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Navigating corporate responsibility in global supply chains using codes of conduct

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Summary

Navigating corporate responsibility in global supply chains using codes of conduct

In the interconnected world of global commerce, the clothes we wear and the gadgets we use are produced in complex supply chains spanning across multiple countries and involving diverse actors. While this global production system benefits European consumers and supports a global free-market economy, it also exposes deep social injustices, particularly concerning workers' rights. Issues such as forced labor, child exploitation, discrimination, and limited access to collective bargaining rights frequently arise for workers within supply chains. Tragic human rights events – most famously the Rana Plaza disaster – have highlighted these challenges, emphasizing the urgent need to ensure fair and sustainable working conditions across production networks. In this context, civil society and consumers are increasingly demanding that multinational corporations adopt responsible practices, social policies, and integrate the protection of human rights into their operations. The role that multinationals must play in addressing labor issues beyond their corporate walls is at the heart of a contemporary debate, questioning the *raison d'être* of these powerful private actors and their broader societal obligations.

This dissertation is based on the premise that companies have a social responsibility extending beyond their economic role. As key transnational economic and political actors, multinationals must contribute to preventing human rights violations wherever they operate, sharing a responsibility to fight against social injustice. This responsibility applies not only to their direct employees but also to external stakeholders, including towards workers within their global supply chains. My research evaluates the extent to which companies recognize this responsibility and incorporate human rights protection into their business practices.

Evidence of the integration of human rights considerations within business practices can be found in their corporate social responsibility (CSR) policies, and most commonly, their codes of conduct. These codes aim to establish ethical benchmarks, including minimum labor standards, to be complied with throughout the supply chain. Adopted by multinationals for their business partners, they are considered to be forms of 'private regulation' of supply chains, and represent a hope for a global regulation of labor standards. However, corporate efforts towards social rights have faced criticism regarding their effectiveness and practical implementation. Anti-sweatshop movements, for instance, denounce superficial measures or "window dressing" practices conducted by multinationals. Critics argue that the standards articulated in codes are rarely implemented in practice,

creating a gap between public commitments and concrete actions regarding social efforts in supply chains. This research seeks to provide data and analyze the situation to answer key questions: What are companies truly saying in their codes of conduct, and what happens beyond the standards setting?

Codes of conduct, as a policy at the border between law (even referred to as 'self-regulation') and business practice, require an interdisciplinary approach using law, business studies, social sciences, and political sciences. By focusing on multinationals' practices to implement minimum labor standards, I hope to contribute to understanding how codes of conduct are adopted and implemented and investigates the limits of private regulation in supply chains. To this end, I use empirical methods to analyze corporate practices and commitments regarding the protection of labor standards.

This dissertation employs a 'compilation dissertation' format, consisting of four distinct articles that individually address various facets of codes of conduct adoption and implementation, reflecting corporate commitments to labor standards within global supply chains. Following an introduction to the topic and the theoretical building blocks, Chapter 2 presents the legal framework surrounding corporate responsibility and codes of conduct with a doctrinal approach. It demonstrates that, although codes belong to the soft law sphere, recent legal developments render codes increasingly mandatory, towards legal pathways to enforce codes. Yet, the analysis shows that codes' enforceability remains at the discretion of multinationals.

Subsequently, Chapter 3 examines the effectiveness of SCCs through a systematic literature review, synthesizing empirical studies to answer: What do we know about the effectiveness of SCCs in improving labor standards in global supply chains? The chapter identifies existing knowledge and gaps in the research, forming a critical foundation for the empirical analyses conducted in the following chapters. Chapter 4 offers a quantitative textual analysis of the content of SCCs, mapping the labor standards and commitments articulated by multinationals. Statistical analysis reveals that most companies include a list of core labor rights in their codes, where the abolition of forced labor, child labor, and discrimination are explicitly included, and noticing some geographical and sectorial differences.

Following the analysis of the content of codes regarding labor standards, the next two chapters focusses on their implementation. Chapter 5 scrutinizes the internal management systems companies employ to enforce their codes. Utilizing the same Database from Chapter 4 and comparing it with data from the NGO KnowtheChain, this chapter evaluates the alignment between corporate commitments and actual practices. Findings reveal a lack of evidence supporting the notion that increased commitments articulated in SCCs equate to improved management practices. This suggests a disparity between the formulation of policies and their practical executions, or a gap between the *talk* and the *walk*. Finally, Chapter 6 presents a qualitative study based on interviews with human rights experts within multinationals, examining the entire process from SCC adoption to implementation. This chapter assesses the internal perception of codes of conduct

as seen by human rights experts, and their role in tackling supply chain labor issues. It also connects these efforts to the evolving legal framework on mandatory human rights due diligence, exploring the anticipated impact of the due diligence directive. The study reveals that some human rights experts within multinationals acknowledge the lack of appropriate tools to ensure codes' impact and the overall lack of awareness of SCCs and human rights standards within the company. This lack of awareness likely extends to the supplier level as well. Despite these somewhat negative results on codes' implementation, some factors influencing code implementation are observed, which serve as contributions to the practice. To enhance implementation, improvements can be made at four distinct levels: (1) Implementation of codes within companies (thus: buyer level), (2) Integration of the codes' standards within the buyer-supplier relationship, (3) Implementation at supplier level, and (4) External influences on code implementation.

The concluding chapter stresses the importance of a binding framework regulating corporate voluntary responsibility towards human rights, considering the gaps between what companies say – the “talk” – and what their actions – the “walk”. By reflecting on the developing legal framework on mandatory human right due diligence and highlighting the persistent challenges in implementing labor rights, this thesis conveys the following message: the current global production system tainted by inequalities and labor exploitation calls for a transition – one that must also be pushed by the public actor, but where the private actor must hold an important role as the public / private divide is fading. Social interests should be at the heart of this transition, meaning that companies' primary objectives can no longer be driven solely by capitalist profit-driven objectives. Codes of conduct, as instruments setting standards for global supply chains, are a good first step in this direction to start the discussion on human rights protection, but they must be strengthened and valued to represent a pillar of the company's activities, where the social mission of the private actor becomes a core objective of the organization.