

IMPACTS OF CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CSDDD)

Challenges, Implications and Possibilities of the Corporate
Sustainability Due Diligence Directive (CSDDD) for International
Postal, Logistics and Service Companies

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This research is primarily about the EU directive on Corporate Sustainability Due Diligence Directive (CSDDD). In addition, the challenges, implications, and opportunities associated with the CSDDD for the case company are examined. The case company is Österreichische Post AG and is an international postal, logistics, and service company.

The research data was collected through in-depth interviews. The research results were then compared to the literature review to identify similarities and differences. In doing so, the aim was to facilitate the adaptation of the CSDDD for the case company by starting the analysis and planning the course of action before the proposed directive would be officially implemented into EU law. In addition, another goal was to find out what advantages this imminent directive could bring.

One of the most important research results was the development of a step-by-step guide to simplify the implementation of CSDDD for the case company. In addition, the challenges, implications, and opportunities for the case company were identified. Suggestions for future scientific research were also developed.

Keywords CSR, Due Diligence, CSDDD, EU, EC, Human Rights, Sustainability, Environment

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ABBREVIATIONS

AI Artificial Intelligence

BI Business Intelligence

CLDD Child Labour Due Diligence

CSDDD Corporate Sustainability Due Diligence Directive

CSR Corporate Social Responsibility

EC European Commission

EU European Union

NCP National Contact Points

SCDDA Supply Chain Due Diligence Act

UN United Nations

UNGP UN Guiding Principles on Business and Human Rights, UN Guiding Principles

1 INTRODUCTION

In the contemporary corporate landscape, allegations of human rights abuses against firms have emerged as a pressing concern across various sectors. These abuses often create environments where violations escalate, extending beyond immediate impacts to include health and safety concerns. Furthermore, companies are scrutinized for their role in environmental harm, with poor records potentially contributing to broader rights violations. Failure to promptly address these allegations can result in further backlash and recurring complaints. (Wright 2008)

Therefore, it is necessary for companies to proactively manage human rights concerns to prevent the proliferation of abuses and mitigate associated risks (Wright 2008). By prioritizing respect for human rights from the outset of their activities, companies can mitigate unintended consequences and uphold their social responsibility (Wright 2008). As a result, the European Commission (EC) proposed the Corporate Sustainability Due Diligence Directive (CSDDD) in 2022, aiming to safeguard human rights and the environment (Kolev & Neligan 2022).

In this thesis, the imminent EU directive is justified to enable a smooth implementation of this directive to the prior existing policies and processes of the case company. This chapter describes the outline of the thesis research, which examines the impacts of CSDDD on the case company. Firstly, the motivation and background of the research are described and justified. Secondly, the knowledge base of this thesis is introduced. Thirdly, the purpose, objectives, and framework for the questions investigated in this thesis are defined. After that, the research approach of the thesis is described and argued for. Finally, the general structure of the thesis is represented.

1.1 Motivation and Background

My motivation for exploring this topic is rooted in my deep admiration for nature. As a Process and System Manager in corporate procurement, I successfully integrated my passion for sustainability with my professional responsibilities. This not only involved streamlining processes for efficiency but also prioritizing CSR and sustainability aspects. Given my genuine passion for this work, I pursued a

Master of Business Administration degree in Digital Business Management at Lapland UAS to further enhance my expertise. In this thesis, my aim was to contribute valuable insights that would benefit the company and align with my commitment to sustainability.

To help the case company, I asked colleagues about crucial topics in corporate procurement. Considering my interest in the environment, CSR, sustainability, AI, supply chain, BI, and digitalization, I initially focused on the German supply chain act. However, thorough research into the matter revealed that an extensive body of work and implemented measures already existed in our company, which limited the value of my contribution. To find a more impactful challenge, I explored legal acts related to the environment and sustainability for the case company. This led me to the Corporate Sustainability Due Diligence Directive (CSDDD), which addresses human and environmental rights. Given the limited amount of existing research and the lack of existing measures in the case company, I recognized an excellent opportunity to make a meaningful contribution by delving into the CSDDD.

