Navigating corporate responsibility in global supply chains using codes of conduct

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6 Corporate insights on supplier codes of conduct and human rights due diligence legislation[1]

ABSTRACT

The evolving landscape of global human rights protection increasingly places responsibility on multinational corporations to act in the public interest beyond their economic roles. Despite international soft law guidelines and regulatory advancements, companies still operate transnationally with limited accountability for human rights risks in their supply chains. To address this gap, many companies have adopted private voluntary policies such as supplier codes of conduct (SCC) to set minimum labor standards for their suppliers. This chapter investigates how internally employed human rights experts perceive corporate social responsibility (CSR) policies, SCC, and the emerging human rights due diligence framework within their companies. It aims to understand the role of SCC and human rights in corporate practices, describe the evolution of human rights concerns within companies, and gather expert insights on mandatory human rights due diligence. How do multinationals perceive the adoption and implementation of their SCCs, and what is their take on the upcoming legislative framework on mandatory due diligence?

The research objectives center on qualitative analysis of corporate governance on and the perceptions of human rights experts regarding SCC implementation and the impending legal framework on mandatory due diligence. Through a systematic presentation of 14 interviews conducted with human rights experts, the chapter sheds light on the adoption, challenges, and potential impacts of SCC and due diligence measures within multinational corporations. This study contributes valuable insights for practitioners conducting due diligence, and policymakers regulating corporate due diligence.

1 This Chapter has been submitted for publication under the title: Corporate Insights on Supplier Codes of Conduct and Human Rights Due Diligence Legislation: A Qualitative Study. It is not yet published on the date of submission of the dissertation.

6.1 Introduction

The landscape of global actors responsible for respecting human rights is undergoing a profound transformation, marked by an increasing expectation for private entities, particularly multinational corporations, to demonstrate ethical conduct and social responsibility. In the era of globalization, companies are increasingly called upon to assume a broader role in safeguarding public interests, beyond their economic role towards society (Scherer & Palazzo, 2011). This paradigm shift is propelled by a combination of incentives from different actors, international soft law norms, and emerging regulatory frameworks at both national and regional levels. Notably, the concept of human rights due diligence, articulated in the United Nations Guiding Principles on Business and Human Rights in 2011 by John Ruggie, has gained prominence, emphasizing the corporate responsibility to identify, prevent, and mitigate human rights risks across their global operations.

Despite these advancements in regulatory discourse, multinational corporations operate across borders with limited accountability for human rights abuses within their supply chains. To address this accountability gap, most companies adopt SCCs (Chapter 4) setting minimum labor standards and ethical principles for their suppliers. Codes of conduct are sometimes accompanied by the implementation of management systems and organizational adaptations aimed at integrating human rights considerations into business practices, but these management systems are not always accompanied by actions in practice aimed at limiting labor violations in global supply chains (Chapter 5).

While the adoption of SCCs has historically been voluntary, the adoption of the Corporate Sustainability Due Diligence Directive (CSDDD) at the European level signals a notable shift toward mandatory regulation of SCC adoption for multinationals (Chapter 2). This regulatory evolution underscores the urgency of examining the challenges and implications associated with SCCs, both in their current voluntary capacity and within the context of anticipated mandatory due diligence legislation. Consequently, this study seeks to explore the role of SCCs in enhancing labor practices within global supply chains from the perspective of internally employed human rights experts. How do human rights experts of multinationals perceive the adoption and implementation of the SCC, and what is their take on the upcoming legislative framework on mandatory due diligence?

By investigating how multinational corporations perceive the adoption and implementation of SCCs, as well as their perspectives on the forthcoming legislative framework mandating due diligence, this research aims to provide insights into the efficacy and implications of SCCs as mechanisms for promoting ethical supply chain management. Through an exploration of corporate perceptions and experiences, this study seeks to contribute to a nuanced understanding of the evolving landscape of corporate responsibility and regulatory compliance in the realm of human rights.

6.1.1 Legal and regulatory framework

The concept of human rights due diligence originates from the United Nations Guiding Principles (UNGPs), which are structured around three pillars: a State's duty to protect against human rights abuses by business enterprises; the corporate responsibility to respect human rights; and the right of access to effective remedy for victims of human rights abuses. This study falls within the ambit of the second pillar of the UNGPs, focusing on corporate responsibility, which extends to the supply chain wherever the enterprise has a leverage over the entity concerned. According to Principle 17,[2] business enterprises should carry out human rights due diligence, by taking four main actions: 1) Identify and assess human rights impacts through its own activities or as a result of its business relationships; 2) Integrate the findings from this assessment into the enterprise's decision-making processes, 3) Take appropriate action to prevent and mitigate adverse human rights impacts, and 4) Track responses to ensure their effectiveness and Communicate how impacts are addressed. Since their adoption in 2011, the Guiding Principles have gained wide relevance, especially within business practices, as they currently constitute the highest standards and benchmarks to reach.

As the UNGPs are non-binding, human rights due diligence thus started as a soft law framework, relying on corporate willingness to implement them. As a result, companies made steps to adopt policy documents setting minimum labor rights to be respected by their suppliers (Rasche & Waddock, 2021). Yet, as the EU Commission study shows, only 37% of businesses currently conduct environmental and human rights due diligence, and only 16% cover the entire supply chain.[3] CSR is thus facing criticisms by civil society, arguing that corporate actions fall short of expectations, and more accountability is necessary. This led to the progressive integration of due diligence processes into national legal frameworks,[4] first with the French *Loi sur le devoir de vigilance* in 2017,[5] then in Germany in 2019[6] and in Norway in 2022.[7]

It is in this era of national legal development that the EU has decided

2 Principles 11 to 24 are part of the second pillar of the UNGPs and detail the process of due diligence that should be conducted by businesses and provide guidance on their responsibility to respect human rights throughout their operations.

3 See the report *Study on due diligence requirements through the supply chain* of the European Commission (2020), accessible at: https://op.europa.eu/en/publication-detail/-/publication/8ba0a8fd-4c83-11ea-b8b7-01aa75ed71a1/language-en

4 In 2019, the Dutch Government also announced a Child Labor Due Diligence Act (*Wet zorgplicht kinderarbeid)*. However, following the discussions on the European Due Diligence Directive, this law never entered into force.

5 French Law on the Duty of Vigilance (*Loi relative au devoir de vigilance*), 2017 entered into force in 2019.

6 German Due Diligence Act (*Sorgfaltspflichtengesetz*), 2021

7 Norwegian Transparency Act (*Gjennomsiktighetsloven*), entered into force in 2022.

to regulate corporate accountability and adopt the Corporate Sustainability Due Diligence Directive (CSDDD).[8] Following weeks of uncertainties, negotiations, and legislative turmoil, an agreement was reached by the EU Council on 14th March 2024. This opens the door to the adoption of the first binding supra-national mandatory human rights due diligence law. Inspired by the UNGPs, the EU establishes a legal framework requiring companies to conduct due diligence throughout their supply chains to identify, prevent, mitigate, and account for human rights abuses and environmental harm. The CSDDD focuses on large companies and applies obligation to companies with at least 1 000 employees and a net worldwide turnover of at least €450 million.[9] The EU conceptualizes due diligence as a *"legal standard of care"*[10], which relates to the conduct which can reasonably be expected from the company under the relevant circumstances. Yet, specific tools attest of a corporate effort in behaving *diligently*. Crucial for this study is Article 5 of the Directive, which requires multinationals to adopt SCCs, as well as processes to verify their compliance. This shift – from a voluntary to a compulsory approach of codes of conduct applying to companies' supply chain – will likely change internal business practices in many companies. Aside from the CSDDD, the EU has also regulated corporate supply chain accountability in other legal texts, such as the Corporate Sustainability Reporting Directive (CSRD).[11] Other international legal developments on human rights due diligence occurred elsewhere but will not be developed here as this study focusses mostly on European companies.[12]

Contrary to the EU Directive, the UNGPs do not consider supplier codes of conduct so central to the due diligence obligations companies should undertake and, in fact, do not refer to *codes* explicitly. Commentaries of Principle 19 consider that human rights prevention should be integrated horizontally across the business, meaning that human rights policy commitments have been embedded into all relevant business functions. While this underlines the crucial role of *human rights policies*, Principle 19 insists more

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8 Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937 COM/2022/71 final

9 The scope of application of the Directive is detailed in Article 2 of the CSDDD

10 For more information on this standard, see the Study on due diligence requirements through the supply chain, p.261 - 262 "Regulators cannot realistically list every single circumstance, or combination of circumstances, which could possibly apply to companies on a daily basis in different parts of their global operations. Instead, regulators use due diligence as a legal standard of care to expect the company to assess its own risks and address them in accordance with the standard of care. If the company exercises reasonable or adequate due diligence, it meets the standard. If it does not, for example because it overlooked certain risk factors which it should have taken into account, then it does not meet the standard."

