen inte enbart verkar som en extern kraft som styr organisatoriskt beteende (det vill säga att lagen är *exogen* i förhållande till organisationen), utan att innebörden av lag och regelefterlevnad även medproduceras genom organisationers egna praktiker (det vill säga att lagen blir *endogen* i relation till organisationen). I kontexten av CSDDD innebär detta att företagets tolkning och tillämpning av Direktivet inte enbart kommer att bero på dess formella juridiska innehåll, utan även på hur dess bestämmelser översätts, formas och legitimeras inom företagets verksamhet.

Även om studien har visat att företagen har förbättrat sina HRDD-processer mellan 2021 och 2023 kvarstår gap mot OECD: riktlinjer och UNGP. Detta indikerar på potentiella brister i CSDDD:s framtida effektivitet. För att Direktivet ska nå sitt syfte argumenterar uppsatsen att det är viktigt att tillhandahålla vägledning och att formulera tydliga förväntningar på företag. Vidare bör effektiva tillsyns- och verkställighetsmekanismer, såsom sanktioner och civilrättsligt ansvar, säkerställas och integreras i nationell lagstiftning. I Direktivets inledande fas är det viktigt att lagen fungerar som en exogen drivkraft för förändring, snarare än att dess innebörd formas av företagets egna tolkningar. Omnibus-förslaget utgör en ytterligare risk för Direktivets effektiva genomförande. Det faktum att brister kvarstår även inom den relativt avancerade textil- och modeindustrin tyder dessutom på att ännu större utmaningar kan ligga framför oss i mindre avancerade sektorer, vilket väcker centrala frågor om hur väl Direktivet kan driva verklig förändring som skapar meningsfulla förbättringar för arbetstagare och samhällen längs globala värdekedjor.

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Abbreviations

Abbreviation	Definition	Page
BCI	Better Cotton Initiative	40
CSDDD	Corporate Sustainability Due Diligence Directive	11
EEO	Equal Employment Opportunity	15
GSC	Global Supply Chains	31
HREDD	Human Rights and Environmental Due Diligence	11
HRDD	Human Rights Due Diligence	12
NTA	Norwegian Transparency Act	12
LkSG	German Supply Chain Act	12
OECD	Organisation for Economic Cooperation and Development	11
UNGPs	United Nations Guiding Principles on Business and Human Rights	11

1 Introduction

The introductory chapter provides the background for the thesis. It explains the importance of the CSDDD while also problematising the outcome of the Directive. It defines the aim of the research and the research questions.

1.1 Problem background

Company engagement in human rights due diligence has for long been a voluntary practice. The United Nations Guiding Principles for Business and Human Rights (hereinafter: **UNGPs**) and the Organisation for Economic Cooperation and Development Guidelines for Multinational Enterprises (hereinafter: **OECD**) have set guidelines for how businesses should engage in human rights in their own organisations and global value chains (Patz 2022). However, it has been recognised that voluntary measures have been insufficient to prevent adverse impacts on human rights and negative environmental impacts (Schilling-Vacaflor and Gustafsson 2023; Munoz 2025). Therefore, there is a growing consensus that legally binding human rights frameworks are needed to ensure business compliance with human rights standards (ibid.). National and EU Human Rights and Environmental Due Diligence (**HREDD**) legislations have therefore appeared, presenting as a particularly promising way to govern human rights and environmental practices in global value chains (ibid.).

The most ambitious law of this kind is the Corporate Sustainability Due Diligence Directive (hereinafter: **CSDDD** or *the Directive*), which came into force in July 2024 (European Commission 2025c). The Directive mandates companies to conduct risk-based due diligence to identify, assess and remedy actual and potential adverse impact on human rights and the environment in their own operations, subsidiaries, and chains of activities (ibid.). However, despite the intentions of the CSDDD, the effectiveness of the law can be questioned. Research on earlier adopted human rights laws, such as the French Law of Vigilance and the Modern Slavery Act, reveal that companies often possess discretion in fulfilling their compliance obligations (Monciardini et. al., 2021; Schilling-Vacaflor and Gustafsson 2023). Therefore, it is not given that human rights due diligence legislations will generate systematic changes, pushing companies to respect human rights in global value chains.

Scholars within law and sociology have long been debating the effectiveness of civil rights law to bring meaningful social change (Edelman and Talesh 2011). According to Edelman (2004: 1) “One of the most central questions in the sociology of law is the extent to which legal rights can produce social change”. This question can also be asked for the CSDDD - Will the CSDDD have the capacity to drive companies to implement effective human rights due diligence processes, to ultimately create meaningful social change for workers and communities in their own operations and global value chains?

The challenges in driving companies to implement effective due diligence processes are not only tied to the law itself – there are also political obstacles. The CSDDD was adopted on 25 July in 2024, but only after facing resistance from several EU member states (Holly & Dicalou, 2024). Following the finalising of the triologue negotiations between the EU Council, EU Parliament, and European Commission in December 2023, countries, including Germany and Sweden, opposed themselves to key elements of the law (ibid.). This opposition led to a weakening of the legislation, such as the removal of high-risk sectors and an increase in the threshold for companies subject to the Directive (ibid.).

However, political concerns regarding the Directive did not stop with its adoption. In February 2025, the European Commission adopted the Omnibus package to simplify due diligence requirement (European Commission 2025a, 2025b). The Omnibus suggests narrowing the scope of due diligence obligations from the current *Chains of activities* to *direct suppliers in Tier 1*¹ and indirect suppliers when there is *plausible information* to believe that negative impacts occur beyond the first-tier supply chain (ibid.). It also proposes a weakening of enforcement mechanism, specifically the provisions on civil liability and sanctions (ibid.). Given the political landscape in the EU and the ongoing resistance to the CSDDD, questions remain about how the Directive will be implemented in the EU and at the national level, and whether it will succeed in driving companies to adopt efficient due diligence mechanisms (ibid.). This is especially relevant in the light of the Omnibus and its potential outcomes.

Prior to the CSDDD, there are countries that have implemented national legislation aiming at improving corporate human rights and environmental performance in global value chains (Federal Ministry of Labour and Social Affairs 2021, 2025; Forbrukertilsynet 2024; Holly & Dicalo, 2024). These countries include Germany with the German Supply Chain Act (2021), and Norway with the Norwegian Transparency Act (2022) (ibid.). The German Supply Chain Act (hereinafter: **LkSG**) and the Norwegian Transparency Act (hereinafter: **NTA**), similar to the CSDDD, are based on the OECD and UNGPs (ibid.). Despite some differences in the specifics of the legislations, their core remains the same: they mandate companies to implement Human Rights Due Diligence (**HRDD**) processes to ensure respect of human rights (ibid.).

To understand the potential capacity of the CSDDD in driving companies to adapt adequate due diligence processes, one could draw on learnings from the LkSG and the NTA. By examining how the enforcement of these legislations have influenced company due diligence practices, it could provide insights into the potential effectiveness of the CSDDD, as well as highlight potential shortcomings in the implementation and outline of the Directive. The LkSG becomes particularly relevant in the light of the Omnibus, as the Omnibus-CSDDD is becoming increasingly aligned with the structure of the LkSG. This is evident in the Omnibus proposals of narrowing the due diligence scope to *Tier 1 and plausible information*, which is similar to the LkSG *Tier 1 and substantiated knowledge* (Federal Ministry of Labour and Social Affairs 2021; European Commission 2025a; 2025b). The frameworks share the same underlying rationale - main HRDD obligations apply to Tier 1, while due diligence extends to indirect suppliers when there is reason to believe that there exist adverse impacts beyond Tier 1 (ibid.).

Furthermore, conducting a study on the CSDDD's potential effects is especially timely as the EU is currently developing its official implementation guidelines (European Commission 2025d). Identifying and learning from the shortcomings of earlier HRDD-legislation, will be crucial to ensuring these issues are not repeated in the final design and rollout of the CSDDD.

A relevant sector for such an analysis is the textile and fashion industry. Textile and garments were identified as a high-risk sector in the European Commission's original draft Directive from February 2022 (European Commission 2022). The sector has been associated with adverse human rights and environmental impacts, including tragedies such as the collapse of Rana Plaza in 2014, resulting in the death of 1100 garment workers (ILO 2017). Even if high-risk sectors were removed from the final Directive (EU 2024 Directive 2024/1760/EU), it is still important that the CSDDD ensures that companies in high-risk sectors adopt due diligence processes that

¹ Tier 1 refers to an organisations direct business partners or suppliers (European Commission 2025a, 2025b).

respects workers and communities' human rights in the value chains. This context provides a rationale for this thesis to focus on due diligence practices of fashion companies.

1.2 Aim and research question

The aim of this thesis is to assess the CSDDD's capacity in driving companies to implement effective HRDD processes. This is been carried out by drawing upon learnings from the LkSG and the NTA. The LkSG and the NTA, similar to the CSDDD, aim to ensure that companies respect human rights by implementing HRDD processes in line with the OECD and UNGPs. By examining how companies have responded to these legislations, both in terms of implementation and limitations, the thesis aims to provide insights to whether the CSDDD is likely to lead the adoption of effective HRDD mechanism.

Additionally, in the light of the Omnibus proposal, the thesis also explores the potential consequences of adopting the changes proposed by the Omnibus to the CSDDD. Two of the most noteworthy changes in the Omnibus proposal includes the narrowing down of the scope of due diligence obligations to focus on a smaller part of the value chain, and the suggested modification of enforcement mechanisms, specifically the civil liabilities and sanctions (European Commission 2025a). These adjustments could have significant implications for the effectiveness of the Directive. The research questions are therefore:

- To what extent does the CSDDD have the capacity to drive companies to implement effective HRDD processes, to ultimately create meaningful change for workers and communities along global value chains?
- What are the potential implications of the Omnibus proposal?

The research question will be answered by the following sub-questions:

1. How have companies' HRDD practices changed from pre-legislation to enforcement period of the German Supply Chain Act and the Norwegian Transparency Act?
2. To what extent do companies subject to the German Supply Chain Act and the Norwegian Transparency Act align their HRDD processes with the OECD and UNGP?
3. What are the gaps between the companies' HRDD processes and the due diligence processes outlined by the OECD and UNGP?

The thesis places a particular emphasis on textile and fashion companies, as this sector is widely recognised for its ongoing human rights challenges (OECD 2025). The textile and fashion industry is also a relevant case given its long-standing and continuous engagement with human rights issues (Nolan 2022), making it a meaningful case for this study.

Furthermore, the CSDDD and the LkSG contain components of both human rights and environmental due diligence (Federal Ministry of Labour and Social Affairs, 2021; EU 2024 Directive 2024/1760/EU). This thesis focuses specifically on the human rights dimensions of due diligence, with particular emphasis on due diligence within the upstream value chain, where the most adverse human rights impacts typically occur within the value chains of textile and fashion companies. A comprehensive overview of the delimitations can be found in Chapter 3.

2 Theory

This chapter outlines the theoretical framework of the thesis. It presents New Institutional Theory and Lauren Edelman's Legal Endogeneity Theory. It also introduces the outline of a conceptual framework, based on New Institutional Theory and the Legal Endogeneity Theory.

2.1 New Institutional Theory

New Institutionalism aims to explain the role of formal institutions, such as governments, organisations, and the legal system, in shaping outcomes and behaviour in society (Scott, 2014). The theory was introduced in 1980s due to the limits of earlier institutional theories. Earlier institutional theories viewed institutions as static, formal, and enduring structures, intended to create stability in society, for example, governments and the legal systems (Meyer and Rowan, 1977). In contrast, New Institutionalism views institutions as dynamic and socially constructed entities that change over time (Meyer and Rowan, 1977; DiMaggio and Powell (1983). New Institutionalism highlights how institutions influence, and are influenced by, societal norms, values, and cultures (ibid.). Thereby, institutions evolve along with the development of society.

Furthermore, one main difference between earlier intuitionism and new intuitionism, is how the theoretical approaches explain how organisations adapt to their operational environments (Meyer and Rowan, 1977). Earlier institutionalist claimed that organisations were mainly influenced by a formal set of rules and structures, provided by their institutional environment (ibid.). In contrast, New Institutionalism is based on the idea that organisations are both influenced by formal institutions (e.g., governments, legal environment) while also adapting to informal societal norms, values, and expectations (ibid.). Thus, New Institutionalism provides a nuances perspective on how organisations are influenced by a complex interplay of formal and informal values, rules, norms, and structures to adapt to their operational environments.

This theoretical approach in this study builds on the work of Meyer and Rowan (1977), DiMaggio and Powell (1983), and Scott (2014). They explain how institutions shape and form organisational behaviour due to the regulatory and normative pressure they are exposed to. Meyer and Rowan (1977) emphasise how organisations adapt to societal expectations, not because it is the most efficient way to do so, but because it allows them to gain legitimacy and resources. The willingness and motivation for organisation to gain legitimacy is central to Meyer and Rowan (1977). DiMaggio and Powell (1983) explain how and why organisations adapt similar patterns of behaviour through the processes of institutional isomorphism. The three main mechanisms in institutional isomorphism are *coercive isomorphism* (i.e., adoption to formal rules imposed by regulators), *normative isomorphism* (i.e., adoption to shared norms, values and beliefs within a field or sector), and *mimetic isomorphism* (i.e., imitating structures, practices, and/or behaviour of precursors). Lastly, Scott (2014: 59-70) underlines how institutions are shaping organisational behaviour through three pillars: *The regulatory pillar* (i.e., formal and informal rules and laws); *The normative pillar* (i.e., unwritten social norms, values and ethical standards); *The culture-cognitive pillar* (shared beliefs and taken-for-granted norms and rules). Together, these three theorists help to explain and develop and understanding on how organisations are influenced by formal and informal societal structures, norms, values, and rules, rather than static rules imposed upon them.

2.2 The Legal Endogeneity Theory

While New Institutional Theory, building on Meyer and Rowan (1977), DiMaggio and Powell (1983), and Scott (2014), emphasise how institutions shape and form organisational behaviour based on formal and informal institutions, the Legal Endogeneity Theory is based on the idea that organisations also serve to *influence* institutions (Monciardini et. al., 2021; Edelman and Talesh 2021). Legal Endogeneity Theory focuses on the regulatory dimensions in New Institutional Theory, meaning DiMaggio and Powell's (1983) *coercive isomorphism* and Scotts (2014) *regulatory pillar*. The core of the theory is the assumption that organisations are not only *influenced* by laws and regulations, but also help to *influence* laws and regulations (Edelman & Talesh 2011). Thus, the theory criticises traditional legal and managerial theories, including New Institutional Theory, for solely defining law as an *external force* shaping the behaviour of organisations, i.e., the law being *exogenous* to organisations. Instead, the Legal Endogeneity Theory is based on the idea that laws and regulations are also *influenced and shaped* by the same organisations it aims to regulate, i.e., laws are *endogenous* to organisations (Edelman 2004; Monciardini et. al., 2021; Edelman and Talesh 2021). According to the Legal Endogeneity Theory, the way law is implemented in organisations is not only based on external narratives – it is highly influenced by the organisation's own internal norms, structures, and dynamics (ibid.)

The Legal Endogeneity Theory draws on Lauren Edelman's empirical work on Equal Employment Opportunity (EEO) in the United States in the 1990s and 2000s (Edelman 1992). During Edelman's research in the US, Edelman found that organisations did not tend improve workplace discrimination and inequality, despite falling under EEO laws and adopting EEO policies and procedures. According to Edelman (1992), the reason for this was that the organisations had reconfigured the legal ideas and aligned them with their own objectives, processes, and needs. This led to, instead of working on improving EEO, the organisations adopted processes and policies that made it seem like they were compliant with EEO laws. This resulted in organisations gaining legitimacy, without making larger changes to their internal ways of operating. Based on this research, Edelman (1992) found that civil-rights laws often do not lead to their intended and desired outcome. For the CSDDD, this suggests that how companies interpret and implement the Directive will not solely depend on its formal legal text, but also on how its provisions are translated, shaped, and legitimised within corporate practices.

Furthermore, Edelman identified the process to which organisations shape externally imposed laws and regulations (Monciardini et. al., 2021). This is explained in Table 1.

Table 1. Legal Endogeneity Theory overview, inspired by Monciardini et al. (2021: 295)

Steps	Explanation
1. Ambiguous laws	Laws that aim to regulate organisations, such as EEO-laws, tend to be broad and ambitious. The laws tend to leave little guidance to what organisations must do to comply with the law, leaving them open for interpretation and in some cases controversy.
2. Professional framing of the laws	Compliance professionals working within the organisations (e.g., HR, legal, etc) or external consultants (e.g., lawyers, management consultants) help organisations interpret the law. Organisations do not learn about laws by reading legal acts, but from compliance professionals and/or consultants' interpreting the legal environment for them. The compliance professionals and/or consultants play a role in shaping managers understanding and knowledge of laws, and ultimately, organisations responses to laws.
3. The diffusion of symbolic forms of compliance	Organisations may apply forms of compliance that symbolically demonstrate attention to law. However, this provides flexibility to continue business as usual. Forms of compliance include policies and procedures that mimic the legal requirements. Sometimes, the structures are robust and substantive. However, many times they are merely symbolic and do not make the organisation adapt to the legal environment, i.e., they do not create change or address the issue in question. These structures are called <i>symbolic structures</i> .
4. The managerialisation of compliance	By the time the company has set up the symbolic structures, the company starts operating them.
5. The mobilisation of symbolic structures	Symbolic compliance provides the illusion that the organisation truly complies with a legislation. These structures help the organisation to be viewed as fair, while preventing the right mobilisation.
6. Legal deference to symbolic structures	<p>Legal institutions, such as courts and parliaments, “endorse” or “mandate” the symbolic structures without questioning their lack of effectiveness. By incorporating the symbolic structures into formal rulings, which is carried out by legal institutions, the law becomes endogenous.</p> <p>The first phase of the Legal Endogeneity Theory, namely the ambiguous law, may itself stem from a law following symbolic gestures rather than addressing real issues. This makes the theory circular, rather than linear.</p>

Table 1 illustrates that when organisations are confronted with ambiguous laws, they tend to respond by developing policies and processes that symbolise compliance (Edelman, 2016: 12). According to Edelman (2016:12) “*As these policies and programs become commonplace in organisations, employers and employees alike tend to equate the mere presence of these structures with legal compliance and become less aware of whether the structures actually promote legal ideals*”. Thereafter, compliance becomes associated with these structures. It is of less relevance that organisations themselves developed the processes and, in this way, influenced the debate on how civil rights compliance should be understood (Edelman & Tatesh 2011). Following this, courts and lawyers accept the ideas about compliance that originate within the organisation (ibid.).

The Legal Endogeneity Theory thereby suggests that organisations do not passively adapt to laws; instead, they actively shape the content and meaning of laws (Edelman 1992; Edelman 2004; Edelman & Talesh 2011). Compliance does not solely become a matter of following externally imposed rules, as suggested by New Institutional Theory, but involves a dynamic process in which organisations influence and contribute to the formation and interpretation of legal standards context (Monciardini et. al., 2021).

Once the process of legal endogeneity has taken place, New Institutional Theory may help to explain how this ‘spills over’ to other organisations. According to DiMaggio and Powell (1983), companies within similar sectors tend to mimic each in their actions and behaviour (i.e., *institutional isomorphism*). This means that, once companies have started to respond to a law in a certain way, other companies are likely to follow this behaviour. Thereby, company interpretation and response to laws becomes institutionalised. The Legal Endogeneity Theory thereby helps to explain how organisations ‘make sense’ of laws and how they co-construct the meaning of law and compliance (Monciardini et. al., 2021). New Institutionalism can then help to explain how this constructed perception of compliance, shaped by legal endogeneity, spills over to other companies and organisations, and eventually to the legal system.

2.3 Critique of the Legal Endogeneity Theory

While the Legal Endogeneity Theory was developed as a critique to New Institutional Theory, the Legal Endogeneity Theory contains limitations. First, Edelman’s (2016) argument that organisations often adopt symbolic structures to signal compliance, rather than implementing effective genuine change might be overly cynical. Instead of companies exploiting legal ambiguity, symbolical compliance may serve as a stepping-stone towards substantive reforms, in which in some cases, symbolic acts can catalyse deeper organisational transformation (Edelman et. al. 1991). It may therefore only be a matter of time until the symbolic structures create organisational changes. Secondly, there is a risk of portraying companies as overly self-interested and resistant to genuine compliance, when in fact many companies aim at being compliant or go beyond compliance (Gunningham et al., 2004). The challenges to not engage in genuine form of compliance may lie in the ambiguity of the law itself. When legal requirements are vague or open to interpretation, companies may struggle to understand what meaningful compliance entails (Edelman 2016). As Edelman (2016) notes, organisations rely on *compliance professionals* to interpret legislations (see Table 1, Step 2). The very need for translation suggests that some companies are seeking to understand and fulfil legal and ethical expectations but may lack the clarity needed to drive transformative change. Therefore, a critique and limitation of the theory may lie in its cynicism.