1.2 Introduction to Knowledge Base

The European Commission (EC) proposed the Corporate Sustainability Due Diligence Directive (CSDDD) in 2022, aiming to safeguard human rights and the environment (Kolev & Neligan 2022). EU companies meeting specific criteria must adhere to CSDDD across their entire supply chain (Kolev & Neligan 2022). As a European, partly state-owned entity, the case company must integrate CSDDD into its policies, necessitating innovative processes for impact identification and mitigation, risk analysis, compliance, and transparent reporting (European Commission 2022c).

The planning and implementation of these measures are vital before CSDDD becomes official EU directive. This research delves into the global impacts of CSDDD across different aspects, particularly examining its effects on the case company. By identifying significant impacts and necessary adaptations, the research addresses the challenges, implications, and possibilities of CSDDD for the case company. The aim is to aid the case company in adjusting its policies

and processes efficiently to comply with CSDDD, potentially yielding financial, environmental, and time-saving benefits.

In order to achieve this, this master's thesis centers on Corporate Social Responsibility (CSR), exploring various directives, laws, and regulations within and outside the organization. The research identified CSDDD as a directive of significant importance to the case company. CSR entails corporate responsibility for the impacts of business activities on people and the environment, emphasizing a balance between profit, people, and the environment (Crane, Matten & Spence 2013). It encompasses diverse topics, including governance, human rights, labour practices, environmental protection, fair practices, consumer issues, and community development (Lament 2015).

1.3 Purpose, Objectives and Framing the Thesis Question

At the time of this research, the case company was a European company with a substantial size and economic power, which is why it must apply CSDDD to its company policies. Therefore, the task in this process of development is to analyse the effects of CSDDD on the case company by finding out how CSDDD can be implemented into existing policies and processes. Moreover, it is vital to identify, prevent, minimize, or prevent any negative impacts, and create a risk analysis procedure. Additionally, it is crucial to monitor compliance and publicly report the results.

The goal is to facilitate the adaption of the CSDDD for the case company starting with the analysis and implementation of the measures, which should be done prior to the official implementation of the directive as part of EU law. Furthermore, an additional goal would be to find out the benefits that can occur with the help of this new directive.

To achieve the abovementioned goals, this thesis analyses the following research questions: What are the challenges, implications, and possibilities offered by CSDDD? How can its implementation for the case company be simplified?

1.4 Research Approach and Methodology

The research adopts a qualitative case study approach due to the exploratory nature of the research and the absence of specific hypotheses. This method is favoured for its flexibility and ability to delve deeply into the topic of CSDDD and it involves a comprehensive examination of specific cases or events, aligning well with the aim of enhancing understanding of CSDDD (Astalin 2013; Khan 2014). In addition to that in-depth interviews are chosen to identify patterns and trends related to the new CSDDD rules (Khan 2014). The aim of these interviews is to extract the most significant information about CSDDD through discussion, thereby obtaining a comprehensive understanding of its implications.

1.5 General Structure of the Thesis

This master's thesis aims to explore the impact of CSDDD on a partially state-owned case company, analysing its challenges, implications, and potential benefits. To achieve these objectives, the thesis is structured into four main sections, excluding the introduction. The conceptual background chapter initiates by delving into the thesis topic, tracing the origins of CSDDD, and detailing the literature review process. Subsequently, the research design section elucidates the methodology and research process, outlining the chosen research approach, method, process, and data analysis techniques. The third section, research results, engages in data analysis, encompassing activities such as pattern identification. Lastly, the fourth section integrates discussion and conclusion, drawing insights from the thesis results and offering grounded reflections.

2 CONCEPTUAL BACKGROUND

The conceptual chapter of this thesis provides a comprehensive exploration of CSR and due diligence, with a specific focus on the CSDDD within the EU context. It delves into the historical evolution and contemporary landscape of CSR, addressing corporate responsibilities, human rights abuses, and CSR's global trajectory. Moreover, the chapter elucidates the concept of due diligence, examining both voluntary and compulsory guidelines, alongside existing EU legislation and member state regulations. Through this analysis, it lays the groundwork for understanding the complexities of implementing effective due diligence practices mandated by the CSDDD. Furthermore, it delves into a detailed examination of the CSDDD an extensive literature review. The chapter serves as a foundational framework for subsequent discussions on CSR, due diligence, and their implications for corporate behaviour and regulatory compliance. References include pertinent sources on CSR, due diligence, and EU legislative frameworks, providing scholarly support for the conceptual exploration conducted in the chapter.