11 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 as regards corporate sustainability reporting

12 Examples include the Australian Modern Slavery Act of 2018, the California Transparency in Supply Chains Act of 2010, insofar as they require reporting on due diligence, steps taken for modern slavery and forced labour in relevant companies' supply chains.

on their integration throughout the company than on its adoption and the *verification of code's compliance* as phrased in Article 5 of the CSDDD.

Considering this discrepancy with the UNGP, one may question the approach adopted by the EU. Putting codes central to the Directive calls for an assessment of the efficiency of supplier codes of conduct as a tool, and its compliance assessment mechanisms. Going beyond the Directive and on to the UNGP, it is also relevant to question how companies implement their codes of conduct and show efforts internally to integrate codes throughout their company.

6.1.2 State of the art of the research on supplier codes of conduct

As we delve into the realm of corporate responsibility within global supply chains, it is essential to examine the existing literature on the implementation of SCCs. We already know that 70% of multinationals globally have adopted a SCC, including 89,7% of European companies (Chapter 4). We also know which management systems are put in place to implement SCC, and that companies often place the burden of compliance on their suppliers while assuming limited accountability themselves in the textual interpretation of SCCs (Chapter 5). The systematic literature review underscored several factors that influence SCC compliance and effectiveness (Chapter 3). Among the *internal* factors – meaning the ones occurring within the multinational itself – are the following: the existence of implementation and monitoring programs, corporate governance around supplier codes within companies, corporate purchasing practices with supplier and companies' intrinsic social commitment. These results point to the importance for companies themselves not only to adopt the codes, but to commit to implementing them, and to develop programs accordingly. In this Chapter, I focus specifically on the internal processes leading to the implementation of codes. Jedynak (2019) recommends focusing on such internal mechanisms of implementation, considering that more analysis on the roles and functions attributed to SCC at the organizational level is necessary to understand the gaps in their implementation.

On SCC implementation, scholars have time and time again repeated the necessity to go beyond a *traditional compliance* approach of supplier codes, involving a top-down approach where suppliers are required to the specified standards as a condition of doing business with the company. This model of CSR comes together with the practice of compliance *verification*, performed by social audits and other monitoring and surveillance mechanisms.[13] While this traditional compliance model has been widely used, it has faced criticism for its limitations in driving meaningful change throughout the supply chain. Critics argue that it often focuses solely on ensuring that minimum legal requirements are met rather than fostering genuine

13 Social auditing is a process by which a company verifies supplier compliance with human rights standards (McCorquodale *et al.*, 2017).

improvements in social and environmental performance (McCorquodale & Nolan, 2021). In lieu of this approach, researchers call for the use of the *collaborative*, or *partnership-based* model to implement human rights policies (Gimenez et al., 2012). This model insists on the importance of the buyer-supplier relationship.

Beyond how companies act to implement SCC with their suppliers, human rights standards must first be integrated within the company, to ensure that all staff – especially the one in direct contact with suppliers – are knowledgeable on SCCs. Within organizations, the team in contact with suppliers is called the *procurement* team, which are responsible for managing the sourcing, purchasing, and acquisition of goods, services and materials. They are in charge of supplier management, thus must evaluate suppliers' capabilities to deliver the contractual obligations. The procurement team's awareness of SCC standards is essential to adopt an effective approach on human rights prevention with suppliers. Unfortunately, some scholars point to the lack of skills to address sustainability issues within procurement, impeding successful collaboration between suppliers and buyers in achieving sustainability goals (Touboulic & Walker, 2015).

Exploring the literature on internal integration of SCC and human rights standards, revealed a notable scarcity of research in this area. Quarshie et al. (2016) attribute this gap to the historical focus of the field on sustainability issues rather than human rights. McVey (2022) stands out as a rare contributor who delves into the implementation of effective management systems within corporations. McVey's research underscores the pivotal role played by human rights experts in driving corporate efforts to uphold human rights standards. Her focus is placed on *external* experts, for which she emphasizes the role of guidance, overseeing and advising businesses in aligning their practices with human rights principles. Moreover, McVey emphasizes the function of these experts as guardians of accountability and integrity within corporate settings, naming them 'governance authority' in business and human rights (McVey, 2022). In essence, they serve as a critical bridge between business objectives and human rights imperatives, facilitating the integration of ethical considerations into corporate strategies and operations.

Given the apparent pivotal role of *external* human rights experts, one may question whether *internal* human rights experts – meaning those directly employed by the company, also serve as guides and 'governance authorities' internally. This makes it especially relevant to engage with them, as their insights are likely to provide valuable perspectives on the internal mechanisms and challenges associated with integrating supplier codes within business relationships.

6.1.3 Objectives and research questions

Building on this literature, and intending to fill the highlighted gaps, this study aims to conduct a qualitative analysis of corporate governance practices related to SCCs. The research seeks to explore how SCC are integrated and disseminated within companies, ultimately leading to influencing supplier behavior. Given the pivotal role played by human rights experts in guiding corporate actions and ensuring adherence to ethical standards, their perspectives are deemed crucial for understanding the complexities of SCC implementation. McVey even refers to these experts as "knowledge providers" (McVey, 2023), making it relevant to interrogate them in this study.

The primary objective is to gather comprehensive insights into corporate practices surrounding SCC implementation and their alignment with emerging due diligence legal frameworks. To achieve this, two main research questions are posed. First, how do human rights experts perceive their companies' supplier codes of conduct and management systems to address supply chain social issues? Second, how do they perceive the upcoming legislative framework on mandatory human rights due diligence?

Following an overview of the qualitative methodology employed (section 6.2), I present my results in five sub-sections: the adoption of SCC, the evolution on human rights concerns within companies, the challenges around the implementation of SCC, the potential impact of the due diligence legal framework, and a final paragraph on where companies stand regarding due diligence. The chapter concludes with a comprehensive discussion of the research findings, highlighting key insights, implications, and potential avenues for future research in the field of corporate governance and human rights compliance.

6.2 Methodology: A qualitative study

6.2.1 Sample and procedure

In this qualitative study, I aim to gather insight on SCC implementation management systems within companies, as well as opinions on the upcoming due diligence legislative framework. Since the literature on human rights expertise in multinationals is sparse, gathering perspectives from human rights advisors, managers, or internal consultants is relevant. These are the respondents that were reached out for our sample. Each company has different terms for job position on human rights expertise, such as 'ESG manager' or 'compliance officer'. They may also be hired in different teams within the company, depending on the organizational structure. In some cases, this specific position does not exist per se, but these tasks were part of the legal affairs team.