2.4 Conceptual framework

The theoretical framework builds on New Institutional Theory and the Legal Endogeneity Theory, and is constructed around three dimensions. The three dimensions are developed based on the theories and consists of the following three dimensions: *Regulatory Dimension*, *Normative and Mimetic Dimension*, and on the *Legal Endogeneity Dimension*.

The purpose of the conceptual framework is to improve the understanding of how companies respond to HRDD legislation. This study will apply the framework to examine how companies engage with the NTA and LkSG, i.e., to what extent they implement the legislations through a regulatory dimension, a normative dimension, or the legal endogeneity dimension. This mutually reinforcement is supported by Foorthuis (2012), highlighting that companies do not respond to one legal rule in isolation, but to multiple legal and normative pressures. However,

if companies primarily engage in formal compliance behaviours aligned with legal endogeneity, the thesis argues that there is a risk of that insufficient HRDD practices may become institutionalised. These consequences will then be discussed in Chapter 7.

This section will continue with explaining the three dimensions, followed by Figure 1, illustrating the interrelation of the dimensions.

2.4.1 The three dimensions

The *Regulatory Dimension* encompasses DiMaggio and Powell's (1983) *coercive isomorphism* and Scott's (2014: 59-70) *regulatory pillar*. This dimension builds on institutional ideas that formal and informal rules and laws shape organisational behaviour. According to DiMaggio and Powell's (1983), coercive isomorphism refers to the process in which organisations become increasingly similar to each other due to external pressure from laws, regulators, or influential stakeholders. This pressure can either be formal or informal. Scott's (2014: 59-70) regulatory pillar highlights that organisations behave in certain ways due to formal obligations. If they do not adhere to these obligations, they may face fines or legal actions.

The *Normative and Mimetic Dimension* encompasses Meyer and Rowan (1977), DiMaggio and Powell's (1983) *normative isomorphism* and *mimetic isomorphism*, and Scott's (2014) *normative pillar* and *culture-cognitive pillar*. The dimension builds on institutional ideas, highlighting that companies adapt to what is expected from them within society, in addition to adapting to formally and informally imposed laws and rules. Companies adapt to shared norms, values, and beliefs within a field or a sector, and to societal expectations. The reason for doing so is that it allows them to gain legitimacy and resources (Meyer and Rowan, 1977).

Furthermore, DiMaggio and Powell's (1983) *mimetic isomorphism* explains that companies tend to mimic or imitate one another in situations of uncertainty. Organisations tend to imitate other organisations that are perceived as successful or legitimate. According to DiMaggio and Powell's (1983), mimic isomorphism happens when organisations are unsure about how to respond to ambiguous situations. As a response, they copy the actions of peers that are perceived legitimate and to be doing well.

The *Legal Endogeneity Dimension*, finally, encompasses Lauren Edelman's (1992, 2004, 2016) legal endogeneity theory, as explained above. This dimension builds on the idea that formally and informally imposed laws on companies may lead to *the diffusion on symbolic forms of compliance*, meaning that organisations are likely to apply forms of compliance that symbolically demonstrate attention to law, while the company continues to engage in business as usual (i.e., *the managerialisation of compliance* and *the mobilisation of symbolic structures*). This particularly happens when the laws imposed on companies are broad and ambiguous. Once the company starts to operate within the structures that it has created, the Legal Endogeneity Theory states that companies shape the broader understanding on what it means to be compliant with a law (i.e., *legal deference to symbolic structures*, please refer to Table 1, Step 6).

2.4.2 Bringing the dimensions together

Building on New Institutional Theory and Legal Endogeneity Theory and the dimensions presented above, the process of how companies implement laws and how laws are being institutionalised in society does not end by the Legal Endogeneity Theory. Instead, it loops back into institutional theories. This means that, when organisations begin to shape the understanding of what it means to be compliant with a law, it will continue to influence how the law is understood and enforced (i.e., regulatory dimension). As the symbolic practices become

normalised and legitimised, they will spread across companies (i.e., normative and mimetic dimension). Based on this, it can be argued that the three dimensions are mutually reinforcing. The process can be visualised in Figure 1 (and Appendix 2, for a full illustration).

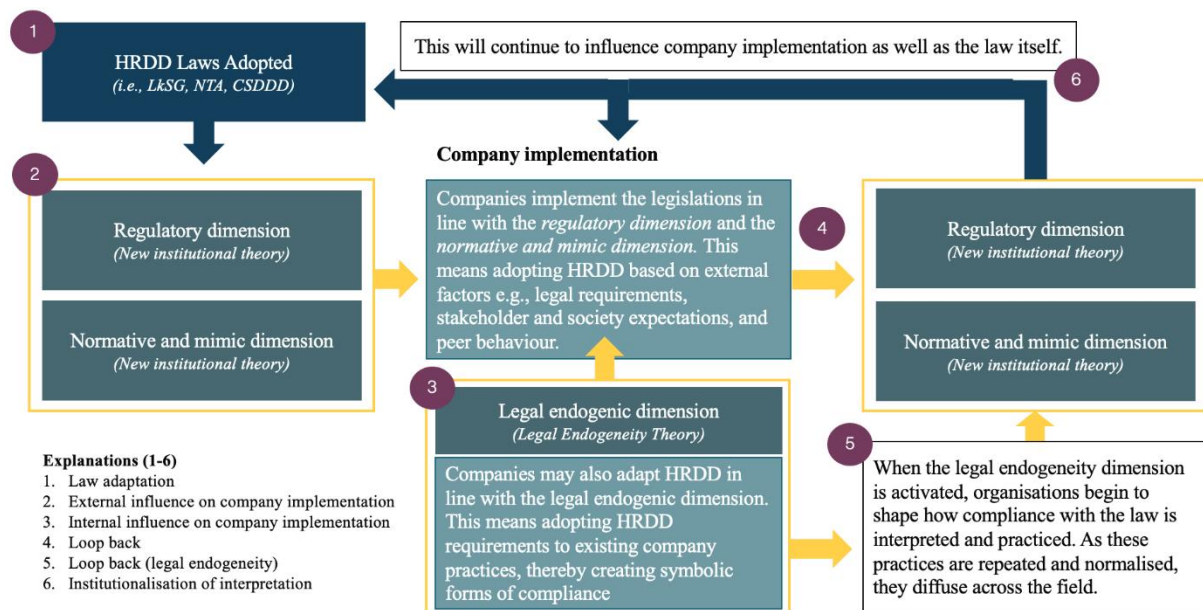


Figure 1. Overview of the conceptual framework.

This circular principle in Figure 1 illustrates that the three dimensions could be seen as mutually reinforcing. It shows that first, a HRDD law is adopted (1). Following this, external factors influence company implementation, through the regulatory dimension and the normative and mimetic dimension (2). The regulatory dimension explains that companies implement the law based on its legal provisions. The normative and mimetic dimension influences company behaviour through stakeholder expectations and peer actions.

Following this, the company may implement the law through legal endogeneity, i.e., the companies adapt the legal requirements to existing company practices (3). This this means that companies may apply forms of compliance that symbolically demonstrate attention to law while continuing business as usual. Once implemented, this company-specific interpretation of compliance feeds back into both the regulatory and the normative/mimetic dimensions (4). If the legal endogeneity dimension has been activated, these interpretations could become institutionalised through the regulatory dimension and normative dimension (5). Thereby, companies continue to influence how compliance with the law is interpreted and practiced (6).

For this dynamic to occur and following Edelman's (2016: 12) and DiMaggio and Powel's (1983) reasoning, an important component is that the law must be broad and ambiguous. Edelman (1992, 2016: 12) highlights that when laws are ambiguous, organisations are likely to implement the legal requirement to align with internal goals. Due diligence legislations could be interpreted as ambiguous as they are process-based by their very nature, i.e., they outline general HRDD steps based on the OECD and UNGPs framework (illustrated in Figure 2 in Chapter 4) without being detailed in their requirements. This is likely to create an uncertainty for companies on how to interpret them, thereby making legal endogeneity possible.

3 Method

This chapter presents the method for the thesis. It begins by outlining the general research approach, followed by a description of the selection of legislation, sector, and companies. The chapter then explains the procedures for data collection and analysis, delimitations and ethics.

3.1 General approach

Two main data collection techniques have been used for this thesis: a qualitative content analysis (described in section 3.4) and an interview study (described in section 3.5). The content analysis is the main source of data collection, focusing on assessing company HRDD practices by reviewing sustainability reports and other publicly available information. The content analysis was supplemented by semi-structured interviews with sustainability professions (referred to in this thesis as *Key informants*). The interviews had two main focuses: validating the findings from the content analysis and contributing to insights on the Omnibus proposal.

The results from the content analysis are presented in the *Results*-chapter (Chapter 5) and analysed through the theoretical framework outlined in Chapter 6. The findings from the interviews are presented in Chapter 4 *Empirical background* and further discussed in the Chapter 7 *Discussions*. The placement of the results from the content analysis and interviews in these sections is intentional, as the content analysis serves as the primary source of data collection and is the main object of analysis, while the interviews offer additional perspectives. As the interviews are intended to serve as complementary perspectives rather than form the core of the analysis, their results are incorporated into empirical background and discussion.

This chapter will proceed by outlining the selection of legislation (Section 3.2), followed by the rationale for sector and company selection (Section 3.3). It will then present the qualitative content analysis (Section 3.4) and the interview study (Section 3.5).

3.2 Due diligence legislation selection

Companies being in scope of the NTA and LkSG were identified as suitable for three reasons. First, all three legislations (NTA, LkSG, and CSDDD) are based on the due diligence requirements outlined in the OECD and UNGPs (Government of Norway 2021; Federal Ministry of Labour and Social Affairs 2021; Forbrukertilsynet 2024; EU 2024 Directive 2024/1760/EU). Despite some variations in the specifics of the laws, the core of the legislations remains the same – their purpose is to mandate companies to implement due diligence processes in line with the OECD and UNGPs (ibid.). Secondly, the legislations are ambiguous in nature, as they do not outline the precise methodologies for implementing the process steps (ibid.). While the legislations build upon the OECD and UNGPs frameworks and outline some key procedural steps, they leave room for flexibility and interpretation, contributing to their overall ambiguity. Thirdly, the legislations are tied to sanctions and/or civil liabilities. Given the similarities between the legislations, including companies in scope of the LkSG and the NTA has been deemed relevant for the study.

3.3 Sector and company selection

The company selection for the study is based on companies in high-impact sectors, originally included in the European Commission's February 2022 Draft Directive (European Commission, 2022). The definition of high-impact sector are "*sectors with high risk of adverse impacts and for which OECD guidance exist*" (EU, Proposal COM(2022) 71 final: p.21) and

include “*wholesale trade of textiles, clothing and footwear*” and more (ibid.: p.33). Despite the exclusion of high-impact sectors in the final version of the CSDDD, selecting companies from high-impact sectors is still deemed relevant as they historically have been linked to severe adverse human rights and environmental impacts. As the European Commission’s Draft Directive states, the high-risk sectors “*...reflect the priority areas of international action aimed at tackling human rights and environmental issues*” (EU, Proposal COM(2022) 71 final: p.33).

Furthermore, the thesis is specifically addressing companies operating in the textile and fashion industry. The fashion sector has been included in this study primarily due to its long history of being linked to adverse human rights impacts (Nolan 2022; Velluti 2024). The sector is also a consumer-facing industry and has encountered public pressure to adopt ethical business practices (MacCarthy, 2012; Nolan 2022). Consequently, many companies in this sector have for long been working with HRDD, making it particularly relevant and insightful for the study.

The specific companies selected for the study have been chosen based on three criteria. Firstly, the companies needed to operate within the fashion industry. Secondly, the companies had to be in scope of the LkSG and/or the NTA. The threshold for LkSG is a minimum of 1000 employees in Germany, while the threshold for the NTA is 50 employees, annual turnover of NOK 70 million, and a balance sheet of NOK 25 million (Federal Ministry of Labour and Social Affairs 2021, 2025; Government of Norway 2021; Forbrukertilsynet 2024). Thirdly, the companies had to be large enough to fall in scope of the CSDDD (for the CSDDD thresholds, please refer to Chapter 4, Table 4). As a result, eight companies were selected for the study (Table 2).

Table 2. Selected units for analysis

Norwegian Transparency Act (NTA)	German Supply Chain Act (LkSG)	Both legislations (NTA and LkSG)
Varner	Hugo Boss	Inditex
Lindex	Zalando	H&M
Mango	Adidas	

The companies selected for the research are Varner, Lindex, Mango (in scope of the NTA), Hugo Boss, Zalando and Adidas (in scope of the LkSG), and Inditex and H&M (in scope of both the NTA and the LkSG, as illustrated by Table 2. These companies are expected to fall under the scope of the CSDDD when the Directive comes into force.

3.4 Qualitative content analysis

The content analysis builds upon company sustainability reports and other publicly available information that highlights company HRDD performance. The choice of qualitative content analysis and document review is supported by Denscombe (2018), who highlights the advantages of using documents in research, particularly in terms of data accessibility and the potential for study replication. Document analysis serves two primary purposes in this study: it demonstrates how companies are addressing HRDD requirements while underscoring the critical role of transparency. Transparency is significant in the OECD, UNGP and the legislations: the OECD and the UNGP require companies to transparently communicate on their HRDD processes stakeholders (OECD 2018, 2023; UNHRC 2011), while the LkSG and NTA mandate companies to report on due diligence processes (Government of Norway 2021; Federal Ministry of Labour and Social Affairs 2021; Forbrukertilsynet 2024). Therefore, by analysing

company sustainability reports and other publicly available information, it will shed light on both company HRDD performance while also emphasising the role of transparency.

3.4.1 Sustainability report selection

Sustainability reports from the year 2021 and 2023 have been selected for the content analysis. The selection of year 2021 and 2023 is based on the rationale that analysing sustainability reports from these years will provide insights into how company HRDD performance has changed from pre-due diligence-legislation to enforcement periods: The NTA and LkSG were introduced in 2021 and came into force the coming years (Federal Ministry of Labour and Social Affairs 2021, 2025; Forbrukertilsynet 2024). The LkSG was published in the Federal Law Gazette in July 2021 and came into force in January 2023 (Federal Ministry of Labour and Social Affairs 2025). Similarly, the NTA was introduced in June 2021 and came into force on July 1st, 2022 (Forbrukertilsynet 2024). The first corporate reports in line with the LkSG were published in 2023 for the financial year 2022, while the first NTA-reports were published in July 2023 (ibid.). A comparison of sustainability reports for financial year 2021 and 2023 therefore provides insights to HRDD legislations potential capacity to influence corporate HRDD processes. Reports from 2023 were selected to ensure a fair and relevant comparison, as most sustainability reports for 2024 had not yet been published at the time of writing.

3.4.2 Data collection and analysis

The structure of the data collection for the content analysis is inspired by Zhang and Wildemuth (2017) suggested content analysis steps:

Step 1: Prepare the Data

According to Zhang and Wildemuth (2017: 3), the first step of the content analysis is to convert the data into written text. If the data is extracted from texts that already exist, the content choice must be justified by what the researcher wants to know (Patton, 2002). In this study, the data has been extracted from text that already exists, namely, company sustainability reports and other publicly available information. Extracting data from these units is justified because company due diligence performance is what the thesis aims to study, and sustainability reports and other public company information contain this information.

Step 2: Define the Unit of Analysis

“The unit of analysis refers to the basic unit of text to be classified during content analysis” (Zhang and Wildemuth, 2017: 3). According to Zhang and Wildemuth (2017: 3), before a text can be coded, messages must be unitised, as coding decisions and the comparability of outcomes otherwise can be affected. Individual themes, found in words, sentences, paragraphs, or in entire documents, serve as the units for analysis in a qualitative content analysis. This differs from quantitative content analysis, where isolated words, sentences, or paragraphs usually are the units of analysis (ibid.).

As the purpose of the content analysis has been to understand (i) company performance on HRDD processes, (ii) HRDD process gaps, (iii) how companies’ HRDD performance has changed from pre-legislations to enforcement periods, the units of analysis have been texts describing the company’s HRDD performances. This has for example included texts where companies describe their work on human rights, sustainable supply chain management, and human rights impacts and risks. The texts have both been extracted from sustainability reports and other public available information, such as policy documents and human rights reports.

Step 3: Coding Scheme

To categorise the data, the information extracted in Step 2 was categorised into a coding scheme based on key HRDD requirements (see Appendix 1). The development of this coding scheme followed a two-step process: (1) the creation of assessment categories, and (2) the formulation of evaluation criteria for each category.

First, the assessment categories were structured around three core areas: (1) Human Rights Governance, (2) Identifying, Assessing, and Prioritising Impacts, (3) Managing and Mitigating Impacts. Stakeholder engagement was incorporated under the first category, *Human Rights Governance*. These three areas were inspired and informed by the HRDD frameworks outlined in the CSDDD, OECD, and UNGPs, as they represent foundational steps in any effective HRDD process. The link between the categories and the CSDDD is detailed in Appendix 3.

In the second step of the development of the coding scheme, each of the three assessment categories were broken down into specific sub-questions. These sub-questions were also inspired by core requirements in the CSDDD, OECD, and UNGPs. Each sub-question was assigned a scoring system to enable comparative analysis of companies' HRDD practices. This scoring approach is explained in more detail in Step 4. An illustration of the coding scheme is presented in Table 3 below, whereas the full coding scheme is presented in Appendix 1.

As the CSDDD is a new Directive, a structured method on how to assess companies based on its requirements has not yet been developed, a coding scheme and an assessment framework was therefore developed. The coding scheme was designed based on the author's expertise as a sustainability consultant, with more than five years of experience of working with the OECD and UNGP frameworks. The authors background provides a solid foundation for developing practical assessment criteria that align with the OECD, UNGPs, and the CSDDD.

Table 3. Overview of the coding scheme and assessment framework

<i>Name of the assessment category</i>					
		Excellent (3p)	Met (2p)	Partial (1p)	Unmet (0p)
1.	Sub-question	Assessment criteria	Assessment criteria	Assessment criteria	Assessment criteria
		Explanation of assessment criteria	Explanation of assessment criteria	Explanation of assessment criteria	Explanation of assessment criteria

Table 3 gives an example of the coding scheme and assessment framework. It is structured around the assessment categories, sub-questions, and the assessment criteria and scoring for each sub-question. The complete coding scheme is available in Annex 1, Table 19, 20, and 21.

Step 4: Analysis and comparative analysis

Once the data was collected and categorised into the coding scheme, an analysis on company HRDD performances was performed. The analysis highlighted how companies aligned its processes with HRDD requirements in 2021 and 2023, changes over time, and potential gaps. The analysis was carried out by coding each information extracted from company reports, based on the level of detail, transparency, and alignment with HRDD-standards. The scoring scale ranged from 0 to 3 points per question. Details are illustrated in Appendix 1.

3.5 Interview study

The content analysis is complemented by an interview study carried out with *Key informants*. Key informants represent external sustainability professionals who are to be seen as *compliance professionals* in Lauren Edelman’s Legal Endogeneity Theory (Edelman & Talesh 2011; Edelman 2016), as they work closely with companies in helping them interpret and implement HRDD requirements. Key informants offer valuable insights to this study, as they hold first-hand knowledge on how companies interpret and implement HRDD-processes. The decision to include interviews with key informants was driven by the limitations of content analysis alone (as discussed in Section 3.6). As earlier noted, the interviews had two main focuses: validating the findings from the content analysis and providing insights on the Omnibus. Table 4 illustrates the interview process with key informants.

Table 4. Interview process with key informants

Respondent	Role	Organisation	Date	Sent for validation	Date for validation
R1	Senior Advisor	Consultancy 1	2025.03.17	2025.03.21	2025.03.28
R2	Senior Advisor	Consultancy 1	2025.03.17	2025.03.21	2025.03.28
R3	Advisor	Consultancy 1	2025.03.17	2025.03.21	2025.03.28
R4	Advisor	Consultancy 1	2025.03.17	2025.03.21	2025.03.28
R5	Senior Advisor	Consultancy 2	2025.03.24	2025.03.28	2025.04.04

Table 4 presents an overview of the respondents for the study. The interviews were carried out in March 2025 and included discussions with key informants from two Swedish sustainability consultancies. To meet the inclusion criteria for the study, the respondents were required to have a minimum of four years of professional experience working with corporate sustainability, HRDD, and implementation the UNGP and OECD principles. Furthermore, the respondents also had to be actively involved in interpreting and working with the Omnibus proposal.

The interviews were semi-structured and took place in the form of a focus group (with Consultancy 1) and a personal interview (with Consultancy 2). According to Danielson (2017), semi-structured interviews provide a flexibility to the researcher, where a few predetermined questions are chosen while the rest of the interview is not predetermined. This allows for follow-up questions, and in-depth and detailed responses. Both the focus group and the personal interview were structured around the same questions (see Appendix 4).