2.1 Corporate Social Responsibility

The topic of this master's thesis is based on corporate social responsibility (CSR). The concept of CSR encompasses a wide range of topics, including organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, as well as community involvement and development (Lament 2015). Moreover, CSR can be defined as the sense of responsibility of the organization towards the social environment and community. In addition to that, the goal of CSR is not the maximization of profit, but rather a focus on the viewpoint of stakeholders, such as employees, customers, suppliers, management, and community, prioritizing their welfare, which makes CSR crucial for the protection of the society and environment (Siddiq & Javed 2014).

Several factors contribute to the performance of an organization through CSR. These include increasing financial performance by gaining maximum revenue in the market and being able to beat competitors if the company successfully adopts CSR into its business. As a result, CSR issues and activities have experienced a

rapid rise in the last few decades. Stakeholders and shareholders alike are taking care of social and environmental relationships during implementation. (Siddiq & Javed 2014)

Furthermore, CSR has its origins in ancient Roman laws. They can be seen in entities such as asylums, homes for the poor and old, hospitals, and orphanages. Furthermore, this tradition continued in English law during the Middle Ages in academic, municipal, and religious institutions. Later, it extended into the sixteenth and seventeenth centuries with the influence of the English Crown, which saw corporations as an instrument for social development. Due to the expansion of the English Empire, the English Crown exported its corporate law to its American colonies. To a certain extent, these colonies played a social function in the following centuries. (Latapí Agudelo, Jóhannsdóttir & Davídsdóttir 2019)

However, when we focus on the early days of the modern era of CSR, we must look back at the 1950s and 1960s. During this time, the academic research and theoretical focus of CSR centre on the social level of analysis, providing it with practical implications (Latapí Agudelo et al. 2019). Additionally, in 1953, Bowen understood that large corporations of the time had a significant impact on our society, so he argued that business executives have a social responsibility to make decisions in accordance with the values of our society (Bowen 1953).

In the 1960s, there was also a changing social context marked by a growing protest culture that revolved mainly around civil rights and anti-war protests (Latapí Agudelo et al. 2019). During this time, Davis explained that businessmen have a broader obligation towards society in terms of economic and human values. This could be linked to economic returns for the firm as well (Davis 1960). Furthermore, McGuire claimed that the firm's responsibility should extend beyond its legal and business obligations and that corporations should take an interest in politics, the social welfare of the community, as well as the education and happiness of its employees (McGuire 1963).

In the 1970s, the term CSR became widely known. The *Committee for Economic Development* (USA) offered an innovative perspective on business by stating that, in essence, businesses exist to serve society (Committee for Economic

Development 1971). However, up until this time, the term CSR was still not fully defined. Carroll addressed this issue by stating that CSR encompasses society's economic, legal, ethical, and discretionary expectations of organizations at any given point (Carroll 1979).

In the 1980s, Jones was the first author to suggest that CSR should be seen as a decision-making process that would influence corporate behaviour (Jones 1980). This sparked an emerging area for CSR, which focused on operationalization rather than the concept itself and, as a result, new frameworks, models, and methods were created that aimed at evaluating CSR from an operational perspective (Latapí Agudelo et al. 2019). Furthermore, due to unfortunate events such as the Chernobyl nuclear disaster, the international community embraced CSR in connection with sustainable development, and to some extent, corporate behaviour. This was evidenced in subsequent processes, as illustrated.