Semi-structured interviews were chosen as the primary method of data collection to facilitate in-depth exploration of participants' perspectives on SCC implementation management systems and the impending due diligence legislative framework. Semi-structured interviews offer the flexibility to probe for rich insights while allowing participants to express their views freely. Prior to participation, all interviewees provided informed consent, acknowledging their voluntary participation and the confidentiality of their responses. To safeguard participant anonymity and mitigate potential backlash, respondents were given the option to withhold their company names from publication. Three companies accepted to share their companies' names publicly. For those requesting anonymity, I noticed that this option sometimes allowed the respondent to speak freely during the interview, opening the discussion to address the challenges, malpractices and frustrations within their companies.

Fourteen participants were interviewed, from twelve multinational companies representing various sectors. In a first phase, participant recruitment involved personally reaching out to multinational companies listed in the Database of Business Ethics. Facing lack of responses, I turned to my personal networks and reached out to the non-profit organization Shift.[14] The entry point in this organization was Dutch, which explained why most participating companies are Dutch based. Out of twelve companies represented, seven are Dutch. All participating companies operate transnationally with global supply chains. A descriptive list of participants is provided in Table 1 below, keeping participating companies anonymous. Considering this process, the sampling strategy was first a purposive sampling as it was relevant to have respondents from the Database of Business Ethics, then a snowball sampling involving Shift and the subsequent referral to companies through their networks. Efforts were made to recruit participants until saturation was reached on many points, whereby no new information or themes emerged from subsequent interviews (Guest et al., 2006).

A pilot interview conducted in December 2022 allowed to define the topic list (See Annex 1). During this first interview, I tested the topic list and changed it according to what was doable, what terminology and vocabulary to use, and identifying flaws in my questions. It helped me refine the research objectives and understand how to go about future interviews. Moreover, it allowed me to assess whether an online interview was sufficiently natural or presented any disadvantages to collect data. No major challenges excluded this online method of data collection. Following this pilot, all interviews were conducted in English and lasted between 30 minutes to an hour, either online or in person where possible.

14 Shift is the leading center of expertise on the UN Guiding Principles on business and human rights. More details on their mission and scope on their website, accessible at: https://shiftproject.org/who-we-are/

Table 1: Descriptive list of participants

Participant	Occupation	Company sector	Country of headquarters	Gender	Interview set-up
Participant 1	Human rights advisor	Financial	The Netherlands	M	Online
Participant 2	Human rights and sustainability manager	Health technology	The Netherlands	M	Online
Participant 3	Human rights manager	Food and beverages	Belgium	F	Online
Participant 4	Human rights manager	Chemicals	The Netherlands	F	Online
Participant 5	Compliance and integrity manager	Human Resources	The Netherlands	F	Online
Participant 6	Human rights manager	Food and beverages	USA	M	Online
Participant 7	ESG manager	Transport	Denmark	F	Online
Participant 8	Human rights manager	Industrial manufacturing	The Netherlands	F	In person
Participant 9	Human rights advisor	Textile	Germany	M	Online
Participant 10	Human rights advisor	Textile	Germany	F	Online
Participant 11	Human rights manager	Beauty	France	F	Online
Participant 12	Legal affairs counsel	Food and beverages	The Netherlands	F	In person
Participant 13	Sustainability manager	Financial	The Netherlands	F	In person
Participant 14	Human rights manager	Financial	The Netherlands	F	Online

6.2.2 Qualitative analysis process

Data analysis commenced with systematic coding using Atlas.ti software. The coding process followed a rigorous approach, beginning with open coding to break down interview transcripts into meaningful units of analysis (Charmaz, 2014). Constant comparison methodology was employed to ensure consistent coding and identify emergent themes (Glaser & Strauss, 1967). A total of 59 initial codes were generated, capturing a wide range of perspectives on SCC implementation and the due diligence legislative framework.

Subsequently, codes were organized into overarching themes and sub-themes, allowing for a structured analysis of the data (Braun & Clarke, 2006). Themes were derived deductively from the initial codes to provide a comprehensive framework for understanding participants' views. The coding process was iterative, with codes refined and revised as new insights emerged from the data. Five code groups were identified: Development of SCC, Evolution & restructuring, Implementation challenges, Implementation good practices and Legal framework potential impact. The full codebook can be found in Annex 2.

6.3 Results

The results are organized in five sections, in line with the code groups, each representing a recurring theme discussed during the interview. Table 2 below presents an overview of the main findings, classified by themes and sub-themes. These constitute the structure of this result section, that consecutively discusses each theme. The classification adopted below is the result of an inductive coding process.

Table 2: Overview of the results classified by themes and sub-themes

Themes identified	Subthemes	Main findings
1. Adoption and role of SCC within MNE	Adoption of a SCC	– SCC should be seen as a tool, as a starting point in the conversation. – Code development within companies often involves internal consultation, but few external stakeholder consultations. – Legal incentives and investors' requirements influence the adoption and content of codes.
	Supplier codes and contracts with suppliers	– Codes rarely constitute an integral part of supplier contracts. – Adherence with codes depends on supplier size.
2. Evolution of human rights concerns within corporations		– There is an identified progression of interest for human rights concerns withing companies. – Half of the companies represented in the sample have a new supplier code of conduct in the past two years, and some companies even set human rights committees internally.
3. Challenges in implementing supplier codes	Buyer level challenges	Factors challenging SCC implementation at buyer level: – Internal governance structures and lack of cross-functional collaboration. – Shortage of human rights experts. – Shortage of awareness and knowledge on human rights, especially in teams working directly with suppliers. – Human rights not considered a priority, especially when costs of implementation must be balanced with profit interests.
	Buyer-supplier level challenges	Factors challenging SCC implementation at buyer-supplier level: – Leverage on suppliers. – Mapping supply chain. – Companies should "lead by example". – Difficulties in measuring SCC compliance.
	External level challenges	Factors challenging SCC implementation at the external level: – Economic competition. – Absence of a level playing field. – Absence of support or expertise from public institutions.
4. Potential impact of the developing legal framework	Opportunities	Respondents were generally in favor of the CSDDD, because: – It puts priority on human rights as a mandatory topic. – It compels companies to integrate human rights policies into their practices, for instance by establishing human rights committees. – Facilitates gaining information and transparency on supply chain issues.
	Threats & Concerns	Respondents were concerned that: – Companies prioritize legal compliance over genuine human rights action by applying a tick-the box approach. – It creates a disproportionate administrative burden on companies. – The CSDDD lacks harmonization and places undue burden on suppliers.
5. Where do companies stand on due diligence?		– Companies generally support the CSDDD. – Human rights expert advocate for the adoption of the directive to align with the UNGP. – Gaps remain regarding companies' readiness to implement due diligence, particularly in stakeholder engagement and assessment tools.

6.3.1 Context: The place of codes within corporations

6.3.1.1 Adoption of a SCC

Within the respondents' companies, SCCs have been part of their internal policies for many years, and all human rights advisors interviewed considered it to be an important benchmark policy relevant for their daily activities. In addition to their codes, most companies had a human rights policy. When asked about the difference between those two documents, one of the respondents mentioned that their human rights statements were tailored to the specific risks of the supply chain of their specific sector, while the code of conduct could be almost copy pasted from another company's code, so more generic. Supplier codes appear to be policies of benchmark for companies, yet, three human rights experts insisted that those policies should be seen as a "tool" and not an end in itself. They underline that it is sometimes the case, but that drifts away from the purpose. In this light, a respondent mentioned: "*I don't think that supplier codes of conduct should be a central piece of legislation. But it should be the initial starting point of a discussion with suppliers about ESG related risks*."