The *focus group interviews* with Consultancy 1 (i.e., R1, R2, R3, R4) were conducted in-person and lasted approximately 90 minutes. The discussions were moderated by the researcher, who ensured balanced participation, guided the conversation, and provided further clarification when needed. The use of focus groups as a research method is supported by Nyumba et. al. (2018), who highlight their ability in creating an interactive environment where participants engage not only with the interviewer but also with one another. This dynamic enables a more nuanced discussions that can uncover insights not easily accessible through individual interviews. The *personal interview* with Consultancy 2 (i.e., R5) was also held in-person and lasted 90 minutes. All interviews were recorded and transcribed. Table 2 highlights when the interviews took place and when the transcription was sent to and validated by the respondents.

3.6 Delimitations

Empirical delimitations

The CSDDD and the LkSG contain components of both human rights and environmental due diligence (Federal Ministry of Labour and Social Affairs, 2021; EU 2024 Directive 2024/1760/EU). This thesis concentrates on the human rights aspects of the legislations and exclude its environmental provisions. In other words, the thesis focuses Human Rights Due Diligence (HRDD), and not Human Rights and Environmental Due Diligence (HREDD) (ibid.). Secondly, the CSDDD, LkSG, and NTA mandates companies to carry out due diligence in their own operation, subsidiaries, and value chains. This thesis primarily focuses on how companies implement HRDD in their upstream supply chain. Therefore, own operations, subsidiaries, and downstream activities fall outside of the scope of this research.

Method delimitations

The research has been limited to only assess larger companies within the textile industry. There is a possibility that the research would have generated different results if another sector or different companies would have been selected for the study. Furthermore, additional insights could have been gained if representatives from the selected companies had been interviewed. Public information usually does not provide full information on a company's processes, and the extent of these processes may differ from what is publicly communicated. To help mitigate this limitation, interviews with sustainability professionals were conducted. These interviews provided additional understandings on how companies implement HRDD processes as well as what HRDD processes will mean for the Omnibus.

Furthermore, the interpretation and analysis of the data collective is subjective, particularly in relation to the CSDDD. As the CSDDD has not yet come into practice, what it means for a company to be compliant is yet up for interpretation. There exist other due diligence guidelines, such as the due diligence guidance developed by the OECD, to guide the assessment and interpretation of the CSDDD (OECD 2018). However, as long as there exists formal guidelines on how to interpret this specific legislations, the assessment of whether a company complies with a specific article if the Directive is subjective. To reduce this uncertainty, the thesis has aimed to clearly define the criteria used for assessment, including what constitutes a strong or a weak answer for every assessment question. These criteria are illustrated in Appendix 1 and further discussed in section 3.7 Quality assurance.

Lastly, this thesis has specifically focused on three assessment categories namely: governance, identification and assessment of adverse impacts, management and mitigation of impacts, and stakeholder engagement (embedded within 'identification and assessment'). Other relevant components, such as remediation and grievance mechanisms, have been excluded from the scope of the study. As earlier discussed, the research has also focused on the human rights aspect of the due diligence, while environmental criteria have not been assessed. It is possible that the findings may have differed if these aspects also had been considered.

3.7 Quality assurance

Validity, reliability, and objectivity are important criteria for evaluating the quality of a research. Riege (2003) discusses how to select research methods to achieve reliability and validity, but notes that few methods have been developed to address these factors in qualitative research. To construct validity, multiple sources of evidence were used, including interviews and secondary data from sustainability reports and other public information. The interviews

were conducted with sustainability professionals and were recorded and transcribed (Appendix 3). The secondary data was collected from sustainability reports and other public information.

To ensure reliability, a coding scheme was developed (further described in 3.4 and illustrated in Annex 1). The coding scheme outlines the specific questions and criteria used to evaluate the texts found in company sustainability reports. Given the ambiguity of due diligence legislations, it was deemed important and essential to provide clear and consistent guidance on how to interpret company reports and descriptions of HRDD-processes. Therefore, to achieve this objective, each main question was accompanied by explanations on how the text should be interpreted, as well what is deemed as a good or a less good answer. The questions and explanations are illustrated in Appendix 1.

Schamber (2000) points out that content analysis can function both as an observation tool for identifying variables in text and an analytical tool for categorisation. For this thesis, the coding scheme was developed to both support the identification of variables and the analytical interpretation. The process of developing the coding scheme began with a test-phase, which involved coding a sample of data, evaluating the results, and adjusting the scheme accordingly. Before the coding scheme was put into practice, it was tested using content from selected sustainability reports. Based on the test-phase, the coding scheme was revised until it reached satisfactory levels of reliability and consistency. This aimed to provide scientific quality.

3.8 Ethical considerations

Even though this thesis mainly relies on publicly available data, ethical considerations remain important (Guillemin & Gillam, 2004). As the research involves the interpretation and evaluation of companies HRDD processes, it is important to ensure that the results and analysis are fair, balanced, and objective of the companies assessed. Due to this, the research strives to uphold principles on transparency (Knottnerus and Tugwell 2016). The data sources, including sustainability reports and other assessed documents, have been referenced. Also, the methods used to analyse the data have been documented in the coding scheme (see Appendix 1), aiming to reduce bias and allow replicability of the study. The purpose of this research has not been to pass judgement on companies HRDD-processes, but rather to identify and highlight broader trends and gaps in the textile and fashion industry.

Furthermore, it has been important to secure the anonymity and integrity of individuals interviewed in the study (Webster et. al., 2014). All participants were informed about the purpose of the research and their right to remain anonymous. They were also made aware that participation was voluntary and that they could choose not to answer questions or terminate the interviews if they wished. However, while all individuals remained anonymous in this study, the focus group method presents challenges to maintaining confidentiality and anonymity (Sim & Waterfield 2019). This is because researchers have limited control over what participants may share outside the group setting (ibid.). To mitigate this risk, participants were explicitly asked to respect the confidentiality of the discussion. Furthermore, no personal or sensitive data about individuals was collected during the interviews.

4 Background for the empirical study

The chapter introduces the OECD and UNGPs and provides an overview of key legislations – namely the LkSG, the NTA, the CSDDD, and the Omnibus – along with human rights risks and HRDD in the textile and fashion industry. It also presents insights from key informants.

4.1 Background to the UNGPs and the OECD

Since their adoption in 2011, the UNGPs have constituted the authoritative global standard for HRDD (UNHRC 2011). That same year, the OECD revised its framework to align with the UNGPs. Together, the UNGPs and the OECD Guidelines have since 2011 outlined corporate responsibilities for HRDD (OECD 2018). The UNGPs and OECD encourage companies to implement HRDD processes to identify and manage adverse impacts associated with their own operation, subsidiaries, and further value chains (UNHRC 2011; OECD 2018). The six steps of the HRDD process are illustrated by Figure 2.

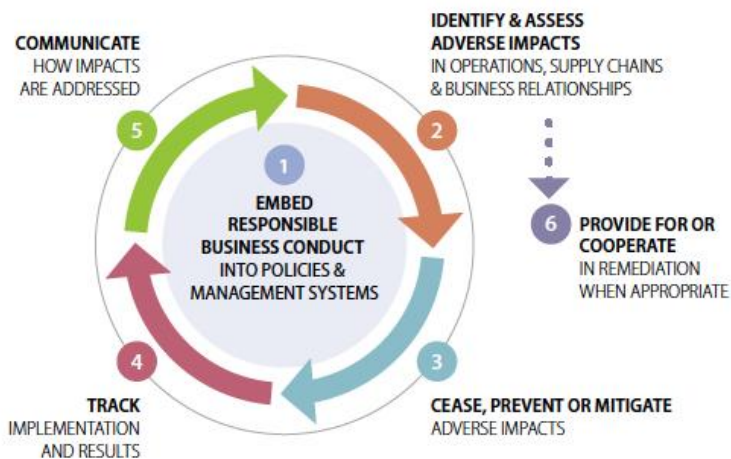


Figure 2. Human Rights Due Diligence (OECD 2018).

Figure 2 shows the six key steps of the HRDD process in line with the OECD: (1) Embedding due diligence into policies and management systems, (2) Identifying and assessing risks and impacts, (3) Preventing, ceasing, or mitigating impacts, (4) Monitoring effectiveness, (5) Communicating externally, (6) Providing remediation. A core principle throughout this process is meaningful stakeholder engagement, including consultation with rightsholders, independent experts, trade unions, human rights defenders, and other civil society groups.

From soft-law to hard-law

The development of the UNGPs and the OECD was driven by the growing recognition that companies must take responsibilities for adverse human rights impacts (Rasche and Waddock 2021). Initially, both frameworks were implemented primarily through soft law mechanisms and voluntary standards (ibid.). However, there has been increasing acknowledgment - among scholars, policymakers, and civil society - that voluntary measures alone are inadequate to ensure meaningful corporate respect for human rights (Velluti 2024). In response, these foundational soft-law frameworks are gradually being translated into binding legal obligations. This regulatory shift is exemplified by recent legislative initiatives such as the NTA, LkSG, and the forthcoming CSDDD. These instruments mandate that companies establish and implement HRDD processes grounded in the principles of the UNGPs and OECD Guidelines. The transition from soft-law to mandatory hard-law frameworks is illustrated in Figure 3.

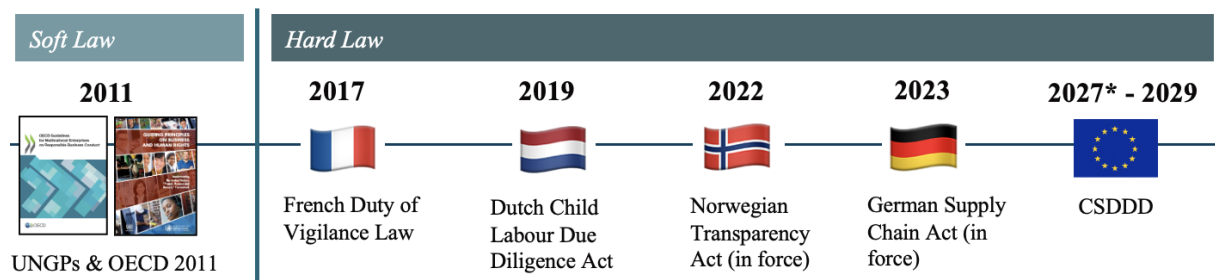


Figure 3. Human Rights Due Diligence Timeline: From Soft Law to Hard Law (Source: Adapted from OECD/UNHCR/EU documents).

Figure 3 illustrates the development from soft-law HRDD-frameworks to binding legal obligations. In 2011, the UNGPs were adopted, and the OECD's were revised (UNHRC 2011; OECD 2018). Following this, France adopted its Duty of Vigilance Law, as the first country to introduce a general due diligence law (European Parliament 2022). In 2019, the Netherlands passed a law mandating companies to carry out due diligence to identify and manage child labour (Ministry of Foreign Affairs Netherlands 2019). This continued with the adoption of the NTA and LkSG in 2021, which came into force in 2022 and 2023, respectively (Federal Ministry of Labour and Social Affairs 2021, 2025; Forbrukertilsynet 2024). Most recently, the EU adopted the CSDDD in 2024 (European Commission 2025c). The Directive is expected to enter in force through a phased approach by company size and turnover (starting with 5,000+ employees and 1500 MEUR in 2027, then 3,000+ and 900 MEUR in 2028, and 1,000+ and 450 MEUR in 2029) (ibid.). *However, by the time of writing this thesis, the European Commission 'stop-the-clock' mechanism, linked to the Omnibus proposal, has postponed the Directive's implementation by one year to 2028 (EU Council 2025).

4.2 Overview of the NTA, LkSG, and the CSDDD

The NTA, the LkSG, and the CSDDD build upon the normative foundation established by the UNGPs and the OECD. These legislative instruments mandate the implementation of human HRDD processes, as illustrated in Figure 2. While there are legal and procedural nuances among the NTA, LkSG, and CSDDD, they are all fundamentally rooted in the HRDD framework outlined by the UNGPs and OECD (Nolan 2022; Velluti 2024). Table 5 provides a comparative overview of the legislations.

Table 5. Overview of the NTA, LkSG, and CSDDD

Parameters	Norwegian Transparency Act (NO: Åpenhetsloven)	German Supply Chain Act (DE: Lieferkettengesetz)	Corporate Sustainability Due Diligence Directive
In force	July 2022	January 2023	July 2027 (July 2028, due to Omnibus stop-the clock)
Companies in scope	Larger Norwegian companies Foreign companies with operations in Norway	Enterprises with more than 1000 employees in Germany	EU based companies: 450 MEUR, 1000 employees Non-EU based: 450 MEUR
Scope of due diligence	Value chain (I.e., not explicitly stated. Refers to the OECD)	Companies' own operations and direct suppliers. Indirect suppliers when substantiated knowledge.	Companies' own operations, subsidiaries, and chains of activities
Penalties	Penalties of up to 4% of global turnover or 25 MNOK	Administrative fines up to 8 MEUR, or up to 2% of annual global turnover	Sanctions, minimum 5% of global turnover
Liabilities	Excluded	Excluded	Included

Table 5 provides an overview of the legislations. The NTA, LkSG, and CSDDD all require companies to carry out HRDD but differ in scope and enforcement. The NTA covers large Norwegian companies and their value chains, the LkSG focuses on German companies and their direct suppliers, and the CSDDD has the broadest scope, including EU companies and their subsidiaries. Penalties range from fines of up to 4% (NTA) and 2% (LkSG) of global turnover, to at least 5% under the CSDDD. Only the CSDDD includes civil liability.

4.2.1 The Corporate Sustainability Due Diligence Directive (CSDDD)
The CSDDD will require companies to respect human rights and uphold good environmental practices by implementing HREDD processes (European Commission 2025c). The Directive was proposed by the European Commission in February 2022 and adopted in July 2024 (European Commission 2022, 2025c). Following its adoption, the Directive will be transposed into national legislation across EU Member states (European Commission 2025c). Table 6 illustrates its provisions.

Table 6. The Key Articles of the CSDDD, Corporate Sustainability Due Diligence Directive

Articles	Corporate Sustainability Due Diligence Directive
Article 7	Integrate risk-based due diligence into corporate policies
Article 8 & 9	Identify and assess actual or potential adverse impacts
Article 10 & 11	Prevent or mitigate potential impacts; end or minimise and remediate actual impacts
Article 12	Provide remediation
Article 13	Carry out meaningful stakeholder engagement
Article 14	Establish and maintain a notification mechanism and a complaints procedure
Article 15	Monitor the effectiveness of their due diligence
Article 16	Publicly communicate on due diligence
Article 22	Combating climate change by implementing a transition plan

Table 6 illustrates the provisions of the CSDDD. Article 7 to 16 follow the HRDD-process outlined in the OECD and UNGPs (as illustrated in Figure 2). In addition, the Directive also introduces Article 22, requiring companies to implement a transition plan to combat climate changes (EU 2024 Directive 2024/1760/EU). Figure 4 shows the scope of due diligence.

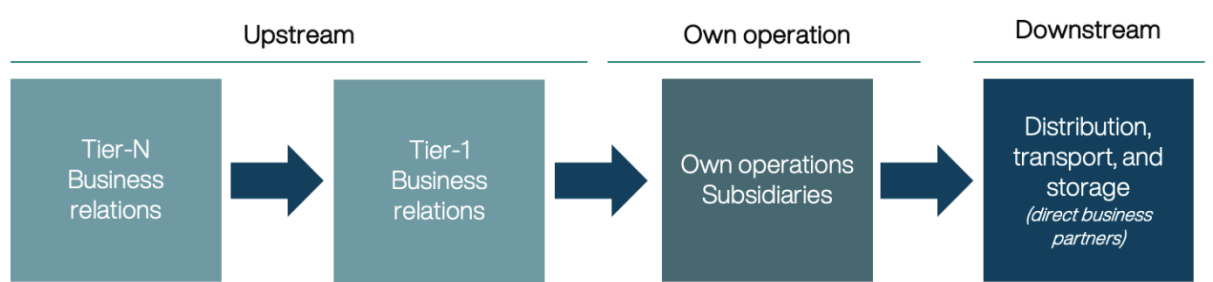


Figure 4. Chain of Activities Covered by the CSDDD, Corporate Sustainability Due Diligence Directive.

The scope of the due diligence obligations encompasses a company’s *Chains of Activities*, as illustrated in Figure 4. The Chains of Activities includes all upstream supply chain activities, such as raw material extraction, design, sourcing, manufacturing, and distribution; own operation and subsidiaries; and direct downstream business partners involved in transportation,

distribution, and storage (European Commission 2024, 2025c; EU 2024 Directive 2024/1760/EU).

Furthermore, the directive introduces a formal oversight mechanism and legal consequences for non-compliance (ibid.). The Directive has two enforcement mechanism: civil liabilities and sanctions. *Civil liabilities* under the CSDDD means that companies can be held legally responsible in court for failing to properly implement human rights and environmental due diligence (ibid.). This means that if a company causes or contributes to harm - such as human rights abuses or environmental damage - affected parties (such as victims or communities) can sue the company for damages and seek compensation (ibid.).

Article 29 of the CSDDD which stipulates that companies can be held civilly liable if: “(a) *the company intentionally or negligently failed to comply with the obligations laid down in Articles 10 and 11, when the right, prohibition or obligation listed in the Annex to this Directive is aimed at protecting the natural or legal person*”; and “(b) *as a result of the failure referred to in point (a), damage to the natural or legal person’s legal interests that are protected under national law was caused*” (Article 29 of EU 2024 Directive 2024/1760/EU).

Sanctions, on the other hand, are penalties or punishments imposed on companies that fail to comply with the Directive’s requirements. Unlike civil liability - which involves private legal claims by victims - sanctions are imposed by public regulatory bodies to ensure compliance and deter violations. Under the CSDDD, companies can face financial penalties (such as fines of at least 5% of global turnover) if they don’t properly carry out HRDD or address impacts.

4.2.2 The German Supply Chain Act (DE: *Lieferkettengesetz, LkSG*)

The LkSG introduces a binding legal obligation for companies based in Germany to implement HREDD processes to respect human rights and uphold good environmental practices in company supply chains (Federal Ministry of Labour and Social Affairs 2021, 2025). Table 7 illustrates the articles of the LkSG.

Table 7. The Articles of the German Supply Chain Act (LkSG)

Nr.	The German Supply Chain Act
1.	Establishing a risk management system (section 4 (1))
2.	Designating a responsible person or persons with the enterprise (section 4 (3))
3.	Performing regular risk analysis (section 5)
4.	Issuing a policy statement (section 6 (2))
5.	Laying down preventive measures in its own area of business (section 6 (1) and (3)) and vis-à-vis direct suppliers (section (4))
6.	Taking remedial action (section 7 (1) to (3))
7.	Establishing a complaints procedure (section 8)
8.	Implementing due diligence obligations with regard to risk at indirect suppliers (section 9)
9.	Documenting (section 10 (1)) and reporting (section 10 (2))

Table 7 illustrates the due diligence obligations under the LkSG. While being based on the OECD and UNGPs normative frameworks, differences exist between the LkSG and the CSDDD. For instance, section 4 (3) of the LkSG specifically requires companies to assign one or more persons responsible for overseeing human rights (Federal Ministry of Labour and Social Affairs 2021, 2025), which is a requirement not explicitly stated in the CSDDD. Furthermore, where the CSDDD specifically mandates companies to carry out stakeholder

engagement (Article 13), this requirement is not emphasised in the LkSG. The CSDDD and LkSG also differ in terms of scope of due diligence, as illustrated in Figure 5 (ibid.).

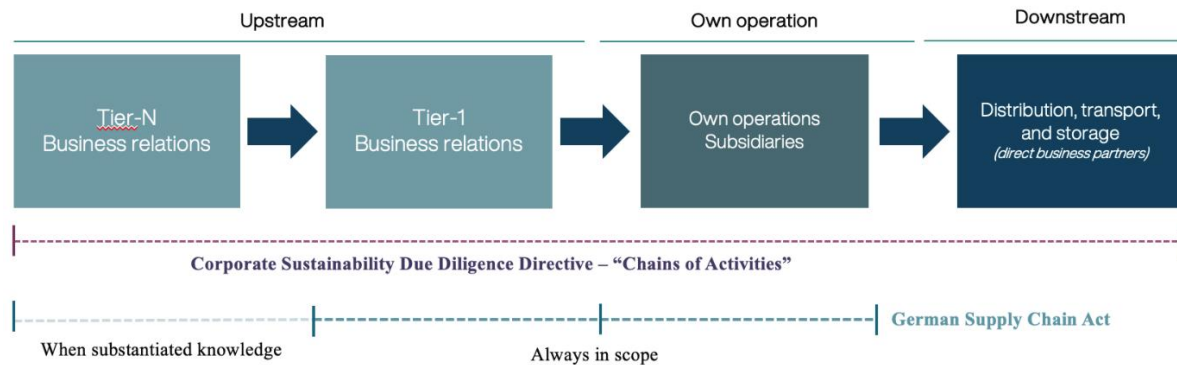


Figure 5. Due Diligence Scope under the CSDDD and the German Supply Chain Act.