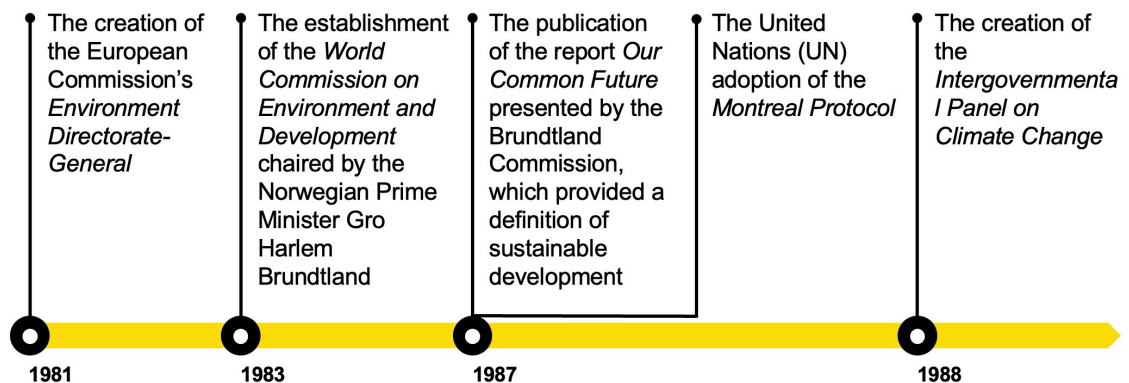


Figure 1. Timeline of Milestones in Environmental Policy and Sustainable Development (Latapí Agudelo et al. 2019)

During the 1990s, the interest in CSR grew even more, gaining international appeal as businesses became more global and the trend for sustainable development became increasingly popular (Latapí Agudelo et al. 2019). Consequently, to prevent social exclusion and unemployment, in 1995, the EC encouraged the implementation of CSR, and 20 business leaders adopted the *European Business Declaration against Social Exclusion*, which resulted a year later in the launch of the *European Business Network for Social Cohesion* (later renamed CSR Europe). This gathered business leaders with the aim of

enhancing CSR within their organizations (Europe 2018). Other significant events in the 1990s regarding CSR involved the creation of new models and strategies. For instance, the model of *Corporate Social Performance* by Wood, which is based on the principles of CSR and identifies the outcomes of corporate behaviours as social impacts (Latapí Agudelo et al. 2019). The *Pyramid of CSR* by Carroll represents the main responsibilities of companies and their obligation to be responsible corporate citizens (Latapí Agudelo et al. 2019). In addition, the 5 dimensions of strategic CSR created by Burke and Logsdon allow companies to create tangible and measurable value that results in an economic benefit for the company (Latapí Agudelo et al. 2019).

The 2000s played an influential role in the recognition and implementation of CSR as well as the development of a strategic approach to CSR. The first milestone was the launch of the *UN Global Compact*: the goal was to create an instrument that would fill the gaps in the governance of the time regarding human rights and social and environmental issues and which would implement universal values in the markets (Latapí Agudelo et al. 2019). The United Nations also created eight *Millennium Development Goals* (MDGs), setting the international agenda for the following 15 years (Latapí Agudelo et al. 2019). After this, the EC started many campaigns to promote CSR within the EU, such as *Promoting a European framework for Corporate Social Responsibility* in 2001, and the *European Roadmap for Businesses* in 2005 (Latapí Agudelo et al. 2019). Regarding the academic aspect, at the beginning of the 2000s, Smith and Lantos agreed that CSR addresses the implicit social contract between business and society, meaning it can be used as a strategy in the company management plans for generating profit (Lantos 2001; Smith 2001). In 2005, Chandler and Werther stated that the effective integration of CSR must come from self-analysis and a genuine commitment to change, therefore, it must be done by a top-down approach throughout the company's operations for it to then translate into a sustainable competitive advantage (Werther Jr & Chandler 2005). Moreover, in 2007, Husted and Allen discussed that the implementation of CSR with the aim of creating value can generate new opportunities, which are inevitably linked to social demands (Husted & Allen 2007).

From February 2005 to December 2007, Wright examined and summarized the extent and trends of purported human rights abuses within corporations. This analysis was based on a sample of 320 cases that were documented on the *Business and Human Rights Resource Center* webpage (Wright 2008). The findings from these cases revealed that human rights were claimed to be affected across various industry sectors; also, alleged impacts were reported in all geographic regions. Therefore, these companies are accused of impacting a wide range of human rights, including the right to work, the right to family life, the right to equal pay for equal work, and the right to a safe working environment; additionally, civil, and political rights, economic rights, social and cultural rights, and labour rights (Wright 2008).

Furthermore, a claim of abuse can affect a variety of human rights. For example, the use of child labour impacts the right to education and freedom from torture as well as cruel, inhuman, or degrading treatment, whereas in other cases, where children were performing tasks beyond their physical capacity, the right to health and right to life (Wright 2008). Initial abuses seem to lead to further related allegations of abuses, such as firms that fail to provide safety training or protective gear for those working in hazardous work environments (Wright 2008). The right to a safe work environment was a major issue, which can also impact the right to health and right to life by causing work injuries or even death (Wright 2008).