Codes are most often developed at the corporate leadership level, so the global headquarters. In some cases, it was mentioned that the governance board appointed a human rights advisor to develop the code or be consulted on its content. In recent years, it seems that this process is formalizing and concerns more people within the company. When discussing the recently adopted codes or the ones in development, respondents explained that, while leadership is at the initiative of the launch, different internal stakeholders are consulted for input, such as procurement, sourcing, legal, the sustainability and human rights team, etc. However, external stakeholders are rarely included in this process, nor suppliers themselves. A company mentioned that they based their supplier content on a risk and impact assessment performed the previous year, hence showing some consideration for supplier risks. Good practice example thus shows that a committee involving different internal stakeholders is gathered to discuss the most salient human rights risks, and how to integrate them both in policy setting and practice. Other respondents deplored the absence of a governance structure, such as a human rights committee, established to address those issues. They underlined the need for a cross-functional working group involving employees from teams for an effective spread of awareness and expertise throughout the company. As mentioned by one of the respondents: *"We lack the governance structure, and previously there was no clear governance on the topic. (…) Honestly, it was never clearly high on the agenda to really get someone full time working on it."*.

Regarding their reasons for SCC adoption, a common factor underlined is the influence of the developing legal framework, and legal incentives to adopt and develop codes. As legal makers start to integrate the concepts of due diligence and progressively place companies as regulators of social matters in global supply chains, expectations change. However, other respondents also mentioned that "*we also believe regulation comes later than the market movement. Replication is the bare minimum, and we always aim higher in the sustainability domain*." Another recurring reason for SCC was the corporate internal drive to adopt SCC and 'make a positive impact on society'. This is especially the case for family-owned business, or those having developed their corporate image around their ethical reputation. Public perception was only mentioned in rare cases. Moreover, it seems that SCC is not adopted due to consumer pressure. One company mentioned that consumers are not necessarily looking into these types of policies, but investors are more of a driving force. Finally, codes are created as a policy facilitating the discussion with their suppliers on human rights and sustainability topics. As mentioned by one company "*Because if we have a proper supplier Code of Conduct, we will be able to sort of create that accountability and full disclosure around these topics. It will help us to communicate more clearly to our suppliers, what we expect from them.(…) it's your baseline*."

It also seems that new and better SCC are adopted within a company if they are supported and pushed forward by an expert. For instance, one respondent had recently taken up their position within the company and decide that the standards within the company are not sufficiently high. The code was then updated, and management systems were in in place. In that sense, we can say that the drive for better self-regulation very much depends on the internal dynamics: one person can be the driver of better practice and push the agenda, if they are granted sufficient power and internal leverage.

6.3.1.2 Supplier codes and contracts with suppliers

During the interview, I questioned whether SCC were integrated in supplier contracts, and the extent to which they constitute an important requirement of the contract. Three respondents answered that the code is part of the contract, hence part of the obligatory commitments of suppliers. Two respondents mentioned that the code is integrated under the sustainable procurement clauses, but do not require a specific signature for the code. One of them notably mentioned: "*We currently have what is called a 'sustainable procurement clause' in the contract, which has a link to the supplier code of conduct. And I would be quite willing to bet my head on that a significant proportion, if not a majority, of our suppliers have never clicked on that link*.". Three respondents mentioned that the code is not automatically included in all contracts, but they were working on having a contract template including a clause linking it to the supplier code. Other respondents were not sure on the extent to which SCC were part of their supplier contracts, as they were not part of the procurement team in charge of supplier relationships.

In fact, it was mentioned in several cases that adherence to codes and the prevalence of SCC in supplier relationship differed depending on the supplier. With short terms or one-shot suppliers, companies are less diligent about including SCC in their contracts. When suppliers are big firms, it also seems more complicated for the buyer to negotiate adherence to their SCC, as they might themselves have a supplier code of conduct. As underlined by a respondent: "*I mean- we do business with Google, as a supplier- no way Google is going to accept our terms and conditions, at all! We'll have to accept their terms and conditions*.". In this case, the respondent affirmed that its company looks at whether the standards are comparable and it makes sense to enter in business together, from a value perspective. The human right advisor continued: "*I always hate it when we start slapping each other in the face with policies and procedures, where we each have similar policies and procedures, and uphold the same principles.*".

6.3.2 Evolution of human rights concerns within corporations

All respondents mentioned a progression of interest within their companies on human rights concerns. This evolution is characterized by the employment of human rights experts within companies; the establishment of human-right focused work groups or committees, the development of new policies, new tools to measure compliance with supplier codes of conduct and monitor suppliers, and a raising awareness internally of the importance of human rights throughout all the supply chain.

Indeed, from our sample, six respondents mentioned that a new supplier code of conduct was either in process of adoption or has been adopted in the past two years within their company. Changes in new codes often relate to the reference and alignment with the United Nations Guiding Principles (UNGP), and the OECD Guidelines, considered as better practice, implying that companies follow the due diligence process. One respondent underlined "*It all starts with the general strategy that we have, we want to make an impact, so improving quality of life by making social impact. Based on that, two years ago, they came up with the human rights policy, which is fully based on the UNGPs. So, it's a very ambitious policy*.". Moreover, it seems that new policies dedicate more importance to human rights, while previously, sustainability and environmental concerns were the central focus. "*When I started here, the supplier code of conduct and the person working on it was very much looking at it from a sustainability perspective. And of course, the environmental part of sustainability has been a focus area at (***) for a long period of time. Human rights came into discussion more recently*."

In three companies interviewed, a specific human right council, or working group on human rights, was created recently to discuss the standards set in internal policies and make sure they are implemented throughout the supply chain. Employees participating in these committees represent different functions within the company, including procurement (or sourcing), legal affairs, the sustainability team, and corporate leadership strategy. Referring to the period before the existence of the human rights committee, one respondent mentioned "*It was not centralized, with a dedicated human rights department with dedicated expertise with a roadmap, with KPIs*."[15] Later,

15 KPI refers to Key Performance Indicator

in the same interview, the respondent underlined the importance of having a mixed group, with different expertise, and explained "*Human rights is very broad and cross cutting. It's good to gather everyone to explain what we are doing, what is the strategy, what is the roadmap. (…) it's good to have this intelligence collective to have cross-cutting decisions.*" For the German company, the human rights council was created in response to the German supply chain due diligence act, requiring companies to appoint a human rights officer.

Finally, interviewees notice a professionalization of human rights experts within their companies. Four of our interview respondents have been appointed to the position human rights manager or advisor, while this position did not previously exist. This is considered instrumental in the development of better policies, better internal awareness rising within the company, and improved impact of codes due to a better understanding on how to tackle salient problematics with suppliers.

6.3.3 Challenges in implementing supplier codes

"There is a gap in organization itself between the adoption of the policy and its implementation".

This assertion encapsulates a recurring theme echoed throughout the interviews conducted. A gap between the policy and the practice was highlighted, as respondents presented challenges to the integration of the SCC within corporate practice. To avoid that the code becomes "*just a piece of paper*", respondents highlighted the necessity for company to act upon the codes. This section describes the challenges raised in the interviews, creating a gap between the adoption of the policy and its implementation. I categorize these challenges in three levels: buyer level, buyer-supplier level (relationship), and external level challenges, presented in Table 3 below.

Table 3. Overview of factors challenging SCC implementation

Buyer level challenges	Buyer-supplier level challenges	External level challenges
– Internal governance structures and lack of cross-functional collaboration – Shortage of human rights experts – Shortage of awareness and knowledge on human rights, especially in teams working directly with suppliers – Human rights not considered a priority, especially when costs of implementation must be balanced with profit interests	– Leverage on suppliers – Mapping supply chain – Companies should "lead by example" – Difficulties in measuring SCC compliance	– Economic competition – Absence of a level playing field – Absence of support or expertise from public institutions

Note. This table is similar to the one Chapter 1 Table 5: Overview of factors impacting SC compliance and SC effectiveness. The comparison between these tables will be made in Chapter 7.

6.3.3.1 Buyer level challenges

A central difficulty within companies is to ensure the integration of human rights at the different levels of the company and ensure the spread of awareness on the standards set in the codes throughout the company. One human rights expert noted that there is a lack of awareness on human rights concerns: "*ESG is still considered something sort of separate of the core business, it's a bit of a philosophical discussion we're having internally within the company*". Different reasons are underlined for this phenomenon.