Figure 5 shows the due diligence scope under the LkSG and CSDDD. The CSDDD covers entire *Chains of activities*, while the LkSG focuses mainly on direct suppliers, extending to indirect suppliers in case of substantiated knowledge of violations (Federal Ministry of Labour and Social Affairs 2021, 2025). Instances of *substantiated knowledge* have been highlighted by NGOs, accusing German companies of human rights violations in their supply chains beyond Tier 1 (BHRRC 2024). For example, fashion brands such as Hugo Boss, Inditex, and Levi's have faced allegations under the LkSG for abuses involving Tier 1 suppliers (ibid.). Similar to the CSDDD, the LkSG introduces administrative fines if a company fails to meet its due diligence obligations (Federal Ministry of Labour and Social Affairs 2021, 2025, Table 4).

4.2.3 The Norwegian Transparency Act (NO: *Åpenhetsloven*)

The NTA requires companies to promote respect for human rights and decent working conditions across the value chain. It covers companies in Norway and foreign companies that sell products and services in Norway (Government of Norway 2021; Forbrukertilsynet 2024). The NTA also grants the public, NGOs, investors, trade unions, and other stakeholders the right to request information on how companies address actual and potential human rights impacts (ibid.). Companies must respond within three weeks of receiving a request, or they may be liable for penalties (see Table 4).

Compared to the LkSG and the CSDDD, the NTA does not outline detailed due diligence steps. Instead, Section 4 of the NTA mandates companies to implement due diligence aligned with the OECD's six-step process, as illustrated in Figure 2 (Government of Norway 2021; Forbrukertilsynet 2024). Section 5 requires companies to publicly report on their due diligence efforts on their websites annually by 30 June (ibid.). The NTA focuses exclusively on human rights and does not cover environmental issues

4.3 HRDD in the textile and fashion industry

Allegation of human rights and labour rights issues are not new to the fashion industry. The sector has often been subject to public scrutiny and media attention, urging companies to adopt various strategies to improve working conditions in the Global Supply Chains (GSC) (MacCarthy 2012; Nolan 2022). Over the years, these strategies have involved from voluntary initiatives, such as Codes of Conducts, to more binding frameworks encompassing soft-law and hard-law initiatives (Nolan 2022). These initiatives have been ongoing since early 1990s, when many apparel companies began to set guidelines for responsible business conduct (ibid.). Levi

Strauss & CO became the first company to introduce a Code of Conduct, and today, such Codes are widely used in supply chain management, often followed by social audits² (ibid.).

However, despite attempts to manage human rights concerns, the textile and garment industry continues to be associated with adverse human rights impacts linked to its GSCs. Reports on the conditions in many Asian garment factories, producing clothes for well-known brands continue to focus the world's attention to the working conditions in global GSCs (Velluti, 2024). The sector is characterised by precarious employment, health and safety risks, low wages, excessive overtime, gender-based discrimination, and forced labour, among other issues (Velluti 2024; Shabrokh and Rodriguez 2023). In the lower tiers of the supply chain, particularly in sourcing of raw material such as cotton, issues such as child labour, forced labour, health and safety risks, and negative community impacts are prevalent (ibid.). Notably, recent concerns related to cotton production in China's Xinjiang regions have emerged, where reports have documented state-imposed forced labour involving Uyghur minorities (BHRRC 2024).

Despite their significant market power, fashion brands have largely avoided legal accountability for adverse human rights impacts in their GSCs (Velluti 2024). As Schilling-Vacaflor and Gustafsson (2023) observe, the absence of a binding international treaty has made it particularly challenging to hold companies legally responsible for harms caused by their suppliers. Voluntary private initiatives have proven insufficient to address adverse impacts of multinational companies, and none of the measures previously adopted by companies to address human rights have managed to develop a holistic and comprehensive approach that could ensure the prevention and remediation of adverse impacts (Nolan 2022; Nolan and McCorquodale; 2022; Schilling-Vacaflor and Gustafsson 2023). In light of this, transforming HRDD from soft-law to hard-law has emerged as a new mechanism to address adverse impacts.

Human rights due diligence shortcomings

Research on earlier adopted human rights legislations highlights the challenges in implementing efficient HRDD processes. As Mociardini et. al., (2019) observe, there is a risk of a *managerialisation of human rights law*, whereby merely symbolic structures come to be associated with legal compliance, even when they are ineffective at tackling adverse impacts. Within the fashion industry, common shortcomings in the managing human rights risks in GSCs include an overreliance on social audits, insufficient engagement with affected stakeholders, a lack of a worker-centric HRDD approaches, and a failure to extend HRDD beyond Tier 1 suppliers (Nolan and Frishling 2020; Nolan 2022; Velluti 2024; European Commission 2024). This highlights as potential risks when it comes to the CSDDD (Nolan 2022).

According to Ford and Nolan (2020) and Nolan (2022), for HRDD to be effective, it must challenge and move beyond traditional business practices. Rather than being treated as an external add-on, HRDD must be integrated into routine risk management systems. As Nolan notes, *“at its core, due diligence (as opposed to HRDD) is a mechanism to control risk. The challenge of adding human rights to this mix is ensuring that the human rights of rights holders are central to the framework. To move beyond ‘cosmetic compliance’, HRDD must involve those most in danger of being affected by adverse corporate practices in the process, rather than treat them as commodities to be managed”* (Nolan, 2022: 9).

² A social audit is a process that evaluates an organisation's social, ethical, and environmental performance. It aims to assess how well the organisation aligns its activities with its declared social responsibilities by reviewing policies, practices, and impacts. Social audits are commonly used in Supply Chain Management to assess human rights at suppliers (Nolan 2022).

This body of research highlights that fashion companies often struggle with effective HRDD implementation. Nolan (2022) further identifies key limitations in the design of HRDD legislation, particularly where laws fail to provide clear guidance on due diligence requirements or lack effective enforcement mechanisms. Vague legal formulations and weak oversight structures allow companies to preserve existing business models rather than drive structural change toward meaningful HRDD implementation. This results in the over-reliance of social audits and lack of worker centric HRDD mechanisms – approaches that have proven insufficient in safeguarding workers’ rights within GSC (Mociardini et. al., 2019; Nolan 2022).

4.4 Key informants: Current HRDD practices and Omnibus

Current HRDD-practices

According to Key informants, current company HRDD practices vary in both implementation and effectiveness. While both the NTA and the LkSG have led to some improvements in corporate HRDD-practices – particularly in driving companies to increasingly paying attention to HRDD-practices, conducting impact assessments, and identifying risks – limited progress has been made in translating the legal requirements into meaningful changes (R1, R2, R3, R4).

According to Key informants, when the NTA came into force in 2022, it was expected to drive transformative change in corporate HRDD practices (R1, R2). However, reflecting on the past years, R1 and R2 emphasise that the impacts of the NTA has been limited. Companies have often focused on fulfilling the reporting requirements of the NTA, rather than integrating HRDD principles into their core operations (ibid.). A similar observation is made for the LkSG (R1, R2, R3, R4). A key shortcoming of the LkSG is its focus on Tier 1 suppliers, rather than encouraging companies to address the entire value chain as intended under the *substantiated knowledge* clause (ibid.). As R1 state: “*Since the most significant adverse impacts often occur beyond Tier 1, there should be little difficulty in justifying the need to investigate further tiers under the plausible information clause. However, what we have observed under the LkSG, is that there is belief that company due diligence obligations ends at Tier 1.*”. Consequently, the substantiated knowledge clause has yet to fully achieve its intended purpose (ibid.).

However, Key informants highlight that the main challenge is not necessarily the outline of the NTA and LkSG themselves, but rather their enforcement. First, companies often struggle to understand what is required to be compliant with the legislations (R1, R2, R5). As R5 points out, when soft law principles are codified into hard law (especially when it comes to process-based legislations like the NTA, LkSG, and CSDDD), companies often experience uncertainty about the specific steps needed for compliance. The lack of adequate HRDD processes is not necessarily due to unwillingness to comply, but can stems from a lack of clarity on what actions are required (R1, R2). Secondly, enforcement mechanisms play a critical role when it comes to driving companies to implementing adequate HRDD-processes (ibid.). According to R1 and R2, meaningful change primarily occurs when HRDD compliance imposes costs on companies, and law enforcement and follow-up are therefore essential components of the legislations. Based on these insights, Key informants identify two main reasons for the limited effectiveness of the NTA and LkSG: 1) unclear guidance on compliance requirements, and 2) weak enforcement mechanisms.

However, on a positive note Key informants also acknowledge that we are still in the early stages of implementation—the laws have only been in force for a few years, and even small progress now can gradually lead to more significant change over time (R1, R3, R4).

The Omnibus proposal

In February 2025, the European Commission launched the Omnibus proposal (European Commission 2025a, 2025b). The Omnibus suggests further simplification of the CSDDD, with two of its most significant changes being narrowing down the scope of due diligence obligations (illustrated in Figure 6), and removal of the EU-wide civil liabilities regime and 5% penalty cap (ibid.). Figure 6 highlights the proposed due diligence scope under the Omnibus-proposal.

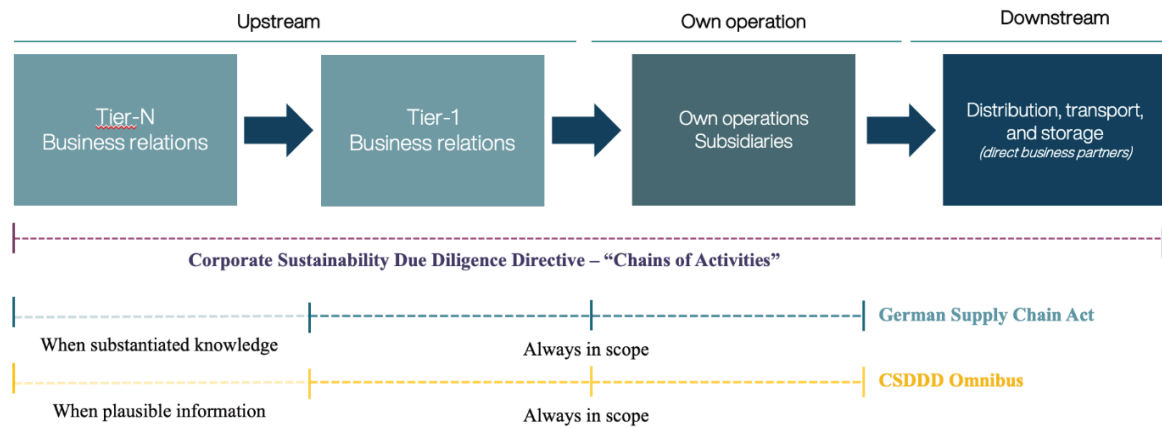


Figure 6. Scope of due diligence obligations under the Omnibus proposal.

Figure 6 illustrates the due diligence obligations of the CSDDD, LkSG, and Omnibus proposal. By limiting due diligence obligations to direct suppliers, the Omnibus proposal aligns more closely with the LkSG. Similar to the LkSG, the revised CSDDD under the Omnibus would require companies to assess direct Tier 1 suppliers, and, where there is *plausible information* suggesting adverse impacts beyond Tier 1, to extend their due diligence efforts (European Commission 2025a, 2025b).

According to key informants, the proposed changes to the CSDDD could further risk undermining its effectiveness (R1, R2, R3, R4, R5). While the EU states that the Omnibus proposal leads to increased flexibility and less regulatory burden on companies (European Commission 2025b) Key informants argue that it might have the opposite effect. For instance, shifting the focus from *Chains of activities* to Tier 1 suppliers and *plausible information* could lead companies to concentrate primarily on Tier 1 supply chains (R1, R2, R3, R4, R5). At the same time, Key informants acknowledge potential benefits in this shift. By requiring companies to act only when there is credible evidence of adverse impacts, the proposal could encourage a more strategic and targeted HRDD approach (R1, R5). However, this would depend on clear guidance and adequate enforcement from lawmakers (ibid.). Key informants refer to experiences with the LkSG, where many companies interpreted the law as applying mainly to Tier 1 suppliers. Without clearer direction, there is a risk that companies will interpret the new provisions narrowly, thereby reducing the overall effectiveness of the CSDDD (ibid.).

A second concern is the proposed removal of the EU-wide civil liability and sanctions regime. Key informants note that, in the absence of enforcement mechanisms, companies are less likely to go beyond basic compliance unless pressured by external stakeholders (R1, R2, R4). For many industries, penalties and legal accountability remain key motivators for implementing effective HRDD processes (ibid.). Therefore, eliminating the civil liability and sanction provisions risks weakening companies' incentives to comply implement HRDD. Moreover, leaving enforcement and sanction regimes to member states could result in an uneven playing field across the EU (ibid.). Therefore, Key informants highlight the risks with the Omnibus.

5 Results

This chapter illustrates the results of the content analysis. The companies have been categorised into three overarching groups, namely Group 1, Group 2, and Group 3 companies, dependent on their scoring. The chapter will explain the results for each company group.

5.1 Overall results

This section presents the results of the company assessment, where companies are grouped into three performance categories based on their total scores. The scores reflect each company's implementation of the HRDD process as assessed according to the framework described in Appendix 1, which provides detailed information on the scoring system, assessment criteria, and weighting. The maximum possible score in the assessment is 41.

The three performance groups are defined as following: High-performing companies (score: 30–41); Middle-performing companies (score: 20–29); and Low-performing companies (score: 0–19). An overview of the companies' scores in 2021 and 2023 is provided in Table 8.

Table 8. Overall company scoring and ranking

	Companies	2021		2023	
		Total scoring	Ranking*	Total scoring	Ranking*
1.	H&M	36	High	36	High
2.	Inditex	38	High	38	High
3.	Varner	35	High	36	High
4.	Lindex	17	Low	25	Middle
5.	Hugo Boss	19	Low	22	Middle
6.	Adidas	20	Middle	26	Middle
7.	Mango	12	Low	16	Low
8.	Zalando	15	Low	19	Low
*Ranking: High 30-41; Middle 20-29; Low: 0-19. Maximum scoring: 41.					

The overall findings, illustrated by Table 8, showed that high-scoring companies consistently performed well in both 2021 and 2023, indicating the implementation of solid HRDD mechanisms aligned with the OECD and UNGPs. Middle-scoring companies demonstrated progress over the period, with some improving from low to middle performance categories between 2021 and 2023. Mid-scoring companies had established basic HRDD processes but still show gaps. In contrast, low-scoring companies remained in the same category in both years, indicating persistent shortcomings in HRDD implementation.

The next coming section will present detailed findings for each of these company categories. The section is structured in line with the following order:

- Group 1 – Highest scoring companies: H&M, Inditex, Varner
- Group 2 – Middle scoring companies: Lindex, Hugo Boss, Adidas
- Group 3 – Low scoring companies: Mango, Zalando

5.2 Group 1: H&M, Inditex, Varner

This section presents the scoring for Group 1 companies: H&M, Inditex, and Varner. These companies achieved the highest results in the study, as they maintained high scores across all assessment categories in both years. Only minor improvements were observed between 2021 to 2023, as illustrated by Table 8. The next part of the section will explain the results per assessment category in greater detail, structured in line with the following order: 1. *Human rights governance*, 2. *Identify, assess, and prioritise impacts*, 3. *Manage and mitigate impacts*.

5.2.1 Human rights governance

This section presents the findings for the assessment category 1. *Human Rights Governance*, as outlined in Table 9. (For detailed assessment criteria, see Appendix 1, Table 19).

Table 9. Group 1 companies: Human rights governance

	Assessment Questions	2021			2023		
		H&M	Inditex	Varner	H&M	Inditex	Varner
Q1	Does the company commit to the OECD and/or the UNGPs?	Met	Met	Met	Met	Met	Met
Q2.	Does the company have a human rights or due diligence policy?	Met	Met	Met	Met	Met	Met
Q3.	Does the company disclose on human rights responsibilities?	Met	Excellent	Partial	Met	Excellent	Partial
Total score (Max 7)		6	7	5	6	7	5

Table 9 illustrates how each Group 1 company performed across human rights governance in 2021 and 2023. All companies achieved high scores by adhering to the OECD and/or the UNGPs (*Q1*) and disclosing on a human rights policy (*Q2*). The main differences in company performance are found within *Q3* ('Human rights responsibilities'). Key findings included:

In 2021 and 2023, *H&M* disclosed on human rights responsibilities (H&M 2021a, 2023a). The company stated that the human rights responsibilities were assigned to the Head of Sustainability and Head of Corporate Governance (ibid.). However, H&M did not disclose on whether there was a Board level committee in charge of overseeing human rights.

Inditex disclosed on human rights responsibilities and sustainability governance in its 2021 and 2023 Annual Report (Inditex 2021a, 2023a). Inditex communicated that the group formed a Sustainability Committee which, among others, was responsible for advising the Board on matters within social and environmental sustainability (Inditex 2021a: 186-7; Inditex, 2023a: 140). Furthermore, in 2023, Inditex also disclosed on sustainability goals being linked to remuneration for executive director and senior managers (Inditex 2023a: 142).

Varner did not specify any role/individual as being specifically responsible for human rights oversight in 2021 and 2023. Instead, the company disclosed on collective roles to ensure sustainability oversights (Varner 2021: 18; Varner 2023: 17-18). Varner did not disclose on whether there was a Board level committee in charge of overseeing human rights (Varner 2021; Varner 2023).

The results indicate that despite disclosing on human rights governance, the companies did not adequately disclose on human rights oversight from the highest governance body.

5.2.2 Identify, assess, and prioritise impacts

Table 10 presents the overall findings for Group 1 companies in the category 2. *Identify, Assess, and Prioritise Impacts*. (For detailed assessment criteria, see Appendix 1, Table 20).

Table 10. Group 1 companies: Identify, assess, and prioritise impacts

	Assessment Questions	2021			2023		
		H&M	Inditex	Varner	H&M	Inditex	Varner
Q1.	Does the company carry out impact assessment on Tier 1 markets/ suppliers?	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Q2.	Does the company carry out impact assessments beyond Tier 1 markets/suppliers?	Met	Met	Met	Met	Met	Met
Q3.	Does the company assess severity and likelihood for human rights impacts?	Met	Met	Partial	Met	Met	Met
Q4.	Does the company disclose salient human rights impacts?	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Q5.	Does the company disclose the method for the risk assessment? I.e., sources and internal and external competences used.	Met	Excellent	Excellent	Met	Excellent	Excellent
Q6	Does the company have an approach to engage with affected stakeholders?	Met	Met	Met	Met	Met	Met
Total score (Max 17)		14	15	14	14	15	15

Table 10 illustrates company scorings for year 2021 and 2023. The companies consistently achieved high scores over the years. Except Varner, improving their scoring in *Q3* (‘Severity Assessment’) from ‘Partial’ to ‘Met’, the companies did not demonstrate significant changes or improvements between the years. All companies received the highest possible scoring on *Q1* (‘Impact assessment on Tier 1’), *Q4* (‘Disclosure on salient risks’), and *Q6* (‘Stakeholder engagement’). The main areas for improvement in 2023 were identified within *Q2* (‘Impact assessment beyond Tier 1’) and *Q5* (‘Method disclosure’) for H&M. Key findings included:

All companies achieved an ‘Excellent’ score on *Q1* (‘Impact assessment on Tier 1’) in both 2021 and 2023. The identified salient human rights impacts were disclosed through various company reports, which were structured around these impacts and described them in detail:

H&M identified 10 salient human rights impacts and disclosed on them in its ‘Salient Human Rights Report’ and Annual Report (*H&M 2021a, 2021b, 2023a, 2023b*). The ‘Salient Human Rights Report’ was structured around the 10 impacts, namely: access to water; child labour; discrimination and equal treatment; health, safety and wellbeing; land rights and livelihood; social security and protection; freedom of association and collective bargaining; forced labour; wages and compensation; working hours (*H&M 2023b*).

Inditex disclosed its human rights impact assessment in the ‘Workers at the Centre Report’ in 2021 and 2023 (*Inditex 2021b, 2023b*). Inditex structured the report around 5 focus areas, including 1. Social Dialogue, 2. Living Wages, 3. Respect, 4. Health, 5. Resilience (*Inditex, 2023b*). Each area represents several key aspects of human rights.

Varner reported on human rights risks and risk management in its Annual Report (Varner 2021, 2023). In 2023, the company identified the following priority risks: child labour, health and safety, discrimination, freedom of association, wages and benefits, and forced labour. The Annual Reports were structured around these identified risks, with each section explaining where the risks occur within the value chain and mitigating actions (ibid.).

All three companies based their risk assessment on dynamic methodologies, based on multiple sources of information and working methods (H&M 2021b, 2023b; Inditex 2021b, 2023b; Varner 2021, 2023). These impact assessment methods included dialogues and collaborations with industry organisations, suppliers, stakeholder engagement, and country and industry specific reports and indexes (ibid.). The companies considered a broad range of human rights in their impact assessments, rather than focusing on just a select few (ibid.).

However, while the companies performed well in disclosing impact assessment for Tier 1, a key area for improvement was the risk identification beyond Tier 1. The methods for carrying out impact assessment in the lower-tier supply chains were less clearly disclosed. Nevertheless, the companies still acknowledged risks related to the raw material supply chain, with a particular focus on issues related to modern slavery and child labour in cotton production methods (H&M 2021b, 2023b; Inditex 2021b, 2023b; Varner 2021, 2023).