Regarding the environment, a lack of access to clean water was also raised as an issue in 20% of cases where firms had allegedly impeded access to clean water or polluted a clean water supply, which severely abuses human rights such as the right to health, right to life, rights to adequate food and housing, minority rights to culture, and the right to benefit from scientific progress (Wright 2008).

Other alarming tendencies included corruption issues, with a quarter of the cases mentioning failures to disclose political and trade activities (Wright 2008). Approximately 60 percent of cases showed direct company involvement, impacting workers in 34 percent of these instances, while communities were affected in 50 percent of the direct cases of alleged abuse (Wright 2008). Another 40 percent of cases involved indirect forms of company involvement, impacting 60 percent of workers and around 40 percent of communities (Wright 2008).

In the 2010s, the concept of CSR was further developed by Porter and Kramer in 2011, who suggested that *Creating Shared Value* (CSV) should replace CSR because CSV focuses on identifying and expanding the connections between societal and economic progress (Porter & Kramer 2011). In that same year, the EC published the renewed EU Strategy for CSR for the following few years (Latapí Agudelo et al. 2019). In 2015 and 2016, a peak in the number of publications on CSR was reached and Carroll defined CSR as the benchmark and central piece of the socially responsible movement (Carroll 2015); also, Chandler defined the generation of sustainable value as the main objective of CSR (Latapí Agudelo et al. 2019). Other milestones in the 2010s include the adoption of the *UN Sustainable Development Goals* in 2015 and the *EU Directive 2014/95/EU*, which requires large companies to disclose financial and diversity information in their reports from 2018 onwards (Latapí Agudelo et al. 2019).

Regarding the future of CSR, in 2015, Carroll predicted an increase in stakeholder engagement, in addition to the prevalence and power of ethically sensitive consumers, an increase in the level of sophistication of non-governmental organizations (NGOs) with employees becoming a CSR driving force, and he identified an increase in CSR activity going up, down, and across the global supply chain (Carroll 2015). In addition to that, Carroll stated that the transactional path of CSR would undergo limited transformational evolution (Carroll 2015). It should be mentioned that there are competing frameworks and evolving concepts that can slow down the global expansion and implementation of CSR and there can even be a shift in public interest towards new areas, such as *Corporate Sustainability*, *Corporate Social Performance*, *Creation of Shared Value*, *Corporate Citizenship*, *Environmental Corporate Social Responsibility*, *Environmental Social and Governance Criteria* (Latapí Agudelo et al. 2019). However, according to Carroll, all these concepts overlap and are already included in CSR (Latapí Agudelo et al. 2019).

The major focus when it comes to the future of CSR will be the latest technological advances and their role as a part of evolving business frameworks and strategies. As a result, businesses need to adopt and adapt the latest tools based on the principles of social responsibility in a way that combines sustainability, the

creation of shared values, and the belief that they can redefine their purpose to do what is best for the world (Latapí Agudelo et al. 2019).

As previously mentioned, the EU is highly committed to CSR. Therefore, the EU is promoting various campaigns to support the message and provide a better future for every EU citizen. One of these campaigns is called “*Together for Rights*”. This campaign promotes the rights of persons with disabilities across the EU. It is a fact that approximately 87 million people in the EU have a disability. Around 50% feel discriminated against due to considerable barriers in access to healthcare, education, employment, leisure activities and participation in political life. According to the EU, this is a concern for society as a whole. Consequently, the aim of this campaign is to demonstrate that persons with disabilities are members of society by providing them with the necessary support. In addition to that, the EU supports the activities of the Member States in the fields of social inclusion and social protection by modernising social protection systems and promoting the social inclusion of specific groups, including children, persons with disabilities, and homeless people. (European Commission 2022i, 2022h)

An interesting aspect is the numerous opportunities the EU provides for its citizens. The free movement of workers is a fundamental principle of the EU. When citizens move within the EU, the primary goal is to simplify the process of working in another EU country. Moreover, safeguarding the social security rights of EU citizens is imperative. This entitlement ensures that all EU citizens can seek employment in another EU country, work without having to apply for a work permit, reside there for employment purposes, enabling them to stay even after the completion of their employment period, and receive equal treatment alongside nationals, including an equal access to employment, equal working conditions, and various social and tax benefits. (European Commission 2022d)