Internal governance structures of the company influence human rights concerns integration throughout the company. Human rights advisors, managers or experts are most often located in teams separated from the procurement teams, in charge of relationship with suppliers. Despite companies' efforts to facilitate collaboration across teams by setting cross-cutting human rights committees (see section 6.3.2. Evolution), some respondents still noticed a lack of awareness of procurement teams for human rights risks. When discussing about integrating human rights fully into the business model, the human rights manager continued "*I have regular conversations with our executive committee and with the board on all of these topics. With our other teams (enumerates), they fully vetted the content of our human rights reports so… It's integrated enough that they all know this is important. Is it fully integrated in the business model? I think that's the next frontier*.". According to one respondent "as *long as ESG (…) is considered a separate topic from everything else that is supplier management, it is (the supplier code) going to remain a nice thing to have*".

Related to the governance structure, is the crucial role of human rights experts within companies to address human rights risks effectively. The experts – hence, the respondents of this study – consider their position as pivotal, yet ambivalent and sometimes problematic. They describe their role as *trainers* or *enablers* of human rights risks for the rest of the company, especially towards the procurement team working with suppliers: "*Essentially, our task it to create the processes and the activities to be embedded in the wider community (…) to facilitate the inclusion of ESG in our supplier management* ". In fact, it is not possible for these experts to check every supplier contract, or support individually each procurement manager in their daily tasks. For human rights concerns to be embedded, each employee must be aware and competent to integrate them in their daily activities. As underlined by a respondent, their role is thus to capacitate operational teams to take those considerations on board when dealing with suppliers. This is occurring well in some companies, as respondents underlined the organization of workshops and trainings internally for procurements teams. However, in most cases, it still seemed to be lacking. Referring to the management systems to implement SCC, on expert mentioned: "*So we have the policy commitments. And, of course, we ask questions. But I think there lacks a lot of asking those questions, both in terms of the substance of those questions, and in having skilled people or knowledgeable people in ESG fields working on those. The people working with* *suppliers, these are more business… business-oriented people*". Another respondent mentioned: "*So far it's, it's still lacking. Again, it's an expertise very unique, human rights. There are not that many experts. (…) when we are willing to go on the ground and do assessments and do human rights impact assessment, there are very limited, real real experts. So expertise is still very rare. So it's also an issue*.".

This expertise is necessary for different aspects of the SCC implementation. For instance, the mapping of the supply chain, notably to highlight the at-risk suppliers and increase transparency, calls for specific knowledge and ressources to draw gather. When developing appropriate tools of risk assessment and compliance, human rights experts are also necessary to ensure that the questionnaire does not fall in a box-ticking exercise. Moreover, as underlined in the subsequent section (6.2.6.2. buyer-supplier relationship), a collaboration must be engaged with stakeholders. Human rights expertise is necessary for effective stakeholder engagement.

Some respondents consider that human rights or labor standards included in codes are 'too new', and not yet integrated into management systems. One respondent mentioned "*Indeed, it's not as integrated because, for the financial side, you have systems that are built for things like this. But for the non-financial risks sides, the system is also new. Not non-existing, you have to document in Excel sheets or Words. But it is messier.".* Thus, while human rights are acknowledged as part of the business strategy, there are struggles in embedding them into everyday corporate practices. This was well underlined with the following: "*I think codes of conduct are a good starting point. But we still have to establish a lot of systems, with colleagues and teams within procurement, working on the assessment phase at first. (…) There should be like an organized mechanism within procurements to enforce the supplier code of conduct*.". In fact, when discussing "non-financial risks" with interviewees, some referred to fraud and anti-bribery. That was especially mentioned by financial institution, who are very aware of those topics. Labor or human rights were less integrated into existing management systems. To counter this problematic, participants underline the necessity to train people within the company:

> *"So of course, for financial issues, people are more familiar, because it's the core of the business. But when it comes to non-financial issues, you'd also need a very intensive training before the policy can really translate into practice…*
> *For non-financial risk, is getting there, but slower."*

Finally, and maybe the most important limit identified by human rights experts, human rights are not prioritized in business strategies and in their relationships with suppliers. While it is evident that human rights must be part of business activities, they do not enter the "core of the business". This is especially evident when it comes to balancing the costs of implementing human rights standards with profit. Where human rights 'cost' too much, experts are facing challenges in getting their voices heard.

6.3.3.2 Buyer-supplier relationship challenges

Human rights experts also underline difficulties in making sure that suppliers integrate the standards set by corporate and consider them as a priority. With supplier codes, companies attempt to cascade the standards down the supply chain. In the food sector for instance, this is being done relatively well, with an increased traceability on specific ‘critical commodities’, such as coffee, tea, cacao. In these cases, the multinational may check SCC compliance all the way to the farmer. Yet, they mention the difficulty for the supplier at the end of the supply chain to incorporate the labor standards in their practices. “*You work with suppliers in probably rural areas, or areas that potentially have never heard about international standards. Simply signing codes of conduct is not a sufficient way to make business.*” The expert concluded this statement by insisting on the necessity to engage with the supplier and collaborate with them towards an agreement. In other industries, mapping the supply chain and the high-risk suppliers is a ‘massive undertaking’ for companies, where human rights experts deplore the lack of visibility on the priorities. One respondent asserted *“we need to prioritize; we cannot do everything everywhere at the same time. That’s just not going to work, so we really need an effective way to prioritize*.”.

The difficulty of this relationship also relates to the scarcity of stakeholder engagement performed by some multinationals, as highlighted by some experts. While they consider stakeholder engagement as crucial in the development and implementation of SCC, they admit that only in rare cases are external stakeholders consulted. One expert explained “*We focus on so many things at the moment, it’s not the thing that is a priority now.”.*

Implementing and monitoring SCC also depends on the leverage the multinational can have on the supplier. In the same way that inclusion of SCC within the contract depends on the size of the supplier (see section 6.3.1.2. Supplier codes and contracts with suppliers), the implementation of standards depends on the leverage of the buyer over the supplier. In the extractive industry specifically, suppliers may challenge their buyer, and even challenge the content. In this case, the buyer may negotiate, and there are minimum requirements without which they don’t start business. For instance, the respondent mentioned that they allow no room of discussion on child labor. But their leverage is small, as they need the resources. In that sense, companies’ relationship with their suppliers, the size of the supplier, the commodity traded, or the type of contract negotiated (sort or long term) determines the leverage that the buyer has to place human rights standards at the core of the relationship. One of the respondents mentioned that, in that case, they try to follow the UNGP by trying to gain leverage. Negotiations are harder with bigger suppliers who have more economic and political influence and have their own robust policies. While smaller suppliers are more willing to change and adapt, they also have less capacity and miss resources to do so. A good practice example here is one expert mentioning they are organizing training with their suppliers to raise awareness.

Three respondents identified a challenge related to the passage of the SCC from the MNE to the suppliers. They note that companies sometimes have double standards regarding their suppliers. While they expect standards to be respected by their suppliers, they do not obey to it themselves. According to experts, companies should make sure that human and social benchmarks are well integrated and complied with within their own operations in order to set standards for their external business parties. Companies should lead by example, as highlighted by one respondent: "*I feel like we first should have our acts together internally, before we can expect it from suppliers (…) I think there's some areas where we could further advance before we can expect suppliers to act*". Another expert added "*the other thing is, due diligence is of course not limited to supply chains, it should also apply to our own operations*."