Overall, the results showed that the companies disclosed on processes for impact assessment in 2021 already, and slightly improved their processes for 2023. No significant gaps in process descriptions were identified for 2023. To reach a full scoring in this category, the companies need to improve disclosures for impact assessment beyond Tier 1.

5.2.3 Manage and mitigate adverse impacts

This section presents the findings for the assessment category 3. *Manage and mitigate adverse*, as outlined in Table 11. (For detailed assessment criteria, see Appendix 1, Table 21).

Table 11. Group 1 companies: Manage and mitigate adverse impacts

	Assessment Questions	2021			2023		
		H&M	Inditex	Varner	H&M	Inditex	Varner
Q1.	Does the company manage its salient human rights impacts?	Met	Excellent	Excellent	Excellent	Excellent	Excellent
Q2.	Does the company manage human rights impacts beyond Tier 1?	Met	Met	Met	Met	Met	Met
Q3.	Does the company implement a Supplier Code of Conduct in supplier relations and follow-up its suppliers through audits?	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Q4.	Does the company collaborate with suppliers to manage impacts?	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Q5.	Does the company collaborate with industry organisations to manage impacts?	Excellent	Excellent	Excellent	Excellent	Excellent	Excellent
Q6	Does the company modify its business practices to manage impacts?	Met	Met	Met	Met	Met	Met
Total score (Max 17)		15	16	16	16	16	16

Table 11 presents the overall findings for assessment category 3, showing each assessment question and the scoring for Group 1 companies between 2021 and 2023. It illustrates that H&M, Inditex, and Varner maintained similar practices in 2021 and 2023. In 2021, the companies reported on management on salient impacts (*Q1*) and managing suppliers through Supplier Code of Conducts and social audits (*Q3*). The companies also disclosed on collaborating with industry organisations and suppliers to manage impacts (*Q4* and *Q5*) and on responsible purchasing practices (*Q6*). By 2023, only slight improvements were identified – H&M improved its scoring on management of salient human rights impacts (*Q1*). Overall, the companies maintained high scores across the years. In 2023, rooms for improvement were identified within *Q2* (‘Management of human rights impacts beyond Tier 1’). The companies disclosed on risk management through the following approach:

H&M reported on human rights risks and risk management in its ‘Salient Human Rights Risk Report’ and Annual Report (H&M 2021b, 2023b). Its risk management approach includes collaborations, supplier audits, and the establishment of goals and KPIs (*ibid.*). Inditex disclosed its human rights risks and risk management strategy in its ‘Workers at the Centre Report’ (Inditex 2021b, 2023b), which outlined how the company addresses human rights impacts in its supply chain. Inditex also set specific goals and KPIs to manage these impacts (*ibid.*). Similarly, Varner reported on human rights risks and risk management in its Annual Reports (Varner 2021, 2023). The reports are structured around the company’s identified salient human rights impacts, with each section describing how these risks are addressed (*ibid.*).

In managing adverse human rights impacts in the lower tiers of the supply chain, such as cotton production, the companies primarily relied on sourcing ethically certified raw materials, such as Fairtrade or BCI cotton (Inditex 2021a, 2023a; H&M 2021a, 2023a; Varner 2021a, 2023a). However, a key issue remained – none of the companies sourced 100% ethically certified raw materials (*ibid.*). For conventional cotton in particular, the companies provided limited information on how they mitigate the associated human rights risks, and similar gaps were identified for other commodities (*ibid.*). Therefore, despite reporting on measures to manage risks such as forced labour and child labour in raw material sourcing, risks related to the lower tiers of the supply chain are likely to remain. The lack of adequate risk management disclosure is also the reason for why the companies scored ‘Met’ in *Q2*, and not ‘Excellent’, highlighting the main identified gap in the assessment.

5.3 Group 2: Lindex, Hugo Boss, Adidas

This section presents the scoring for Group 2 companies: Lindex, Hugo Boss, and Adidas. As illustrated by Table 8, the companies fall within the mid-range scoring of the assessment. The companies started with relatively low to mid-scoring in 2021 and improved some of their results by 2023. The next part of the section will explain the results per assessment category in greater detail, structured in line with the following order *1. Human rights governance; 2. Identify, assess, and prioritise impact; 3. Manage and mitigate impacts*.

5.3.1 Human rights governance

Table 12 presents the overall findings for Group 2 companies in category *1. Human Rights Governance*. (For detailed assessment criteria, see Appendix 1, Table 19).

Table 12. Group 2 companies: Human rights governance

	Assessment Questions	2021			2023		
		Lindex	Hugo B.	Adidas	Lindex	Hugo B.	Adidas
Q1	Does the company commit to the OECD and/or the UNGPs?	Unmet	Met	Partial	Met	Met	Met
Q2.	Does the company have a human rights or due diligence policy?	Met	Met	Met	Met	Met	Met
Q3.	Does the company disclose on human rights responsibilities?	Partial	Partial	Partial	Met	Met	Met
Total score (Max 7)		3	5	4	6	6	6

Table 12 illustrates company scorings for 2021 and 2023. It shows that Lindex, Hugo Boss, and Adidas made progress during this period. In 2023, the companies improved their disclosure related to the OECD and UNGPs (*Q1*) as well as their reporting on human rights responsibilities (*Q3*). All companies reported having human rights policies in place in both 2021 and 2023 (*Q2*). The main differences in company performance between the years are found in *Q3*, which covers how companies address their human rights responsibilities. Key findings included:

In 2021, *Lindex* did not specify any role/individual as being specifically responsible for human rights oversight. Instead, the company disclosed on collective roles to ensure sustainability oversights (Lindex 2021: 6). In 2023, Lindex improved on human rights governance disclosure by stating that “*The Chair of our Board of Directors is ultimately responsible for the management of sustainability-related risks at Lindex, which includes overseeing management of actual and potential impacts on human rights, including decent working conditions*” together with collective roles NTA-report (Lindex 2023: 3). However, Lindex did not disclose on specific Board member or Board committee tasked with specific governance oversight of respect for human rights.

In 2021, Hugo Boss appointed a Senior Human Rights Manager to oversee compliance with HRDD obligations and to prepare for the LkSG (Hugo Boss 2021). In 2023, the company confirmed the continued appointment of this position (Hugo Boss 2023). Additionally, Hugo Boss stated that overall responsibility for human rights lied with the Managing Board (ibid.). However, the company did not specify which Board member or committee held direct governance oversight for human rights (ibid.).

In 2021, *Adidas* did not specify any role/individual as being specifically responsible for human rights oversight. Instead, the company disclosed on collective roles to ensure sustainability oversights (Adidas 2021). In 2023, the Human Rights Policy communicated that the Adidas Executive Board had assigned the human rights responsibility to a Chief Human Rights Officer (Adidas 2022). The company also indicated human rights supervisory at the board level, however, it was not clear who was the Supervisory Board member or Supervisory Board committee tasked with specific governance oversight of respect for human rights (ibid.).

While this indicates progress in human rights governance for Group 2 companies, the companies did not achieve a full score on *Q3*, because they do not adequately disclose information about human rights oversight by the companies highest governance bodies.

5.3.2 Identify, assess, and prioritise impacts

Table 13 presents the overall findings for Group 2 companies in assessment category 2. *Identify, Assess, and Prioritise Impacts*. (For detailed assessment criteria, see Appendix 1, Table 20).

Table 13. Group 2 companies: Identify, assess, and prioritise Impacts

	Assessment Questions	2021			2023		
		Lindex	Hugo Boss	Adidas	Lindex	Hugo Boss	Adidas
Q1.	Does the company carry out impact assessment on Tier 1 markets/ suppliers?	Partial	Partial	Partial	Met	Partial	Met
Q2.	Does the company carry out impact assessments beyond Tier 1 markets/suppliers?	Partial	Partial	Partial	Partial	Partial	Partial
Q3.	Does the company assess severity and likelihood for human rights impacts?	Unmet	Unmet	Unmet	Unmet	Partial	Partial
Q4.	Does the company disclose salient human rights impacts?	Partial	Partial	Partial	Excellent	Partial	Met
Q5.	Does the company disclose the method for the risk assessment? I.e., sources and internal and external competences used.	Partial	Partial	Partial	Met	Partial	Met
Q6	Does the company have an approach to engage with affected stakeholders?	Partial	Partial	Partial	Partial	Partial	Partial
Total score (Max 17)		5	5	5	9	6	9

Table 13 shows company scorings for 2021 and 2023, highlighting how Group 2 companies have developed their disclosure of human rights impact assessments. In 2021, all companies showed limited alignment with the assessment criteria, with most scores falling under ‘Unmet’ or ‘Partial’. By 2023, the companies improved their performance, with Lindex and Adidas showing the most progress. However, gaps remain in 2023. Key findings include:

In 2021, all companies scored ‘Partial’ on impact assessment on Tier 1 (*Q1*), disclosure of salient human rights impacts (*Q4*), and disclosure on method (*Q5*). By 2023, Lindex and Zalando improved to ‘Met’ on these criteria, while Hugo Boss remained at ‘Partial’. The 2023 disclosures on salient human rights impacts are spread across various reports, including:

In 2023, *Lindex* published an NTA-report, highlighting the companies identified salient human rights impacts or own operation and the supply chain. For the supply chain, the report is structured around the following salient impacts: child labour, forced labour, minimum wages, harassment, discrimination, transparency, chemicals, business license, building and fire safety, environmental non-compliance, unauthorised sub-contracting (*Lindex*, 2023b).

Adidas disclosed on salient human rights impacts in its Human Rights Policy from 2022 on the following impacts: labour rights, wages, discrimination and harassment, freedom of association and collective bargaining, child labour, forced labour, occupational health and safety, environment, privacy, corruption, and sports sponsorship (*Adidas* 2022).

Hugo Boss communicated that it “*prioritises risks relating to appropriate wages, working hours, occupational safety, freedom of association, and anti-corruption*” in the sustainability

report (Hugo Boss 2023: 71). However, even though this showed that Hugo Boss aimed to prioritise certain impacts, it was unclear whether they represented salient impacts identified through an adequate impact assessment, or if these impacts were simply widely recognised and/or convenient for the company to address. Therefore, the score was deemed 'Partial'.

These disclosures highlighted a notable shift from the companies 2021 reports. For instance, in 2021, all three companies highlighted general human rights risks, without clarifying whether they were considered salient (Lindex, 2021; Adidas, 2021; Hugo Boss 2021). In 2023, on the other hand, the companies specified that these were salient impacts. However, despite these improvements, assessment beyond Tier 1 remained limited. Particularly, the overall scoring remained 'Partial' for Q2 (Impact assessments beyond Tier 1 markets/suppliers) in 2021 and 2023, indicating that HRDD mainly encompassed Tier 1. Findings included:

Adidas disclosed risks related to Tier 1 manufacturing, Tier 2 material suppliers, and Tier 3 spinning mills in 2021 and 2023 (Adidas 2021, 2023). However, the company only disclosed on modern slavery for these tiers, indicating that it focused on a narrow set of human rights. Similarly, *Hugo Boss* communicated on environmental and human rights risks linked to raw material and dyeing and bleaching practices, however, the company only disclosed that these tiers were *connected to human rights risks*, without specifying *which* human rights risk were identified (e.g., discrimination, health and safety, other) (Hugo Boss 2021, 2023). Thereby, the disclosure on human rights risks became non-specific and generic. *Lindex* also disclosed risks linked to women and forced labour in cotton farming (Lindex 2021, 2023b).

Furthermore, the companies also scored 'Partial' on stakeholder engagement (Q6) in 2021 and 2023 years. Even if the companies conducted stakeholder engagement through industry organisations (Adidas 2021, 2023; Hugo Boss 2021, 2023; Lindex, 2021, 2023a, 2023b), they failed to specify whether they engaged with affected stakeholder, including workers or local communities in their supply chains. Key findings included:

Lindex (2021, 2023a, 2023b) communicated that it collaborated with business and industry organisations to improve labour and social standards. It carried out stakeholder engagement through this. However, no description of actual stakeholder engagement was found, and Lindex did not disclose on information on engagement with local communities and workers (ibid.). Similarly, *Adidas* (2021: 116-117; 2023: 80-81) communicated that it collaborated with business and industry organisations to improve labour and social standards. The company carried out stakeholder engagement through these organisations. Furthermore, on Adidas (2025b) human rights webpage, the company communicated that it identified key human rights risks through stakeholder engagement. However, no disclosure of actual engagement with affected stakeholders (i.e., workers or local communities) were found.

Lastly, *Hugo Boss* (2021, 2023) highlighted that it was collaborating with business and industry organisations to improve labour and social standards, including FLA, Sustainable Textile Partnerships, Tamil Nadu Initiative, and other initiatives. However, no description of actual stakeholder engagement was identified, particularly engagement with affected stakeholders (i.e., workers or local communities). These findings indicated further gaps between company practices and fulfilling the expectations of the OECD and the UNGPs. Overall, while improving its scoring on this assessment category, gaps still remain in 2023, as illustrated by Table 13.

5.3.3 Manage and mitigate impacts

This section presents the findings from the assessment category 3. *Manage and mitigate adverse impacts*. (For detailed assessment criteria, see Appendix 1, Table 21).

Table 14. Group 2 companies: Manage and mitigate adverse impacts

	Assessment Questions	2021			2023		
		Lindex	Hugo B.	Adidas	Lindex	Hugo B.	Adidas
Q1.	Does the company manage its salient human rights impacts?	Partial	Partial	Partial	Met	Partial	Partial
Q2.	Does the company manage human rights impacts beyond Tier 1?	Unmet	Partial	Partial	Partial	Partial	Partial
Q3.	Does the company implement a Supplier Code of Conduct in supplier relations and follow-up its suppliers through audits?	Met	Met	Excellent	Met	Met	Excellent
Q4.	Does the company collaborate with suppliers to manage impacts?	Met	Partial	Met	Met	Met	Met
Q5.	Does the company collaborate with industry organisations to manage impacts?	Met	Met	Met	Met	Met	Met
Q6.	Does the company modify its business practices to manage impacts?	Met	Met	Met	Met	Met	Met
Total score (Max 17)		9	9	11	10	10	11

Table 14 presents the scores for 2021 and 2023, showing that Lindex, Hugo Boss, and Adidas maintained similar practices across both years. In 2021, the companies reported on supply chain management through Supplier Codes of Conduct and social audits (*Q3*), collaboration with industry groups and suppliers (*Q4* and *Q5*), and responsible purchasing practices (*Q6*). By 2023, only slight improvements were noted, with generally good performance. Gaps remain, mainly in *Q1* ('Managing prioritised human rights impacts') and *Q2* ('Managing impacts beyond Tier 1'). Group 2 disclosed on risk management through the following approaches:

Lindex (2021) mainly disclosed risk management related to women's rights in 2021. The company disclosed on gender gap-issues within factory management, and on its collaboration with an NGO to run a Women's Café in Dhaka (ibid.). Lindex also disclosed on its involvement with CottonConnect's 'Women in cotton-programme' (ibid.). In 2023, on the other hand, Lindex carried out a human rights impact assessment and published an NTA-report (Lindex, 2023a, 2023b). The NTA report was structured around Lindex salient human rights impacts, describing both the risk and management of them (ibid.). However, despite the improvement in communication, the underlying efforts to manage human rights impacts remained largely unchanged between 2021 and 2023 (Lindex, 2021, 2023a, 2023b). Compared to its higher performing peers (i.e., H&M, Inditex, Varner) Lindex also did not report on goals, KPIs and outcomes of its efforts (ibid.). Management of risks beyond Tier 1 remained limited (*Q2*).

Hugo Boss (2021 & 2023) disclosed on human rights impacts in the Annual and Sustainability Report in 2021 and 2023. The company linked human rights management to conventional supply chain management activities, such as social audits, self-assessment questionnaires, capacity building, and collaborations with industry organisations and suppliers. In both years, Hugo Boss highlighted fair compensation as a risk, and communicated that it addressed the risk

through collaboration with Fair Labor Association (Hugo Boss, 2021: 68; 2023: 60). No structural changes in Hugo Boss approach were identified between the years, and there were no disclosures on goals, KPIs, and results of its efforts (Hugo Boss, 2021 & 2023). The company lacked transparency on risks management beyond Tier 2, as highlighted by *Q2*.

Adidas (2021, 2023) disclosed on human rights impacts in the Annual and Sustainability Report in 2021 and 2023. As highlighted in the previous section, in 2021, the company disclosed some human rights impacts, while in 2023, the company aligned its disclosures more closely with the LkSG and communicated on the following prioritised areas: child labour, forced labour, discrimination, land grabbing, occupational health and safety, the right to fair wages, the right to form unions, and environmental violations (ibid.). However, not all of the prioritised impacts were addressed in the Annual and Sustainability Report (ibid.). Management of human rights impacts was limited to working conditions, gender equality, and fair compensation and modern slavery. No disclosure on goals, KPIs, and results of its efforts were identified. Disclosure on management of risks beyond Tier 1 remained limited, as highlighted by *Q2*.

5.4 Group 3: Mango and Zalando

This section presents the scoring for Group 3 companies: Mango and Zalando. As illustrated by Table 8, the companies fall within the low-scoring category for both years. While both companies demonstrated slight improvements in category *1. Human Rights Governance* and category *2. Identify, assess, and prioritise impacts* between the years, overall progress remained limited. The next part of the section will explain the results per assessment category in greater detail, structured according to the following order *1. Human rights governance*, *2. Identify, assess, and prioritise impacts*, *3. Manage and mitigate impacts*.

5.4.1 Human rights governance

Table 15 presents the overall findings for Group 3 companies in category *1. Human Rights Governance* category. (For detailed assessment criteria, see Appendix 1, Table 19).

Table 15. Group 3 companies: Human rights governance

	Assessment Questions	2021		2023	
		Mango	Zalando	Mango	Zalando
Q1	Does the company commit to the OECD and/or the UNGPs?	Met	Met	Met	Met
Q2.	Does the company have a human rights or due diligence policy?	Partial	Partial	Partial	Met
Q3.	Does the company have a person/role assigned human rights responsibility?	Partial	Partial	Partial	Met
Total score (Max 7)		4	4	4	6

Table 15 presents the company scores for 2021 and 2023. In 2021, both Mango and Zalando committed to the OECD and UNGPs (*Q1*) but only partially met the requirements for a human rights or due diligence policy (*Q2*) and assigning human rights responsibility (*Q3*). By 2023, both companies upheld their commitments (*Q1*), with Zalando also progressed to ‘Met’ in *Q2* and *Q3*. This indicates that Zalando strengthened its human rights governance, while Mango’s progress remained limited, with gaps still present in policy adoption and accountability. Key findings included:

Mango stated adherence with the UNGPs in its 2021 sustainability report (Mango, 2021: 111). In 2023, following the NTA, the company published an NTA-report, further strengthening its commitments (Mango, 2023b). In both years, *Mango* disclosed on having a Code of Conduct covering human rights (Mango 2021: 112; Mango 2023b: 4). However, there was no evidence that *Mango* had adopted a dedicated human rights policy or a due diligence policy.

In 2021, *Mango* formed a sustainability committee (Mango, 2021: 14-15; 2023: 23). The purpose of the sustainability committee was to oversee the implementation of sustainable development policies in the company worldwide. However, there was no evidence of *Mango* having a dedicated person/role responsible for human rights oversight, nor did the company disclose on whether there was a Board level committee in charge of overseeing human rights (ibid.). This highlighted a gap for both years, illustrated by *Q3* in Table 15.

Zalando stated adherence with the OECD and UNGPs in its 2021 and 2023 sustainability reports (Zalando, 2021 & 2023). In 2021, the company disclosed on having a Code of Conduct covering human rights (Zalando 2021: 39-40), however, there was no evidence that the company had adopted a dedicated human rights policy or a due diligence policy (Zalando, 2021). In 2021, there was also no evidence of the company having a dedicated person responsible for human rights oversight at senior or board level (ibid). In 2023, on the other hand, *Zalando* disclosed on a ‘Policy Statement on *Zalando*’s Human Rights Strategy’ as well as having created a new company role, namely, a Human Rights Officer (HRO), who would oversee the alignment requirements of the LkSG (Zalando, 2023: 43-44). However, *Zalando* did not disclose on whether there was a Board level committee in charge of human rights.

5.4.2 Identify, assess, and prioritise impacts

Table 16 presents the overall findings for Group 3 companies in the category 2. *Identify, Assess, and Prioritise Impacts*. It illustrates company scorings for year 2021 and 2023.

Table 16. Group 3 companies: Identify, assess, and prioritise impacts

	Assessment Questions*	2021		2023	
		Mango	Zalando	Mango	Zalando
Q1.	Does the company carry out risk assessment on Tier 1 markets / suppliers?	Partial	Met	Met	Met
Q2.	Does the company carry out impact assessments beyond Tier 1 markets/suppliers?	Unmet	Unmet	Partial	Unmet
Q3.	Does the company assess severity and likelihood for human rights impacts?	Unmet	Unmet	Unmet	Unmet
Q4.	Does the company disclose salient human rights impacts?	Unmet	Unmet	Unmet	Unmet
Q5.	Does the company disclose the method for the risk assessment? I.e., sources and internal and external competences used.	Unmet	Unmet	Met	Met
Q6.	Does the company have an approach to engage with affected stakeholders?	Partial	Partial	Partial	Partial
Total score (Max 17)		2	3	6	5

Table 16 shows the companies’ scores for 2021 and 2023 and highlights the progress made by *Mango* and *Zalando* in disclosing human rights impact assessments over this period. In 2021, both companies demonstrated limited alignment with the assessment criteria: *Mango* scored ‘Partial’ and *Zalando* ‘Met’ on Tier 1 risk assessment (*Q1*), both companies scored ‘Partial’ within stakeholder engagement (*Q6*), while all other indicators were ‘Unmet’. By 2023, both

companies maintained or improved performance in *Q1* and achieved ‘Met’ in disclosing their risk assessment method (*Q5*), and Mango improved on impact assessment beyond Tier 1 (*Q2*). However, gaps remained across other areas, particularly in conducting impact assessments beyond Tier 1 (*Q2*), assessing severity and likelihood (*Q3*), disclosing salient human rights impacts (*Q4*), and stakeholder engagement (*Q6*). Key findings included:

In *Mango’s* 2023 NTA-report, the company reported on due diligence in line with the OECD and UNGP, which was an improvement from 2021 (Mango, 2021 & Mango 2023b). Following this, Mango continued the report with describing its Code of Conduct, social audit procedure, and results of the social audits (Mango 2023b). In other words, the HRDD process was linked to its supply chain management process. Despite the company publishing an NTA-report, no significant changes in actual due diligence process were recognised between 2021 and 2023.

Zalando disclosed on due diligence and risk management of Tier 1 suppliers in Sustainability Progress Report in 2021 and 2023 (Zalando 2021 & 2023). Similar to Mango, Zalando linked its due diligence process to its supply chain management procedure. The process included: (1) analysing direct suppliers, (2) prioritising suppliers based on risks, (3) managing supplier risks, (4) implementing preventive measures (ibid.). No changes in process outline were identified between the years.

While these approaches demonstrate efforts to manage risks in Tier 1 supply chain, they are limited in that they do not provide a comprehensive human rights impact assessment, as required by the OECD and UNGP. This stands in contrast to higher-scoring peers, (i.e., H&M, Varner, Inditex) who applied a more holistic approach to human rights impact assessment. This allows the higher-scoring peers to identify and disclose on adverse human rights impacts, which is a gap in Mango’s and Zalando’s processes, as evident by their low scores in Table 16. The companies did not disclose on severity assessment (*Q3*) and salient human rights impacts (*Q4*) in 2021 or in 2023 (Mango 2021, 2023a, 2023b; Zalando 2021 & 2023).

Regarding impact assessment beyond Tier 1, as evident by *Q2* in Table 16, the companies did not disclose human rights impact assessment beyond Tier 1 in 2021 (Mango 2021; Zalando 2021). In 2023, Mango improved its scoring to ‘Partial’ by improving its supply chain mapping and disclosing on Tier 3 factories (Mango, 2023c). Despite these transparency improvements, both companies lacked disclosure on human rights risk assessment beyond their direct suppliers in 2023 (Mango 2023a, 2023b; Zalando 2023), demonstrating a gap.

Lastly, Table 16 demonstrates gaps in stakeholder engagement (*Q6*) for 2021 and 2023. Both companies highlighted that they collaborated with industry organisations and engaged in stakeholder dialogues through them (Mango 2021, 2023a & 2023b; Zalando 2021 & 2023). However, no description of actual engagement was found, and the companies did not include information on engagement with local communities and workers (ibid.)

All together, even though there has been some progress in the assessment category of identifying, assessing, and prioritising human rights impacts, significant gaps remain in 2023.

5.4.3 Manage and mitigate impacts

This section presents the findings from the assessment category *Manage and mitigate adverse impacts*. Table 17 presents the overall findings for Group 3 companies. (For detailed assessment criteria, see Appendix 1, Table 21).

Table 17. Group 3 companies: Manage and mitigate adverse impacts

	Assessment Questions	2021		2023	
		Mango	Zalando	Mango	Zalando
Q1.	Does the company manage its salient human rights impacts?	Unmet	Partial	Unmet	Partial
Q2.	Does the company manage human rights impacts beyond Tier 1?	Unmet	Unmet	Unmet	Unmet
Q3.	Does the company implement a Supplier Code of Conduct in supplier relations and follow-up its suppliers through audits?	Met	Met	Met	Met
Q4.	Does the company collaborate with suppliers to manage impacts?	Partial	Partial	Partial	Partial
Q5.	Does the company collaborate with industry organisations to manage impacts?	Met	Met	Met	Met
Q6.	Does the company modify its business practices to manage impacts?	Met	Met	Met	Met
Total score (Max 17)		7	8	7	8

Table 17 demonstrates that Mango and Zalando showed the same performance in 2021 and 2023. The companies consistently implemented a Supplier Code of Conduct in supplier relations and carried out social audits on Tier 1 suppliers (*Q3*) and communicated on supplier training and collaboration with industry organisations to manage impacts (*Q5*). The companies also reported on responsible sourcing practices as means to manage impacts (*Q6*). However, the companies did not demonstrate improvements in managing salient human rights impacts (*Q1*), managing human rights impacts beyond Tier 1 (*Q2*), nor in supplier collaboration (*Q4*). This suggests limited progress in addressing adverse human rights impacts in practice.

5.5 Key findings on HRDD performance and gaps

The assessment analysed the HRDD practices of eight fashion companies across three performances Groups between 2021 and 2023. The companies showed varying levels of alignment with the OECD and UNGPs. The main improvements and gaps for Group1, Group 2 and Group 3 companies are illustrated in Table 18 below.

Table 18. Main improvements between 2021 and 2023, and main gaps in 2023.

	Main improvements: 2021 to 2023	Main gaps in 2023
Group 1	<ul style="list-style-type: none"> - Same in 2021 and 2023 - Varner: Improved disclosure of OECD/UNGP commitments and severity assessment 	<ul style="list-style-type: none"> - Board level human rights oversights - Risk identification & management beyond T1
Group 2	<ul style="list-style-type: none"> - OECD/UNGP commitments - Human rights responsibilities - T1 impact assessment & methodology - Salient human rights impacts 	<ul style="list-style-type: none"> - <i>All of the above from Group 1</i> - Management of salient impacts - Meaningful stakeholder engagement - Severity assessment - KPI, goals, results of human rights actions
Group 3	<ul style="list-style-type: none"> - Human rights policy (Zalanado) - Responsibilities (Zalando) - T1 impact assessment & methodology 	<ul style="list-style-type: none"> - <i>All of the above from Group 1 and Group 2</i> - Disclosure on salient human rights impacts - Supplier collaboration - Human Rights Policy (Mango) - Human Rights Responsibilities (Mango)

Table 18 highlights key gaps and improvements in HRDD practices across the three company groups. Key findings include:

Group 1 companies showed limited progress, with most companies maintaining the same performance in 2021 and 2023. Varner was the one exception, improving its disclosure on OECD and UNGP commitments and severity assessments. In 2023, gaps remained in board-level human rights oversight and risk identification beyond Tier 1 suppliers.

Group 2 companies demonstrated more noticeable improvements, including formal commitments to OECD and UNGPs, clearer role allocations, and improved human rights impact assessments. However, the companies still faced challenges in identifying and managing salient human rights impacts, particularly beyond Tier 1, engaging affected stakeholders, conducting severity assessments, and disclosing results through KPIs, targets, and goals.

Lastly, *Group 3 companies* showed some progress, mainly driven by Zalando's improved disclosure on policy and its human rights impact assessment methodology. However, this group continued to demonstrate the most significant gaps. Notably, these companies still relied on traditional supply chain management when reporting on HRDD, often aligning supply chain tasks with HRDD.

The results from this chapter will be further analysed and discussed in the next chapters, namely, Analysis (Chapter 6) and Discussion (Chapter 7).

6 Analysis

This chapter aims to analyse the results and how Group 1, Group 2, and Group 3 companies have responded to the LkSG and the NTA by applying the theoretical framework. The theoretical framework builds on three dimensions: the regulatory dimension, the normative and mimetic dimension, and the legal endogeneity dimension.

6.1 Introduction and overview of the chapter

In the following section, the results will be analysed based on the theoretical framework. The analysis is divided into three overarching parts: *Regulatory Dimension*, *Normative and Mimetic Dimension*, and *Legal Endogeneity Dimension*. Each part is further divided into Group 1, Group 2, and Group 3 companies. The theoretical framework, as described in Chapter 2, begins with the assumption that a civil rights law comes into force. Companies will respond to this law through the *Regulatory Dimension* and the *Normative and Mimetic Dimension*, implementing it not only according to its formal provisions but also in response to societal expectations and the practices of their peers. In line with the study's theoretical framework (illustrated in Chapter 2), companies may also implement the law through the *Legal Endogeneity Dimension*, which builds on the idea that organisations may apply forms of compliance that symbolically demonstrate attention to law, while the company continues to engage in business as usual without undergoing structural changes (Edelman 1992, 2004). The legal endogeneity dimension is likely to occur when laws are broad and ambiguous and the standards for compliance are unclear - a situation common for civil rights laws, such as due diligence legislations (ibid.). Once companies start acting on the laws, the compliance feeds back into the *Regulatory Dimension* and *Normative and Mimetic Dimension*, as illustrated in Figure 1 in Chapter 2.

The results of the research will be analysed through the lens of these three dimensions. Specifically, the analysis will explore how each dimension contributes to understanding and explaining how companies have responded to the LkSG and the NTA.

6.2 Regulatory dimension

6.2.1 Group 1: H&M, Varner, Inditex

The results illustrate that H&M's, Varner's, and Inditex's HRDD performance remained largely unchanged between 2021 and 2023. One explanation for this may be that the companies' incentives to implement HRDD processes were not primarily driven by legislation, but rather by consumer pressure and the influence of peers, which had been ongoing before the LkSG and the NTA came into force (MacCarthy 2012; Nolan 2022). The research outcomes support this interpretation, showing that by 2021, the companies had already implemented key components of their HRDD processes, despite the absence of binding legislation. However, minor adaptations in reporting indicates that legislative developments still had an influence on the companies. The most apparent example is Varner, which in 2023 adjusted the description of its due diligence process to align more closely with the OECD and UNGP, after coming into scope of the NTA (Varner 2021, 2023).

6.2.2 Group 2: Lindex, Hugo Boss, Adidas

The results indicate that Lindex, Hugo Boss, and Adidas improved their HRDD performance between 2021 and 2023. Notable improvements were observed in assessment categories: 1. *Human rights governance* (Table 11) and 2. *Identify, assess, and prioritise impacts* (Table 12).

Assessment category 1. Human rights governance: In 2023, Group 2 companies improved on formally committing to the OECD Guidelines for Multinational Enterprises and the UNGPs and in assigning responsibilities for human rights. These improvements align with the NTA and LkSG: while the NTA does not formally require a company to disclose information on a human rights officer (Forbrukertilsynet 2024), creating human rights governance structures is a core component of HRDD (OECD 2018). Given that Lindex falls under the scope of the NTA, it is reasonable to interpret the legislation as a coercive institutional pressure that has driven the company to formalise its human rights governance. In contrast, the LkSG, applicable to Hugo Boss and Adidas, requires companies to disclose on the assignment of a human rights officer (Federal Ministry of Labour and Social Affairs 2021, 2025). In 2023, both Hugo Boss and Adidas assigned such roles, demonstrating compliance with the LkSG. The observed shifts between 2021 and 2023 highlight how coercive pressures embedded in the NTA and LkSG have shaped the formalisation of human rights governance practices within Group 2 companies.

Assessment category 2. Identify, assess, and prioritise impacts: In 2023, both Lindex and Adidas showed improved disclosure of their human rights impact assessments compared to 2021. Since conducting such assessments is a central requirement of the NTA and LkSG, it is reasonable to assume that these legislations have generated coercive institutional pressures that have driven corporate development in this area. In contrast, Hugo Boss did not demonstrate any improvement in this category over the same period, suggesting that the coercive institutional pressures influencing Adidas and Lindex were less evident for Hugo Boss.

In summary, given that Lindex, Hugo Boss, and Adidas scored low to mid-range in 2021 and increased their scoring to mid-range in 2023, it can be assumed that the LkSG and NTA have been drivers in strengthening the companies HRDD processes and disclosures.

6.2.3 Group 3: Zalando and Mango

Group 3 companies remained in the low-scoring group in both years. As earlier mentioned, according to New Institutional Theory, organisations conform to legal and regulatory pressure to gain legitimacy and avoid sanctions (DiMaggio and Powell 1983; Scott 2015). From this perspective, the NTA and LkSG, both tied to potential sanctions, should have created a coercive institutional environment that incentivised Mango and Zalando to improve their HRDD practices. Adhering to legal requirements is also regarded as a means for companies to establish and reinforce their legitimacy (ibid.). Accordingly, Mango and Zalando would have been expected to demonstrate higher HRDD scores in 2023, in line with their peers.

One possible explanation for this outcome (i.e., poor performance) may be linked to how the legislation was interpreted by the companies: in this research, the evaluation framework is based on best practices on how to interpret the CSDDD, LkSG, and NTA in line with the OECD Guidelines for Multinational Enterprises and the UNGPs. However, as Edelman (1992, 2004) acknowledges, the ambiguous nature of civil rights legislations, including due diligence legislations, often results in an unclarity to what it means to be compliant with a law. Resultingly, this category of companies may have interpreted the requirements differently and applied their own understanding of what proper implementation looked like. In the case of the LkSG and NTA, this can lead to various understandings on what constitutes adequate HRDD practices. In the case of Mango and Zalando, the companies may have interpreted compliance narrowly, focusing on meeting minimum legal requirements and concentrating on Tier 1.

The outline of the LkSG may further support the possibility for narrow interpretation: the LkSG emphasises that companies' due diligence responsibilities mainly extend to Tier 1, while also

not formally requiring stakeholder engagement legitimacy (Federal Ministry of Labour and Social Affairs 2021, 2025). At the same time, the LkSG mandates companies to extend their due diligence obligations beyond Tier 1 (i.e., indirect suppliers) in case of *substantiated knowledge* of violations (ibid.). In the textile sector, one could argue that such substantiated knowledge exists, for example in relation forced labour and child labour issues in cotton production. However, Zalando – falling under the scope of the LkSG – only reported on Tier 1 due diligence and did not include stakeholder engagement in its process (Zalando 2021, 2023). This indicates that the company may have applied a narrow interpretation of the LkSG.

Similarly, the NTA mandates companies to implement due diligence processes in line with OECD and UNGPs (Government of Norway 2021; Forbrukertilsynet 2024). While these frameworks require risk-based due diligence along the value chain, as well as stakeholder engagement, the definition of what are adequate due diligence practices remains ambitious. This lack of clarity may also have driven Mango to apply a narrow interpretation of the LkSG.

However, even with a narrow interpretation of the legislations, the fact that both companies improved certain practices between the years, e.g., Mango publishing and NTA-report (Mango 2023b), indicated that the legislations still influenced company actions. Therefore, it can be assumed that the regulatory dimension has influenced company HRDD processes.

6.3 Normative and mimetic dimension

6.3.1 Group 1: H&M, Varner, Inditex

As earlier acknowledged, the findings of this study suggest that H&M's, Varner's and Inditex's approaches may have been influenced less by regulatory requirements and more by normative pressures from stakeholders, peers, and the society. According to New Institutional Theory – particularly the work of Meyer and Rowan 1977, DiMaggio and Power (1983), and Scott (2014) - company behaviour is often shaped by its willingness to adapt to the expectations of society. Meyer and Rowan (1977) argue that organisations adapt to societal expectations, not because it is the most efficient way to do so, but because it allows them to gain legitimacy and resources.

In the fashion industry, it is likely that there exist normative pressures to implement HRDD processes (Nolan 2022). This is particularly evident for large, consumer-facing companies such as H&M, Inditex, and Varner, which, due to their size and visibility, are frequently subjected to media attention and public scrutiny, making them especially susceptible to reputational risk (MacCarthy, 2012; Nolan, 2022). Accordingly, the adoption of HRDD processes by Group 1 companies could be interpreted as a strategy to maintain legitimacy: rather than being primarily driven by legal requirements, these companies appear to be responding to societal expectations and the influence of peer behaviour. Therefore, they tend to implement HRDD processes.

This interpretation is supported by the fact that Group 1 companies had already demonstrated high HRDD scores in 2021 - a time when the NTA and LkSG were not yet in force. The companies' early adoption of HRDD processes indicate that they were motivated by societal expectations to manage human rights impacts, rather than being driven by regulatory pressure. This is in line with Meyer and Rowan's (1977) concept of legitimacy, highlighting that organisational practices often are motivated by a willingness to gain legitimacy, which they achieve by adhering to societal norms and expectations.

6.3.2 Group 2: Lindex, Hugo Boss, Adidas

The normative and mimetic dimensions also help explain the behaviour of Lindex, Hugo Boss, and Adidas, particularly in relation to their supply chain management practices. As indicated by the results, Group 2 companies did not start their HRDD efforts from zero in 2021. All companies had already implemented a Supplier Code of Conduct, conducted social audits, and engaged in supplier collaborations and partnerships with industry organisations to manage their supply chains (Lindex 2021; Hugo Boss 2021; Adidas 2021). Similar to Group 1, the focus on managing the supply chain in 2021 was most likely driven by a response to societal pressure directed towards the fashion industry rather than being driven by regulatory requirements. The improvement between 2021 and 2023, on the other hand, may be explained by legislation.

In 2023, gaps still remained for this group in all assessment categories. The companies demonstrated similar gaps, including lack of disclosure on Board level human rights governance, severity assessment, and identification and management of impacts beyond Tier 1. The similarities in reporting and identified gaps could be explained by DiMaggio and Powell's (1983) *mimetic isomorphism*, emphasising that organisations tend to mimic or imitate each other in terms of uncertainty. According to DiMaggio and Powell's (1983), one of the more common approaches used by organisations to maintain legitimacy in society is to imitate their peers in times of change. The reasons for why companies disclose on similar issues and show similar gaps may be tied to this mimetic isomorphism. Similarly, the widespread disclosure of Tier 1 supply chain practices in 2021 may not only be attributed to external pressure, such as scrutiny from consumers and stakeholders. It may also be explained by mimetic isomorphism, where companies strive for adopting similar processes to their industry peers, i.e., if many companies implement supply chain management processes, other companies are expected to follow.

6.3.3 Group 3: Zalando and Mango

Mango and Zalando showed limited progress on HRDD practices between 2021 and 2023. The lack of improvement suggest that the regulatory dimension, as well as the normative and mimetic dimension, were weaker on these companies compared to their peers. One explanation for this might be that even though the textile and fashion industry is exposed to societal scrutiny, this pressure is not equally distributed among companies. Larger, more internationally visible brands, such as H&M, Adidas, and Inditex, may face higher reputational risks, which makes them more sensitive to normative expectations (Macchion 2024). In contrast, companies like Mango and Zalando, may have been comparatively less visible than the larger companies, resulting in them not enforcing equally strong due diligence processes.

However, in line with their peers, it is notable that the Group 3 companies had established processes for Tier 1 already in 2021, including Supplier Code of Conduct, social audits, and industry collaboration. This again indicates a normative pressure on companies to implement supply chain processes for their direct suppliers, while it also might be explained by mimetic isomorphism, where Mango and Zalando adopt similar processes to their industry peers.

6.4 Legal endogeneity dimension

6.4.1 Group 1: H&M, Varner, Indites

Group 1 companies achieved high scores in the assessment for both 2021 and 2023, suggesting a lower degree of decoupling from legal and normative requirements. The companies' public disclosures on HRDD processes and outcomes imply a more substantive, rather than symbolic, form of compliance. However, what should be considered is that this assessment mainly is based on company sustainability reports, which may not fully reflect actual practices on the ground. Reports from NGOs and media continue to highlight adverse human rights impacts linked to the textile and fashion industry (BHRRC 2024). This indicates that symbolic forms of compliance may still occur, even though they are not directly visualised in this assessment.

6.4.2 Group 2: Lindex, Hugo Boss, Adidas

All Group 2 companies improved on the assessment category *1. Human Rights Governance* between 2021 and 2023. This assessment category mainly encompasses formal disclosure requirements, such as policies, OECD and UNGPs commitments, and governance, and can be interpreted as forms of compliance that symbolically demonstrate attention to law (Edelman 2004; Monciardini et. al., 2021; Edelman and Talesh 2021).