Finally, human rights experts point out the difficulty to measure compliance with codes and improvement of labor standards. In the textile industry, one of the respondent underlined their awareness for the audit fatigue, and the necessity to shift the monitoring practices as compliance checks are not helpful. To address this, the company has taken part in the SLCP, that is allowing a grouping of audits, facilitating suppliers' burdens and gathering findings across the industry. While this is a good practice scenario, many respondents underlined the difficulty to find creative and effective ways to measure social impact and risks in global supply chains. One noted that other non-financial risks (among those mentioned: the environmental impact and anti-bribery) were conceptually easier to measure. Human and social risks, on the contrary, need longer time a different measurement tools.

6.3.3.3 External challenges

Another level of challenges identified by human rights experts in implementing codes concerned external constraints and pressures. By external, I refer to all factors outside of the two main actors in charge of implementing SCC: the buyer and the supplier. In an economic-driven globalization, profit and competitiveness are central objectives for multinationals. Some respondents underlined the economic pressure as a reason for human rights not being at the center of leadership concerns, such as: "*it puts a burden on the company that most competitors don't have*". Internally, this pressure appears to be coming mostly from procurement and sourcing teams, who are aware of the financial competition with other companies. In one company particularly progressive on their CSR policies and management systems, implementation costs and systems were previously paid by the multinational. Due to economic backlash and competition, the company underwent a restructuring, with a new repartition of costs of compliance and implementation between the supplier and the buyer. The third party will now have to bear the costs for the monitoring of compliance with SCC. There is a shift of the economic burden from the buyer to the supplier. The expert underlined "*you can maybe guess that the sustainability department is not too happy with the direction that is considered*". According to them, this is a shift that has been done by other competitors as well over the course of the last year. The costs of implementation are thus a challenge that has a repercussion both at the buyer level (see section 3.3.1.) and comes from the external competition level.

Respondents also underline another problematic stemming from external factors, namely the scarcity of expertise, guidance, or support from public institutions on business and human rights in practice. When asked whether public institutions are of help in setting effective due diligence plans, or provide helpful guideline, a respondent answered: "*So, governments, they don't have so far, the expertise really*". To address this gap, the expert considers that it would be necessary to involve academics and external parties in the public strategies of guidance of enterprises towards due diligence.

6.3.4 Potential impact of the developing legal framework

During the interviews conducted, we discussed the developing legal framework aiming to increase corporate responsibility and accountability for their actions in global supply chains with human rights experts in multinationals. The Proposal for the Corporate Sustainability Due Diligence Directive (CSDDD) was specifically mentioned, but many respondents also mentioned the Corporate Sustainability Reporting Directive (CSRD), as multinationals are in the process of complying to its obligations.[16] When asked about the potential impact of these laws on companies' ESG and CSR policies and systems, experts highlighted both opportunities and potential benefits of the legislation, as well as threats or unwanted consequences.

6.3.4.1 Opportunities

The main point on which human rights experts seemed to agree on, is that a mandatory obligation to conduct due diligence will help companies to see human and social rights as a priority and put the topic on top of the corporate governance agenda. Simply put by one of the respondents: "*I mean. If we have to do it, we do it. Obviously.*", or more lengthily explained in another interview "*I'm completely in favor of all these legislations coming, because it's putting the topic on the agenda. If it's mandatory, then you can't skip it*". These quotes are showing that companies are awaiting orders from the legislators. Human rights experts see the CSDDD as a good step forward, giving them "ammunition" or leverage, both towards leadership to invest costs in the topic, and towards suppliers who would also see this as part of the contractual requirements. In fact, legislating due diligence "*helps people get on board*", and hopefully will ensure human and social rights stand as important as other elements of supplier contracts. However, this statement was tempered by one of the respondents, who underlined the necessity for

16 The CSRD entered into force on 5 January 2023. The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025.

the law to put in place sufficiently dissuasive fine – otherwise, human rights might again be a subjacent element.

Companies generally doing well in their CSR strategies are also enthusiastic about the legal framework converging towards human rights, as it will create a level playing field and hopefully fair competition with companies operating in the same branch. *"But I think the whole reporting around it- I think there was never really, completely, a level playing field. And that's- that, I think, is shifting. I think- the other thing that's shifting, is more the integration of all these different topics. So the understanding between... we've always sort of viewed social as something separate, and environment as something separate."*

This leads us to the next positive potential impact of the CSDDD: the structural changes. The German due diligence Act obliges multinationals to appoint a human rights officer. As a result, the German company in our sample – going beyond legal expectations – has recently established a cross-functional committee on human rights, so called the human rights governance council. This team is dedicated to human rights. "*So also in legal... the good news is, we now have- and for example, our work on due diligence, we're doing that with a working group, and we have... this public affairs person, we have somebody from legal, we have people from finance in the group, the sustainability team, from HR... and all of these teams are really- the skills and the knowledge base internally is pretty phenomenal, because- yeah, we've got ten people around the table, all of whom are experts in some of these- in all of these areas. Which is great...*". In fact, beyond the structural shift, the laws on due diligence, including on reporting on non-financial issues, seem to incentivize companies to appoint more human rights experts. *"so some of this legislation that's coming is definitely accelerating certain developments. It's expanding on- let's say, the number of people involved in working on it, which I think is a really fascinating development, so- if I now see the scope and the expansion within our finance team with people who are- really have specific expertise on reporting, and on the ESG... those type of question, it- those type of questions, that's- really accelerating."*

Finally, reporting on human rights and conducting due diligence allows, for human rights experts, to gain knowledge and strategy on human and social risks. "*We are engaging internal and external stakeholders also, on this due diligence process, to really get a better picture of where our impacts really are, and where the big priorities are. So that's currently happening.*". This helps mapping high risk suppliers, an issue that experts noticed to be central for many companies and not consistently dealt with. Moreover, it allows to deal with risks preventively, instead of reactively. One respondent noticed that, before, companies were more attentive to high reputational risks. The laws allow make sure that companies *"updated on compliance issues on a regular basis, whereas reputational issues only inflect you once it's... once it hits the public."*.

6.3.4.2 Threats and concerns

Although due diligence laws constitute a conversation starter to steer in the right direction, experts also underlined that they still have to put it in action "*we have to make it work and align everyone in our op-cos (operating companies) make sure it happens.*". One respondent mentioned "*I mean, for us… the good thing is that there is never any discussion on: do we have to do this? The question is on: How we are going to do this? How are we going to see that this is getting done?*". And this brings several concerns for human rights experts.

The first worry is that, with a legislation, companies may shift to a legal compliance view on human rights. This might be for costs and complexity levels: "*So there's also a kind of why do more if others... you know, just focus on legal compliance?*". The shift to human rights concerns to legal departments may mean that the prevention and action will occur to avoid legal accountability and lawsuits. "*Once you put a certain responsibility, a topic within the legal department, it may imply it's indeed a legal exercise or ticking the box. You need to be compliant, period*." In fact, legal departments are not competent to address those issues. "*We didn't have a human rights lawyer, actually. We didn't have anyone on the legal team looking after human rights as such*".

A second concern raised by experts relate to the administrative burdens that such legislation will provoke. This was especially mentioned for the CSRD. Experts point out to the long list of things required for them to report on and worry about who is going to undergo these tasks. What was mentioned is that, if human rights experts are in charge of this, this leaves them less time to focus on tackling human rights issue in practice. In turn, this may go 'beyond the purpose' and lead to unintended consequences. One respondent mentioned that the requirements of the CSRD put an extremely important administrative burden on companies: "*you have to formalize everything. And I perfectly understand the rationale behind it. I really see the value. But man*". The experts mentioned that it is important to make sure that these Directives are used in the right purpose and not loose sense of the objective: "*we need to make sure that we focus on really doing what needs to be done, to really work with these suppliers and- make thing better in the supply chain*.".