However, when it comes to the actual implementation of the HRDD processes between the years, changes in company practices remained limited. In 2023, gaps persisted in the areas of human rights impact assessment and management of impacts beyond Tier 1, stakeholder engagement, and Board level human rights commitments and oversight. Furthermore, while the companies improved disclosures on human rights management, the underlying initiatives to manage human rights impacts remained largely unchanged and included lower-effort actions such as reporting on policies. Also, in comparison to Group 1 companies, Group 2 companies did not disclose information on goals, KPIs, or outcomes regarding their human rights efforts (Lindex 2021, 2023; Hugo Boss 2021, 2023; Adidas 2021, 2023). These findings suggest broader structural issues: the companies integrated legal HRDD norms into existing operational frameworks, without significantly changing their business practices. In other words, the legal norms were internalised in ways that accommodated, rather than significantly transformed, corporate practices. This dynamic exemplifies the concept of legal endogeneity.

6.4.3 Group 3: Mango and Zalando

The results show that Mango and Zalando improved on the assessment category *1. Human Rights Governance* between 2021 and 2023: in 2023, Mango published an NTA-report, encompassing a description of its HRDD process, and Zalando implemented a human rights policy and assigned the role of a human rights officer (Mango 2023b; Zalando 2023). These initiatives are in line with legislations – the NTA requires companies to publish a HRDD report, and the LkSG mandates companies to disclose on human rights policies and human rights officers (Federal Ministry of Labour and Social Affairs 2021; Forbrukertilsynet 2024). However, regarding the actual improvement of HRDD processes, i.e., impact assessment, stakeholder engagement, and management of impacts in line with the OECD Guidelines for Multinational Enterprises and UNGPs, company efforts remained largely unchanged. The companies remained in the low-scoring category for both years, suggesting that the core HRDD processes did not largely improve, even after the NTA and LKsG came into effect.

Applying the Legal Endogeneity Theory to the findings suggest that the companies primarily responded to the LkSG and NTA through symbolic forms compliance. According to Edelman (2016: 12), when companies are confronted with ambiguous laws, they tend to respond by developing policies and processes that symbolise compliance. These processes can be efficient, however, they often fail to create substantial and meaningful changes to business practices

(Moncardini et al. (2021: 295). Mango's and Zalando's commitments to the OECD and UNGPs, NTA-report, human rights policy, and human rights offices could be interpreted as these symbolic forms of compliances.

Furthermore, according to Edelman (1992, 2004), the symbolic forms of compliances provide flexibility to continue business as usual. In this research, what has been especially notable among Group 3 companies is the integration of HRDD into conventional supply chain management processes and existing company practices, i.e., except for minor adjustments between the years, there were little evidence of structural shifts in company processes. This integration of HRDD into supply chain management may be interpreted as a continuation of business as usual; rather than using legal provisions as a basis for transformative change, the companies appeared to adapt these requirements to fit within existing internal processes. As a result, Mango and Zalando shaped the legal rules to fit their practices, rather than letting the rules drive change. This dynamic exemplifies the concept of legal endogeneity.

6.5 Key insights from the analysis

Before discussing the implications of the CSDDD and the Omnibus in the Chapter 7, this chapter aims to summarise the results of the findings and the analysis. The purpose of the chapter has been to provide answers to the sub-questions in Chapter 1, section 1.2 'Aim and research question'. Key insights from the analysis include:

Group 1 companies (H&M, Varner, and Inditex) had already adequate due diligence processes in place in 2021 and did not change their scorings significantly between 2021 and 2023. As the companies showed a high scoring in 2021, it indicates that the legislations have not been the primary driver of implementing HRDD requirements. Instead, it can be assumed that the normative pressure to ensure human rights practices for larger companies in the textile and fashion industry have driven these results. Issues for improvements are identified within Board oversight of human rights topics and management of impacts beyond Tier 1.

Group 2 companies (Lindex, Adidas, Hugo Boss) had some HRDD processes in place in 2021. These foremost concerned Tier 1 supply chain management. The results show that the companies improved their scorings from 2021 and 2023, which is a change that could be attributed to legislative requirement. This is amongst other seen in formal commitments to the OECD and UNGPs, Lindex publishing of an NTA-report, and Adidas to a larger extent adhering to implementing processes in line with the LkSG, between 2021 to 2023. The focus on Tier 1 in 2021 is likely to not have been implemented due to regulatory requirements, but similar to Group 1 companies, a pressure on textile and fashion companies to implement processes to ensure human rights in their factories and Tier 1 suppliers. Therefore, initiatives to manage Tier 1 were already in place before the legislation came into force. Gaps in 2023 still remain, especially regarding Board human rights oversight, process alignment with the OECD and UNGP (severity assessment, disclosure of salient human rights impacts), impact identification and management beyond Tier 1, and stakeholder engagement.

Group 3 companies (Mango and Zalando) saw limited impacts over the years. What the results indicate is that while formal commitments to HRDD have improved, the actual processes between the years improved less. As earlier discussed, this correlates with the legal endogeneity dimension, where the companies take the legal expectations and implement it in company practices, while continuing business as usual. This is particularly seen in the continuous integration of HRDD in conventional supply chain management, lack of focus on HRDD beyond Tier 1, and lack of stakeholder engagement.

As will be further elaborated in Chapter 7, and as illustrated by the theoretical framework in Chapter 2 and in Figure 1, when companies have implemented HRDD legislations through regulatory dimension, normative dimension, and when the legal endogeneity has been activated, this might feed back into the normative dimension and the regulatory dimension over time. In such cases, the meaning of legal compliance becomes shaped by the structures that the companies themselves have created (Monciardini et al., 2021). As a result, courts, regulators, and legal professionals may begin to accept these internally constructed practices as legitimate interpretations of the law (*ibid.*). In this way, Edelman (1992, 2004) emphasises that companies co-create the meaning of compliance with a legislation.

However, if the processes are weakly enforced, this can lead to compliance being interpreted in ways that fall short of the law's original intent, potentially undermining the effectiveness of the legislation itself. For the CSDDD, this means that if the law is poorly implemented, the practices adopted by companies may, over time, come to be perceived as legitimate forms of compliance. This normalisation of weak implementation poses a risk to the Directive's effectiveness. These gaps and consequences will be further elaborated on in the next chapter.

7 Discussion

This chapter will discuss how the result of this study relates to other research as well as insights from Key informants, presented in Chapter 4. The discussion aims to address the two main research questions introduced in Chapter 1. Additional insights that appeared during the analysis will also be addressed.

7.1 Potential implications of the CSDDD

To address the two main research question outlined in Chapter 1, this chapter begins with an overview of the existing gaps in HRDD implementation as of 2023. The results indicate, that while Group 1, Group 2, and Group 3 companies have made progress in various aspects of HRDD between 2021 and 2023, gaps still persist. The main gaps include:

1. Limited Board level oversight of human rights issues,
2. Limited risk identification and management beyond Tier 1,
3. Lack of meaningful stakeholder engagement with workers and communities,
4. An over-reliance on conventional supply chain management practices as a substitute for comprehensive human rights due diligence,
5. Lack of severity assessment and disclosure on salient human rights impacts.

The uneven progress over the assessment categories reveals a persistent challenge: the gap between human rights commitments and companies putting them into actions. The slow progress, especially in areas such as board-level accountability, human rights impact assessment beyond tier 1, stakeholder engagement, points to the disconnect between policy and practice. This highlights the need for companies to go beyond symbolic commitments and prioritise embedding these principles into their daily operations in meaningful way, ensuring that commitments translate into tangible benefits for all workers and communities in global value chains. Key observations also include that the gap are less evident among Group 1 companies, which appear to be driven more by normative pressures than by regulatory ones, as indicated by Chapter 6 Analysis. The most notable gaps were identified among Group 2 and Group 3 companies.

The main gaps identified correlate with the findings of Nolan (2022) and Velluti (2024) in their assessment of HRDD shortcomings among companies in the textile and fashion sector. First, Nolan (2022) acknowledges that social audits are commonly used by companies to manage human rights and labour rights risks in the supply chain, while also being linked to limitations. According to Nolan (2022: 7): *“The social audit is not in itself a mechanism that provides a holistic approach to preventing and redressing workplace abuse. What is required is clarity and consistency from states on the mandated components of HRDD and an acknowledgement that social auditing should not be used as a proxy for HRDD”*.

The research finds that all companies relied on social audits, both in 2021 and 2023. While this is not inherently problematic, especially for companies who also rely on other means to manage human rights risks in the supply chain, concern arise for the companies that are likely to use social audits as a proxy for HRDD (Ford and Nolan 2020). For example, in 2023, Mango published an NTA-report which primarily described its social auditing process, indicating that the company may be using audits as a stand-in for a comprehensive human rights approach (Mango 2023b). A similar pattern is observed in the reporting of Zalando and Hugo Boss, which also focus predominantly on social audits when describing their HRDD processes, without

demonstrating a more holistic approach to human rights impact assessment (Zalando 2023; Hugo Boss 2023). According to Nolan (2022), such a focus leads to limited changes for human rights practices in the supply chain, as social audits are not equivalent to effective HRDD-processes and are limited when it comes to promote workers' rights.

Secondly, Nolan (2022) and Velluti (2024) highlight that HRDD should be workers centric. This means that a HRDD process should involve effective consultation with potentially affected groups and other relevant stakeholders including workers, worker representatives, Indigenous Peoples and civil society (Human Rights Council 2017). The OECD (2018) stresses that HRDD is an ongoing process, and a one-off consultation is insufficient, while it is also critical to move HRDD away from being a top down 'box-ticking' exercise (Nolan and McCorquodale 2022). Research from earlier HRDD-implementation shows that HRDD is often implemented with little consultation with supply chain workers and worker representatives which limits the effectiveness of HRDD (Nolan 2022; Velluti 2024). These findings also correlate with this research – the results show that Group 2 and Group 3 companies demonstrated limited engagement with affected stakeholders, as they did not adequately mention stakeholder consultation linked human rights efforts in their sustainability reports. This highlights a key gap against the OECD and UNGPs frameworks.

However, as discussed in Chapter 6, Section 6.2.3, on how the outline of the LkSG impact assessment beyond Tier 1, a similar discussion could be held regarding stakeholder engagement. The LkSG nor the NTA explicitly mandates stakeholder engagement, however, it is a central requirement of OECD and UNGPs (UNHRC 2011; OECD 2018). What this indicates, is that when requirements are not explicitly stated in laws, it might result in companies not implementing associated processes, even if they are critical for effective HRDD. In contrast, the CSDDD explicitly requires stakeholder engagement under Article 13 (EU 2024 Directive 2024/1760/EU). It remains to be seen if the CSDDD will drive companies to have stakeholder engagement as a central part to their HRDD process.

Thirdly, Velluti (2024) and the European Commission (2024) highlight that there are gaps in due diligence beyond Tier 1 suppliers. This is also supported by the research: while some companies disclosed on risks in the lower tier supply chains and collaborated with organisations such as Fairtrade and BCI to manage risks, risks linked to lower tier supply chains was given limited attention in sustainability reports. Furthermore, the research showed that not all raw material was sustainably sourced (i.e., from Fairtrade or BCI), indicating that risks related to child labour and forced labour remained, as well as the abuses in the regions of like Xinjiang. Given the human rights risks in the supply chains beyond Tier 1, this remains an important issue to address. However, on a positive note, many companies in the study reported on engaging in traceability of the supply chain beyond Tier 1, even though they did not report on a full human rights impact assessment on these tiers yet, including H&M, Mango, and Inditex (H&M 2021, 2023; Mango 2023; Inditex 2021, 2023).

The findings from the study also correlate with insights from the Key informants (presented in Chapter 4, section 4.3), highlighting that the implementation of HRDD-practices as a response to the LkSG and NTA have been limited. The insights from Key informants correlate with the findings from Velluti (2024), European Commission (2024), and Nolan (2022), as well as the results and analysis from this thesis, indicating that HRDD legislation has led to limited company change in HRDD practices. However, to nuance this discussion, Key informants also emphasised that limited implementation was not solely due to a lack of unwillingness to engage with HRDD processes. Rather, it was also related to uncertainty and a lack of clarity around

what constitutes compliance. As soft-process-based norms are codified into hard-law, Key informants noted that a gap was created in which companies were unsure of the specific steps to take to meet legal obligations. Thereby, companies might fail to implement adequate HRDD processes - not because they intend to, but because they lack the knowledge on how to do it right.

Furthermore, Key informants also highlighted that the enforcement of the NTA and LkSG has increased awareness of HRDD and has prompted companies to carry out human rights impact assessments and take other relevant due diligence measures. (This observation aligns with the findings of the study, showing that Group 2 and Group 3 companies improved their HRDD processes between 2021 and 2023, even though gaps remained in 2023). Even though this implementation is not perfect, small improvements may function as initial stepping-stones towards more substantive and transformative changes over time (Edelman et. al. 1991). This is further elaborated on in Chapter 2, Section 2.3, discussing the limitations of the Legal Endogeneity Theory.

What this means for the CSDDD, is that when the implementation of HRDD frameworks is mainly driven by a willingness to comply with legislation, legislations alone may be insufficient. This is indicated by the results and analysis, where Group 1 companies demonstrated a higher compliance with HRDD processes than Group 2 and Group 3 companies. What this further indicates, is that when legislation is process-based, as well as broad and ambiguous by nature (as is the case with the LkSG, NTA, and CSDDD) it invites companies to adapt the legislation to existing business practices, rather than transforming them. On the other hand, as indicated by Key informants, the limited progress may not only be attributed to companies taking advantages of vague regulations – it might also be related to uncertainty around which steps to take to meet the legal obligations. This highlights the need for clear guidance for companies on how to implement HRDD-processes in line with the CSDDD.

In the long term, when companies adapt a narrow HRDD approach, this may shape the broader understanding on what it means to be compliant with the legislation, as highlighted by the Legal Endogeneity Theory and in Figure 1 of the theoretical framework (Monciardini et. al., 2021; Edelman and Talesh 2021). Consequently, designing the CSDDD in a way that leads to limited changes to corporate practices poses risks to the Directive's long-term effectiveness.

In order for the CSDDD to create meaningful outcomes, it will be critical to provide guidance on how the HRDD should be implemented and set clear expectations on companies. Additionally, enforcement mechanism (i.e., sanctions and civil liabilities of the Directive) should be ensured and effectively implemented in national legislation. In short, the goal should be to keep the law exogenous at its early stages of implementation, meaning its interpretation and application should be shaped intentionally by lawmakers, rather than left to be defined by corporate practices. This may prevent companies, who mainly strive for minimal compliance, to implement HRDD processes that do not create changes for workers in the value chains. It may also provide guidance for companies who genuinely seek to comply with the law, but who clarity on how to implement adequate HRDD practices in line with the CSDDD.

7.2 Implications of the Omnibus proposal

The Omnibus proposal introduces two main risks that could further undermine the effectiveness of the CSDDD, as highlighted by Key informants: (1) the reduction of scope in due diligence obligations, meaning, limiting the due diligence obligations to Tier 1 suppliers and to indirect suppliers only when *plausible information* exists, and (2) the weakening of enforcement

mechanisms, particularly the removal of sanctions and civil liability provisions of the Directive (European Commission 2025a, 2025b).

The narrowing of due diligence obligations to Tier 1 suppliers and indirect suppliers when *plausible information*, poses a risk. As indicated by Key informants and as evidenced by the research, companies focusing on reaching minimum compliance might interpret this clause as their responsibilities extending to Tier 1 suppliers only. As earlier discussed, Zalando only reported on human rights risks and management for their Tier 1 suppliers, despite the company being in scope of the LkSG (Zalando 2021, 2023). With the introduction of the Omnibus proposal, there is a risk of a growing perception among companies that their primary or exclusive responsibility lies with Tier 1 suppliers. To counter this, Key informants stressed the need for enforcement mechanisms that clearly require companies to identify and act on risks beyond Tier 1.

Secondly, the Omnibus proposal aims to weaken the sanctions and civil liabilities clause of the CSDDD (European Commission 2025a, 2025b). This is likely to allow companies to apply an even narrower interpretation of HRDD. According to Nolan (2022) enforcement mechanisms are a critical driver for ensuring effective implementation of human rights. Without them, there is a risk that corporate compliance will become superficial or symbolic, rather than substantive. Therefore, a weakening the enforcement mechanisms may ultimately undermine the objective of the Directive.

While the Omnibus proposal includes several additional changes to its articles (European Commission 2025a, 2025b), the two risks outlined above – the narrowing the scope of due diligence obligations, and the weakening of enforcement mechanisms – are likely to be particularly critical. Both are central to determining whether the CSDDD can drive meaningful change. The Omnibus proposal poses a particular risk regarding companies whose engagement with HRDD is driven solely by legal obligation, rather than intrinsic motivation or societal pressure, as previously discussed in Chapter 6 Analysis. If companies focus on solely meeting legal requirements, and those requirements are weak, it is likely what they will not implement robust HRDD processes.

The fashion industry, on which this study focuses, has long been subject to normative and societal pressure pushing companies to engage with human rights issues (MacCarthy 2012; Nolan 2022). While all of their practices may not yet fully align with the UNGPs and OECD, the results of the research show that companies at least demonstrated an understanding of human rights risks in their value chains and have certain processes to manage adverse impacts in place, particularly at Tier 1 level. However, the greater risks arise as the CSDDD extends to less mature sectors, where companies may not have been driven to implement HRDD practices by normative and societal pressure, and therefore lack established HRDD processes. In such cases, if the Directive allows for formal compliance without requiring substantive changes, the Directive is unlikely to lead to real improvements in the conditions of workers in global supply chains. This is especially the case if the Omnibus proposal is approved by the EU.

However, as discussed in Chapter 3, the thesis and its conclusions are also influenced by its limitations. These include its restrictions to larger textile companies and its reliance on publicly available information, supplemented by interviews. The study also does not cover all aspects of due diligence, such as remediation or grievance mechanisms, and excludes environmental provisions. Broader coverage or a different sectoral focus might have resulted in different findings and provided a different perspective to the CSDDD and the Omnibus discussion.

8 Conclusions

This chapter intending to address the research question in chapter one: “To what extent does the CSDDD have the capacity to drive companies to implement effective HRDD processes”, and “What are potential implications of the Omnibus?”

8.1 Implications of the CSDDD and Omnibus

The aim of this study has been to assess the CSDDD’s capacity in driving companies to implement effective HRDD processes. This has been carried out by drawing upon learnings from how companies, being in scope of already established due diligence legislations, namely, the NTA and the LkSG have implemented the OECD and the UNGPs process for due diligence as a response to the laws and their potential gaps. The thesis has also highlighted the potential effects of the current Omnibus proposal. The thesis has focused on the textile and fashion industry, examining eight fashion companies that will eventually be in scope of the CSDDD.

The results and analysis demonstrate that while regulatory frameworks such as the LkSG and NTA have driven changes in corporate behaviour, particularly when it comes to human rights governance and disclosure on human rights, the impact on substantive HRDD practices remains mixed. Companies who demonstrated strong HRDD processes (Group 1) already in 2021, indicated limited change post-legislation, suggesting that the regulatory pressure had a low effect on them. Regarding Group 1 companies, their HRDD processes are likely to have mainly been driven by normative pressure. In contrast, mid-performing companies (Group 2), showed improvements between 2021 and 2023, indicating that the legislation had influenced their HRDD performance. However, the improvements were often linked to symbolic area, such as policies and reporting, rather than to core practices, i.e., stakeholder engagement, human rights impact assessments (especially beyond Tier 1), or integration of human rights into core business strategies. Low-performing companies (Group 3) demonstrated limited progress between 2021 and 2023. The results indicate that compliance was mainly driven by symbolic compliance and shaped by a narrow interpretation of legal requirements. These companies appeared to internalise the law through legal endogeneity, i.e., they maintained business as usual while implementing symbolic forms of compliance, such as policy documents and reports.

These mixed findings highlight implications for the CSDDD. On the one hand, as highlighted by the European Commission (2025c), the Directive may have the potential to create an equal playing field for companies within the European Union – by establishing binding and harmonised HRDD obligations, the Directive would strengthen and equalise the regulatory environment. Furthermore, by aligning the CSDDD with the OECD and UNGPs (EU 2024 Directive 2024/1760/EU), the Directive signals that HRDD is not equivalent to policy disclosure, but instead, that companies need to improve internal processes and implement adequate risk management systems, aiming at addressing human rights impacts. On the other hand, the findings also suggest that laws alone may not be sufficient to drive meaningful change for workers and communities, if companies are able to comply symbolically without improving the underlying business practices that cause harm. This mainly applies to companies that implement HRDD due to regulatory requirements and strive for not more than compliance, rather than responding to normative and stakeholder pressure, which may impact companies to implement more adequate HRDD processes.

This thesis argues that the effectiveness of the CSDDD is going to depend on how it is designed and implemented, by states, businesses, and other stakeholders, both in terms of legislative

outline and enforcement mechanisms. When soft-law process-based frameworks are transformed into hard-law (as is the case with the UNGP and OECD, transposed into the LkSG, NTA, and CSDDD) there is a risk of the laws containing vague or weak legal criteria (Nolan 2022; Munoz 2025). These vague criteria might create a process that prizes box-ticking, whereby companies formally comply with their HRDD obligations but do not substantially change their business practices (ibid.). This is supported by the legal endogeneity theory, highlighting that ambiguous legislations create the conditions for companies to implement symbolic forms of compliances, while maintaining business as usual (Monciardini et. al., 2021).