Companies also point out to the lack of harmony of these reporting requirements. As multinationals operate globally, each region has their own reporting legislation. For these companies, the system is not sufficiently harmonized. The American company was especially vocal about this: "*my only worry- and that's a little bit from the perspective of our company- we have, of course, a structure with- two thirds of our business is in the US- is that also- that this- it's a very much European development, at the moment. And I really hope that ISSB- the International Reporting Standards set are also something on social and human rights, so that it all- becomes more of a global playing field, and not just a European level playing field.*"

The lack of harmony was also underlined as a threat pending on suppliers. They will need to answer the questionnaires from their different buyers. Human rights experts call for a centralized place to share all this information: "*It feels like a lot of these things can be centralized in some way*". In this case, the expert was referring to a public institution being the gatherer of all these information. In this sense, businesses are hoping that the legislator understands the level of complication, and potentially will act as a support for those companies with complex supply chains. "*I hope… there's some sense of reality, also with the legislators and then also with the authorities that need to enforce these regulations and direction. (…) I don't always think that people really understand how global supply chains work*". Experts highlighted that they were especially worried for small and medium enterprises, and their lack of resources and expertise.

A final risk underlined from the CSDDD was the structural change that would go in an undesirable direction. There is a risk that due diligence laws will lead to bigger finance teams working on reporting the human rights steps performed. One expert feared that bigger finance teams on will mean be "*more people in the finance team working on this, ticking the box, and doing all the reporting- than we actually have people working on the impact and really doing the work and making a difference*".

6.3.5 Where do companies stand on due diligence?

Human rights experts overall have a positive opinion about this legislation and agree that it is a necessity to adopt this law to make human rights a central concern within their companies. Businesses seem to understand the rationale and objectives of the legislation. They think it might have a positive impact yet express their reserves: "*I don't think laws will be a magic solution, unfortunately. And sometimes, it can be even worse, even if I'm in favor of that. If you go through a completely tick the box and legal approach – that's not the point of human rights"*. Most critical human rights experts considered that the Directive should be adopted as it was initially formulated. Before the negotiations of the text among the three institutions, the text was more in line with the UNGP. One expert considered that the restrictions of the text, on the size of companies or the sectors concerned downgrade the quality of the due diligence obligation as initially thought by John Ruggie.

When asked about the gaps between their companies' practices and due diligence legislation, most experts mentioned that, while it is still too early to assess a gap considering the absence of a legal text, some considered themselves well in advance regarding their due diligence activities. This was the case especially when the company was a frontrunner on CSR concerns in their fields.

Some gaps were specified by some experts. A recurring element was stakeholder engagement. "I think the area where we still have some improvements to make, is how do we really engage stakeholders in it- we've done overall stakeholder engagement. (…) Yes, we did consult representatives of affected stakeholders, but we didn't consult the workers themselves". Another area where human rights experts acknowledged being behind concerned the assessment tool and the inclusion of human and social rights in questionnaires and check with suppliers. "We have a risk tool, but it's not perfect yet".

6.4 Discussion

The findings from this study provide valuable insights into the perceptions of human rights experts within companies on the implementation of supplier codes of conduct internally. The research question inquired: How do human rights experts perceive the adoption and implementation of SCC, and what is their take on the upcoming legislative framework on mandatory due diligence? From this study, human rights experts see opportunities from the development of codes of conduct and an increased interest for human rights concerns in their companies, yet are aware and often vocal about the challenges in implementing them and giving them (and human rights) a central place in their companies' activities. Four key elements of answers emerge from the interviews' analysis, highlighting the main challenges and opportunities raised by respondents.

1. *Role of SCCs and management systems within companies:* The study revealed that while SCCs serve as a foundational framework for initiating discussions on ethical supply chain management, they are only a starting point for discussion. Their effectiveness is dependent on their integration within company operations. Human rights experts emphasized the importance of disseminating SCC policies throughout the organization to stimulate action among operational team – especially procurement. This necessitates the development of robust management systems and specialized training programs to ensure a comprehensive understanding of human rights standards and effective implementation mechanisms. At the moment, multinationals are developing human rights committees and working groups to ensure this cross-functional discussion. National legal frameworks, such as the German due diligence Act, are notably helping in accelerating these internal structural changes. However, we are only at the beginning of this reflection; such structures are still lacking or ineffective in many companies.
2. *Crucial need for expertise on human rights to implement SCC:* A notable finding was the widespread recognition of the critical role of human rights expertise in shaping corporate approaches to social issues. Such expertise is necessary notably for the mapping of global supply chains and the identification of at-risk sectors, the engagement with stakeholders, the development of verification tools, and setting human rights standards. Most importantly, human rights experts must act as *enablers*, by training the rest of employees to incorporate human rights concerns in daily activities. Despite its importance, respondents highlighted a significant deficit in human rights' expertise, both within companies and in supporting organizations, such as within public institutions. This underscores the importance of collaborative efforts between internal experts and external stakeholders to bridge knowledge gaps and improve due diligence processes.

3. *Support for Mandatory Human Rights Due Diligence Legislation:* Respondents expressed their support for forthcoming legislative frameworks mandating human rights due diligence, citing potential benefits such as leveling the playing field for businesses and putting human rights as a priority on corporate agendas. Such legislation is viewed as a catalyst for integrating human rights considerations into all aspects of corporate decision-making and fostering a culture of accountability. However, much is still unknown about the obligations that will fall under the due diligence framework, and human rights experts formulate doubts and fears as to the outcomes of the laws. Experts were vocal about the burdens this will put on companies, and the lack of harmonization of expectations pending on businesses at the global level.
4. *Enhanced management systems mitigate tick-box compliance:* According to human rights experts, companies with robust management systems already in place are less likely to approach due diligence as a mere tick-box exercise. Instead, these organizations view the impending regulatory framework as an opportunity to reinforce existing practices and deepen their commitment to responsible business conduct.

6.4.1 Implications for corporate governance

These results show an attempt at integrating human rights concerns in corporate strategies, notably through policy adoption, with a steep growth for these concerns recently. As underlined in the first element answering the research question, policies need to be disseminated throughout the organization, and although steps in this direction are being made in best practice examples, policy integration is still lacking. When analyzing the results, I observe that the dissemination and integration of the policy is lacking in two distinct ways:

- *Vertical Integration*

Vertical integration entails that companies' governing board adopt a far-reaching, ambitious and binding SCC, as well as establish effective implementation management systems. The tools developed to implement SCC should be suited to reaching their objective. In practice, this would mean that leadership sets governance structures conducive to collaborate on human rights issues, such as a human rights committee; empowers human rights experts with actionable authority, and sets human rights as a priority even when balanced with costs of implementation and profit interests. While this is being considered by governance boards, human rights experts interviewed still highlight that there is a long way to go for a vertical integration of human rights concerns within companies.

- *Horizontal Integration*

Horizontal integration means that there is an effective collaboration internally to foster awareness and skills on human rights in all functions. For this to occur, discussions on human rights concerns should be embedded within cross-functional teams to ensure comprehensive engagement throughout the organization. As highlighted in the second element of answer of the research question, human rights experts play an enabling and educational roles within the company, especially within procurement teams, which are often the first point of contact with suppliers. While the respondents mentioned that this was their ultimate objective, some expressed their frustration with internal dialogues that seemed resistant to change, highlighting the importance of human rights experts in driving cultural shifts within companies. Horizontal integration is thus not achieved, and is to some extent dependent on the internal corporate culture.

In the expected outcome of the study, I did not foresee how central the presence of human rights expertise would be in integrating supplier codes of conduct within the company. While this is an important contribution, the professionalization of human rights expertise must be carefully monitored in future research, as it can also contain some risk. One respondent indeed observed that some people claim to be experts because there is a 'market' for it – meaning that products sell better if they are 'human rights approved'. This relates to Deva's theory that the interface between human rights and business has been changing over the years, from the business *or* human rights ; to business *and* human rights, and now entering the new era of the "business *of* human rights" (Deva, 2020). One cannot measure, monetize, or systematize human rights as other elements of a supplier contract. This, as Deva underlines, goes hand in hand with the concept of a "business case for human rights". An over-emphasis on the business case for human rights is problematic. This, in essence, makes corporate compliance with human rights norms dependent on economic gains, thus monetizing human rights. As underlined by an expert during an interview, human rights cannot become another element of the purchasing contract.

Furthermore, stakeholder engagement emerges as a critical aspect in the development of due diligence plans, and is relevant both for the vertical and the horizontal integration of human rights concerns within companies. External human rights experts emphasized the importance of meaningful stakeholder engagement, noting instances where they were not included in the drafting of supplier codes of conduct. However, the implementation of regulations such as the Corporate Sustainability Reporting Directive (CSRD), which mandates stakeholder consultation, offers optimism for improved engagement practices moving forward.

6.4.2 Implications for policy makers

While this study focusses on corporate insights on their own self-regulation, results and challenges faced to implement those codes internally point also to external reasons, beyond the internal governance structure of companies. Capitalist economic constraints and the absence of global norms appear as instrumental factors impacting corporate actions and preventing human rights to be a central preoccupation within business activities. Results are clear: a push from the legislator – not only national, but regional, and even better, global – is a necessary next step in putting corporate actors as responsible players on the global scene and effectively integrate human rights within business practices.

In this context, the CSDDD appears as a hopeful direction to set a level playing field for all corporations to ensure minimum labor standards in global supply chains, a responsible action of corporations, and a legal accountability in case of wrongdoings. From the interviews conducted, I observe that multinationals are in favor of this regulatory shift. This finding aligns with the public support shown by some companies for the CSDDD during the adoption process. For instance, a business statement gathering more than 80 companies published on the 16th April to express their broad support for the CSDDD and urging the EU decision makers to take their responsibility by making due diligence mandatory.[17] Yet, the corporate support for the due diligence is mixed, with strong lobby pressures in Brussels and member states to reduce the scope and obligations of the Directive.[18] This points to a potential selection biased, as companies responding to the call for interviews are likely to be 'best practice' actors willing to engage with researchers on this topic.

However, going further than a mandatory due diligence, I argue that it is necessary that corporations embrace a new purpose, one social and beyond economic profits. Indeed, discussion with human rights experts showed that the *raison d'être* of companies must change to put human rights concerns at the center of business strategies. This redefinition of purpose calls for a push in the right direction from public actors. Even though companies are seemingly evolving and integrating human and social concerns within their corporate strategies, we need to avoid a monetization of human rights concerns. Legal strategies beyond due diligence were identified by Palombo (2016) in her work *The future of corporation.* Only the redefinition of the global system of production where profits are not the sole objective of corporations can systematically address human rights risks in global supply chains. For this shift to occur, it is necessary that public actors – original protectors of the public interest – become a driver of this new system.

This analysis was shared by some of the human rights experts interviewed. One specifically had some ideas about how to integrate human rights into all business actions, and said:

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17 The business statement *A fair a sustainable future for people and planet* of the 16th April 2024 is accessible at: https://media.business-humanrights.org/media/documents/CSDDD_Business_Statement_2024.pdf

18 As expressed on their own website, the French employer federation MEDEF (Mouvement des Entreprises de France) have actively stood against the adoption of the CSDDD and brought forward its concerns. This played an important role in the political position of Emmanuel Macron during the negotiations at the Council.

> *"Ultimately, the whole system needs to change. Also, the economic system. Because we're financial- we're a listed company, on the stock exchange. We have investors with certain requirements."*

Optimistic about this change, another respondent considered that, while these legislations seem impossible to implement and to match the business practice, it is only a matter of time before businesses shift their practices to integrate human rights concers. The interviewee phrased it in those terms:

> *"There is an intrinsic motivation of a lot of companies, they do want to do good. Yet, all these regulations really fast forward in the reporting. It' a huge effort for these companies. But in the long run, it will settle down a bit. Next to the financials, they will have their systems in place and know what to do."*

Finally, an area that received less attention from the companies themselves but holds significant importance is the role of civil society and non-governmental organizations (NGOs). In fact, civil society has been the primary driver of change, raising awareness, leading investigations on labor violations, and most importantly at the heart of litigation against multinationals. During an interview with two external consultants specializing in CSR and human rights issues,[19] they underlined the pivotal role of NGOs in holding multinational enterprises accountable. In countries with existing national legislation, progress on due diligence plans has already been observed, largely attributable to the efforts of civil society actors. For instance, the French *devoir de vigilance* law has catalyzed forward-looking litigation cases, such as the BNP Paribas case. In the Netherlands, even in the absence of a comprehensive legal framework, the Shell case had a positive outcome increasing corporate accountability yet relying on international soft law principles. *"Let's imagine what will happen with an actual act!"*, said the consultant. Indeed, even though much improvement is desired from current national legal framework, NGOs are doing their part in ensuring that MNEs act upon their societal duties. In this sense, it is desirable that the legislative framework recognizes and empowers civil society in this important role. The CSDDD is acknowledging the importance of these parties by mandating stakeholder engagement in the due diligence process. In the upcoming years, it is recommended that national decision makers when transposing due diligence consider these parties as central.

6.4.3 Limitations and suggestions for future research

While qualitative research has provided valuable insights into the internal dynamics of multinational corporations, it is important to acknowledge

19 This interview was conducted with an external consultant, expert on giving business advice regarding CSR. This interview is thus outside of the scope of the 14 participants previously mentioned for this study.

several limitations that may impact the interpretation of the study's results and suggest directions for future research.

The sample of companies: Due to the scarcity and difficulty in obtaining respondents, some new points were raised even in the final interviews, thus saturation was not found in all aspects covered. This limitation underscores the challenges inherent in qualitative research and highlights the need for caution in generalizing findings. Moreover, the sample of companies included in this study may be biased towards best practices. The companies contacted were primarily those willing to engage and affiliated with Shift, all had adopted a SCC, potentially skewing the results towards more favorable scenarios. To address this limitation, future research could aim to diversify the sample by including a broader range of companies from different geographical locations and industries, thereby enhancing the generalizability of the findings. Notably, adopting a probability sampling strategy based on randomization would minimize bias and increase the generalizability of the study. Moreover, including companies not having adopted a SCC would add relevant insights to these preliminary findings.

Influence of Participant Roles: The interviews focused on the perceptions of human rights experts within companies, who may have a vested interest in portraying their organizations in a positive light. While these experts offer valuable insights into corporate practices, their perspectives may be influenced by their roles within the organization. Future research could seek to explore the perspectives of stakeholders outside the realm of human rights experts, such as supply chain managers or legal advisors, to provide complementary insights and mitigate potential biases.

Single-Researcher Approach: All interviews and transcript coding were conducted by a single researcher, which may have introduced biases and limited the diversity of perspectives considered in the analysis. Collaborative analysis involving multiple researchers could offer diverse insights and enhance the robustness of the findings. Additionally, employing methods such as member checking or peer debriefing could help validate the interpretations and enhance the credibility of the study.

Geographic Representation: The predominance of Dutch-based companies in the sample may limit the generalizability of the findings to multinational corporations operating in other regions. Future research could aim to include companies from a more diverse range of geographical locations to provide a broader understanding of global corporate practices regarding human rights policies and management systems.

Ultimately, the study calls for further empirical studies on the evolving role of corporations in society, particularly in relation to their responsibility towards human and social rights. The business and human rights field has mostly investigated this question from a normative standpoint, looking at: How can we regulate markets to incentivize private actors in making them responsible. By investigating corporate practices, I shift the reflection to: How do businesses approach their responsibility towards social and human rights concerns? From these results can sprout legal recommendations. These two approaches are not exclusive but should be combined. This reflection contributes to bridging the underexplored intersection between business operations and regulatory frameworks, in a context where the legislation is developing.