The Omnibus creates further risks for the effectiveness of the CSDDD. Narrowing down the scope of due diligence obligations to Tier 1 and indirect suppliers in cases of *plausible information* (European Commission 2025a, 2025b) may only be effective if the plausible information clause is adequately enforced and implemented. However, given the weakening in civil liabilities and sanction of the proposal (ibid.), the thesis argues that there will be high-risk of companies mainly engaging in Tier 1 supply chain, if the Omnibus proposal goes through. Additionally, this research has focused on companies in the textile and fashion industry. This is an industry that has been put under public pressure to take actions on working conditions and human rights in their supply chains (Nolan 2022). While not all companies in the research have implemented processes that fully align with the UNGPs and OECD, most have developed a human rights risk-awareness. In this sense, the textile and fashion industry, despite shortcomings, might be considered one of the more advanced industries in terms of HRDD. Given this context, the fact that the thesis identifies gaps even within this industry raises concerns about the potential state of HRDD practices in sectors that have not come as far.

8.2 Practical implications and future research

The contribution of this study is to critically reflect on the potential effectiveness of the CSDDD, whether it is implemented as the current Directive, or in the Omnibus version. It also contributes to additional guidance for lawmakers on how to construct the Directive to ensure meaningful impacts. The thesis argues that two elements are particularly critical for the CSDDD to deliver meaningful outcomes: (1) the establishment of clear HRDD expectations on companies, and (2) the implementation of effective enforcement mechanisms. In the early phases of implementation, the thesis argues that it is essential that the law remains *exogenous* to originations, to ensure that companies implement adequate HRDD processes in line with the OECD and UNGPs. This will be especially important for less mature sectors. Furthermore, if the Omnibus proposal is adopted, the inclusion of a *plausible information* is likely to raise concerns if the enforcement mechanisms are weakened or removed. In this scenario, the Omnibus version risks narrowing down HRDD to Tier 1 suppliers only, whereas, in most sectors, the most salient adverse impacts lie deeper within the supply chain. Therefore, enforcement mechanisms and clear expectations are going to be critical.

Furthermore, to deepen the understandings of the implication of the CSDDD, future research should extend to assessing other industries than textile and fashion. Relevant sectors would include industries that have not been subject to the same level of societal pressure to implement HRDD as fashion and textile. By broadening the scope of the research to include other sectors, it would offer a more comprehensive perspective of the Directive's potential impact. More importantly, it would enhance understanding of how the legislation should be structured and what type of guidance is needed to ensure that companies implement effective HRDD processes. Ultimately, this would improve the likelihood that the Directive achieves its intended human rights outcomes.

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Appendix 1: Coding Schemes

Below are the coding schemes for the assessment presented. They illustrate the evaluated questions together with their explanation and scoring for each assessment category, namely, 1. *Human Rights Governance* (Table 19), 2. *Identify, Assess, and Prioritise Impacts* (Table 20), and 3. *Manage and Mitigate Impacts* (Table 21).

Table 19. Assessment category 1. Human Rights Governance

1. Human rights governance (Maximum scoring: 7)					
	Questions	Excellent (3p)	Met (2p)	Partial (1p)	Unmet (0p)
1.	Does the company commit to the OECD and/or UNGP?	N/A	OECD/UNGPs disclosure	N/A	No disclosure
		N/A	Stated adherence to the OECD and/or UNGPs	N/A	No mentioning of the OECD and/or UNGPs
2.	Does the company have a human rights or due diligence policy?	N/A	Disclosure on policy	N/A	No disclosure
		N/A	The company states that it has a human rights policy and/or a due diligence policy in place	N/A	No disclosure on policy
3.	Does the company state board level/senior executive responsibility for human rights?	Board level governance	Disclosure on governance	Limited disclosure	No disclosure
		The company discloses that the Board of Directors are responsible for overseeing human rights. The company specifies the specific Board members or Board committees tasked with human rights oversight.	The company discloses on human rights governance. The company has assigned a person(s)/role(s) responsibility for human rights.	The companies disclose on company sustainability governance. The company does not disclose on specific person(s)/role(s) responsible for human rights.	No disclosure on human rights governance.

Table 19 illustrates the framework to evaluate assessment category 1. *Human Rights Governance*. This assessment category has a maximum possible score of 7 points, distributed across three sub-questions, each scored from 0 (Unmet) to 3 points (Excellent).

Table 20. Assessment category 2. Identify, Assess, and Prioritise Impacts

2. Identify, Assess, and Prioritise Impacts (Maximum scoring: 17)					
	Questions	Excellent (3p)	Met (2p)	Partial (1p)	Unmet (0p)
1.	Does the company carry out impact assessments across its value chain in practice? I.e., beyond Tier 1 markets / suppliers.	Detailed disclosure on risk assessment beyond Tier 1	Disclosure on risk assessment beyond Tier 1	Limited disclosure on risk assessment beyond Tier 1	No disclosure
		The company presents a structured and comprehensive approach to risk assessment for suppliers and markets beyond Tier 1. It considers the full range of human rights issues and demonstrates a holistic understanding of risks.	The company demonstrates conducting risk assessments beyond Tier 1 suppliers and markets. It takes into account a broad set of human rights issues and demonstrates a nuanced understanding of risks.	The company provides limited information on risk assessment beyond Tier 1. Its approach considers only certain parts of the value chain and addresses a narrow set of human rights issues.	The company does not disclose any information regarding risk assessments beyond Tier 1 suppliers.
2.	Does the company carry out risk assessment on Tier 1 markets / suppliers?	Detailed disclosure on risk assessment on Tier 1	Disclosure on risk assessment on Tier 1	Limited disclosure on risk assessment for Tier 1	No disclosure
		The company presents a structured and comprehensive approach to risk assessment for Tier 1 suppliers. It considers the full range of human rights issues and demonstrates a holistic understanding of risks.	The company demonstrates conducting risk assessments of Tier 1 suppliers and markets. It takes into account a broad set of human rights issues and demonstrates a nuanced understanding of risks.	The company provides limited information on risk assessment of Tier 1. Its approach addresses a narrow set of human rights issues and lacks a holistic and nuanced understanding of risks.	The company does not disclose any information regarding risk assessments for Tier 1 suppliers.
3.	Does the company assess severity and likelihood for human rights impacts?	N/A	Disclosure on severity and likelihood assessment	Limited disclosure on severity and likelihood assessment	No disclosure
		N/A	The company provides a clear description of its severity and likelihood assessment as part of its due diligence process	The company provides partial or inconsistent information on how it carries out severity and likelihood assessments	The company does not disclose information on severity and likelihood assessment
4.	Does the company disclose salient human rights impacts?	Detailed disclosure of prioritised human rights impacts	Disclosure of prioritised human rights impacts	Limited disclosure of prioritised human rights impacts	No disclosure
		The company discloses prioritised or salient human rights impacts, based on a structured risk assessment process aligned with the OECD and UNGPs.	The company discloses prioritised human rights impacts; however, it is unclear whether the prioritisation is based on a structured risk assessment process.	The company discloses human rights impacts but does not clarify whether these impacts are prioritised or salient.	The company does not disclose any human rights impacts.
5.	Does the company disclose the method for the risk assessment? I.e., sources and internal and external competences used	Detailed disclosure on risk assessment methodology	Disclosure on risk assessment methodology	Limited disclosure on risk assessment methodology	No disclosure
		The company provides a detailed description of its risk assessment methodology, including the types of sources used (e.g., stakeholder consultations, country risk reports, grievance mechanisms) and clearly states the involvement of internal and external expertise (e.g., NGOs, consultants). Multiple sources are used.	The company provides information about its risk assessment methodology, mentioning either the sources used or the competences involved. External input is used.	The company provides some information about its risk assessment methodology. No clear disclosure on external expertise or the sources used.	The company does not disclose any information about the methodology, sources, or competences used in its risk assessment process.
6.	Does the company have an approach to engage with affected stakeholders?	Detailed disclosure on stakeholder engagement	Disclosure on stakeholder engagement	Limited disclosure on stakeholders engagement.	No disclosure.
		The company provides detailed disclosure on how it engages with affected stakeholders, including vulnerable groups	The company provides disclosure on how it engages with affected stakeholders, including vulnerable groups	The company engages with stakeholders, however, not affected stakeholders/rightsholders and not clear whether this related to the DD process.	No disclosure on stakeholder engagement

Table 20 illustrates the framework to evaluate assessment category 2. *Identify, Assess, and Prioritise Impacts*. This assessment category has a maximum possible score of 17 points, distributed across six sub-questions, each scored from 0 (Unmet) to 3 points (Excellent).

Table 21. Assessment category 3. Manage and Mitigate Impacts

3. Manage and mitigate impacts (Maximum scoring: 17)					
	Questions	Excellent (3p)	Met (2p)	Partial (1p)	Unmet (0p)
1.	Does the company manage its prioritised / salient human rights impacts?	Detailed disclosure on impact management	Disclosure on impact management	Limited disclosure on impact management	No disclosure
		Detailed disclosure on how salient / prioritised human rights impacts are managed, including goals, KPIs, and strategies.	Disclosure on how salient human rights impacts are managed, but with less depth or fewer specifics (e.g., missing KPIs or targets).	Limited disclosure addressing only some human rights impacts, with few details on management actions.	No disclosure on the management of salient human rights impacts.
2.	Does the company implement a Supplier Code of Conduct in supplier relations and follow-up its suppliers through audits?	Detailed disclosure on Supplier Code of Conduct and supplier monitoring	Disclosure on Supplier Code of Conduct and supplier monitoring	Limited disclosure on Supplier Code of Conduct and supplier monitoring	No disclosure
		The company has a publicly available Supplier Code of Conduct aligned with international human rights standards. It systematically monitors supplier compliance through regular audits, assessments, and corrective action processes, with detailed disclosure of outcomes.	The company has a Supplier Code of Conduct and conducts supplier audits or assessments, but provides limited information on outcomes or follow-up actions.	The company has a Supplier Code of Conduct but provides minimal evidence of supplier monitoring or follow-up activities.	No public statement on a Supplier Code of Conduct or supplier monitoring practices.
3.	Does the company collaborate with suppliers to manage impacts? (E.g., providing training or other types of support)	Detailed disclosure on collaboration with suppliers	Disclosure on collaboration with suppliers	Limited disclosure on collaboration with suppliers	No disclosure
		The company actively collaborates with suppliers to address human rights impacts, with clear examples and outcomes disclosed.	The company engages in collaboration with its suppliers to manage impacts, with some examples or initiatives mentioned.	The company references collaboration but provides little detail on scope or outcomes.	No public statement on collaboration with suppliers to manage human rights impacts.
4.	Does the company collaborate with industry organisations to manage impacts?	Detailed disclosure on collaboration with industry organisations	Disclosure on collaboration with industry organisations	Limited disclosure on collaboration with industry organisations	No disclosure
		The company actively collaborates with industry organisations to address human rights impacts, with clear examples and outcomes disclosed.	The company engages in collaboration with industry organisations to manage impacts, with some examples or initiatives mentioned.	The company references collaboration but provides little detail on scope, partners, or outcomes.	No public statement on collaboration with industry organisations to manage human rights impacts
5.	Does the company collaborate with industry organisations to manage impacts?	Detailed disclosure on collaboration with industry organisations	Disclosure on collaboration with industry organisations	Limited disclosure on collaboration with industry organisations	No disclosure
		The company actively collaborates with industry organisations to address human rights impacts, with clear examples and outcomes disclosed.	The company engages in collaboration with industry organisations to manage impacts, with some examples or initiatives mentioned.	The company references collaboration but provides little detail on scope, partners, or outcomes.	The company does not disclose any information regarding changes to its business practices to manage or mitigate human rights impacts.
6.	Does the company modify its business practices to manage impacts?	Detailed disclosure on stakeholder engagement	Disclosure on responsible purchasing practices	Limited disclosure on collaboration with industry organisations	No disclosure
		The company provides detailed disclosure on how it engages with affected stakeholders, including vulnerable groups	The company discloses how it adapts or modifies its business practices—such as purchasing decisions—to manage and mitigate human rights impacts. This may include commitments to responsible purchasing, long-term supplier relationships, or fair payment terms.	The company provides minimal or vague information on how its business practices are adjusted to address human rights risks. Disclosure may lack specific actions or be limited in scope.	The company does not disclose any information regarding changes to its business practices to manage or mitigate human rights impacts.

Table 21 illustrates the framework to evaluate assessment category 3. *Manage and Mitigate Impacts*. This assessment category has a maximum possible score of 17 points, distributed across six main sub-questions, each scored from 0 (Unmet) to 3 points (Excellent).

Appendix 2: Full-scale picture of Figure 1

This figure is illustrated in the theoretical framework. It provides an overview of the framework.

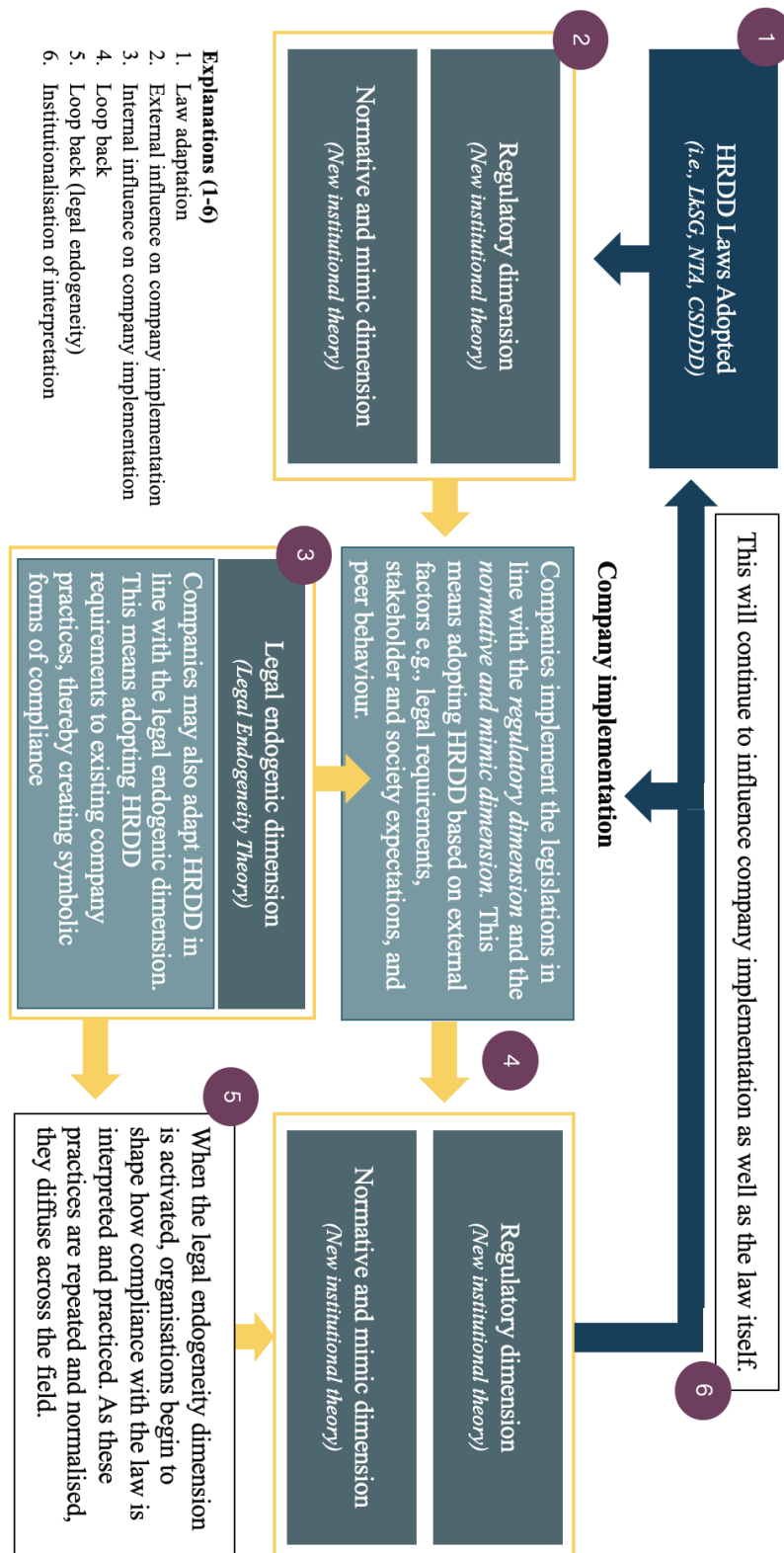


Figure 1. Overview of theoretical framework.

Appendix 3: Coding scheme and CSDDD linkage

Figure 7 illustrated the link between CSDDD and the Coding scheme. As discussed in Chapter 3 Method, Section 3.4 Qualitative content analysis, the assessment categories were structured around three areas. These areas were inspired and informed by the CSDDD, OECD, and UNGPs. Below in an illustration on these linkages.

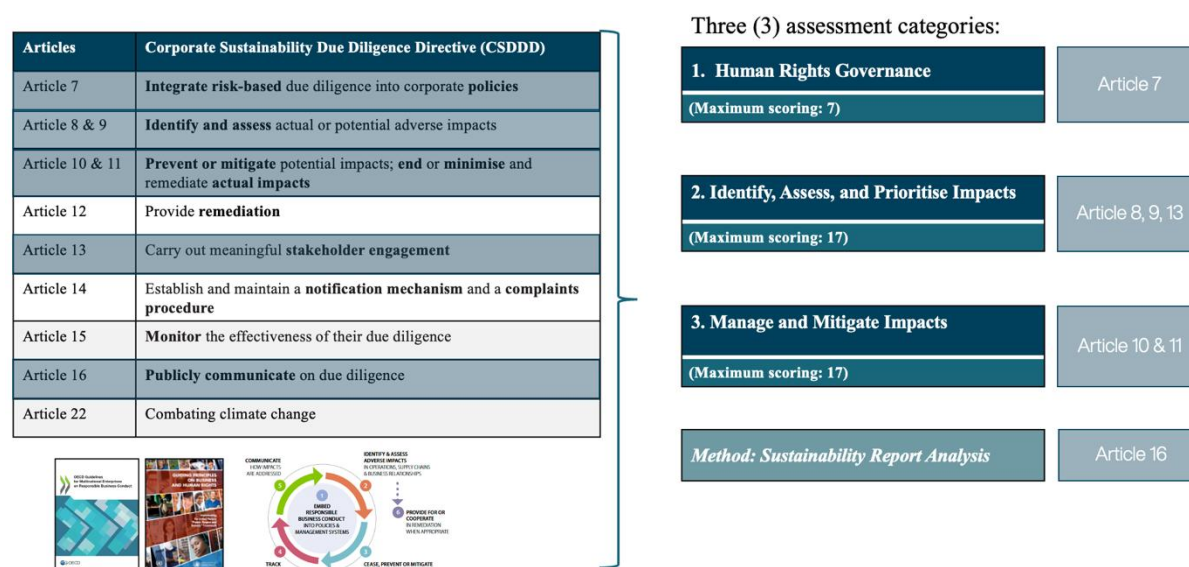


Figure 7. Coding scheme and CSDDD linkage.

Figure 7 illustrates the linkage between the CSDDD's articles and the three assessment categories in the Coding scheme. The linkage is the following:

Assessment Category 1. Human rights governance - has been inspired by CSDDD's *Article 7 Integrate risk-based due diligence into corporate policies*.

Assessment Category 2. Identify, assess, and prioritise impacts - has been influenced by CSDDD's *Article 8 and 9 Identify and assess actual and potential adverse impacts* and *Article 13 Meaningful stakeholder engagement*.

Assessment Category 3. Manage and mitigate impacts – has been influenced by CSDDD's *articles 10 and 11 Prevent or mitigate potential impacts; end or minimize and remediate actual impacts*.

By assessing company communication on HRDD-processes, also CSDDD *Article 16 Publicly communicate on due diligence* has been taking into consideration and assessed in the study.

Appendix 4: Interview guide

1. What do you think are the main challenges for companies when it comes to implementing efficient HRDD practices?
2. How have companies responded to the German Supply Chain Act and the Norwegian Transparency act? What have been the main challenges in implementing these legislations?
3. How prepared do you think companies are when it comes to implementing due diligence in line with the CSDDD? Where do you see the most significant gaps and challenges?
4. If the Omnibus proposal would go through, what do you see as the main implications for how companies would implement HRDD under the CSDDD?
5. Do you see any potential positive/negative implication on company human rights practices deriving from the Omnibus proposal?
6. How might changing the scope of due diligence obligations from “Chains of activities” to “Tier 1 and plausible information” impact how companies approach human rights across their value chains?
7. What do you think would be the main implications of removing or altering the sanctions and civil liability provisions of the CSDDD?
8. What support or guidance do you think companies need to be able to implement efficient HRDD processes? From the EU, national governments, consultants, and other stakeholders?

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