The *European employment strategy* (EES) dates back to 1997 when the EU Member States undertook the establishment of a set of common objectives and targets for employment policy. Its main aim is the creation of more and better jobs throughout the EU. (European Commission 2022b)

The *European Pillar of Social Rights* sets out to turn 20 key principles and rights into reality by supporting fair and well-functioning labour markets. These actions

requires a joint effort by Member States and the EU, with the active involvement of social partners and civil society. This action plan introduces three EU-level targets to be achieved by 2030 in the areas of employment, such as equal opportunities and access to the labour market, fair working conditions, and social protection and inclusion. (European Commission 2022a)

Every EU worker has certain minimum rights, which include health and safety at work (encompassing general rights and obligations, workplaces, work equipment, specific risks, and vulnerable workers), equal opportunities for women and men (including equal treatment at work, pregnancy, maternity leave, parental leave), protection against discrimination (based on sex, race, religion, age, disability, and sexual orientation), and labour law (comprising part-time work, fixed-term contracts, working hours, employment of young people, informing and consulting employees). EU states must ensure that their national laws protect these rights laid down by EU employment laws. (European Commission 2022f)

The EU is also highly committed to the development of the skills and qualifications of all EU citizens, ranging from literacy, numeracy, and digital knowledge to vocational or technical skills as well as entrepreneurial and transversal skills, such as foreign languages or personal development and the ability to learn. The reason for these measures is that the EU is facing several challenges. For example, demographic changes require Europe to draw on all its talents and diversity, while at the same time creating new job opportunities. Furthermore, the COVID-19 pandemic meant that telework and distance learning became a reality for millions of people in the EU. Unfortunately, it also revealed the limitations of our digital knowledge and impacted job opportunities for many people. Another significant challenge is that many people cannot find a job because they do not have the right skills, or they have jobs that do not match their talents. At the same time, 40% of employers cannot find people with the right skillset to fill their positions. Additionally, many people struggle to read and write, and even more have poor numeracy and digital skills. Therefore, to support all EU citizens in developing better skills, the European Skills Agenda from the 1st of July 2020 agreed on a five-year plan with 12 actions. (European Commission 2022g).

2.2 Due Diligence

As mentioned earlier, organizations are adapting their business models to align with the *United Nations 2030 Agenda*, actively addressing environmental protection, human rights, corruption, and safety at work. In response, companies and their supply chains have developed plans and strategies to achieve these goals, including the establishment of corporate laws to ensure compliance with regulations, making due diligence a key CSR practice (Camoletto, Corazza, Pizzi & Santini 2022).

The term 'due diligence' has its roots in Roman law and later evolved into a legal concept focused on reducing commercial and financial risks. Its scope has expanded to encompass a wide range of topics in risk and environmental management. Examples include human rights, modern slavery, and children's rights. Unfortunately, in the past, some companies exploited CSR for reputation enhancement rather than raising awareness of social and environmental issues, leading to negative influences like blue washing, green washing, or impression management (Camoletto et al. 2022).

Due diligence legislations involve in-depth investigations typically conducted by companies. Their primary goal is to identify opportunities for misbehaviour or nonconformity that deviate from the standard code of conduct (Camoletto et al. 2022). Such businesses often specialize in audit or compliance tasks.

These due diligence processes follow specific guidelines that will be discussed in detail later. These guidelines aim to address gaps in international law on issues of sustainability for corporates, particularly regarding corporate soft laws that are aimed at achieving post-political consensus on global ethics. Policymakers view reports on CSR due diligence and its standard implementation as valuable solutions that can gather evidence on companies' behaviour in the context of sustainable development. (European Commission 2022e, 2022c)

While due diligence obligations were initially considered to be voluntary, the UNGP became the first global due diligence standard, compelling international companies to respect human rights in their business activities (Kolev & Neligan 2022). Consequently, many EU member states, including France, the

Netherlands, and Germany, introduced several due diligence laws, which will be discussed in more depth later.

To ensure organizational compliance with due diligence laws, human rights protection, and environmental considerations, several international guidelines and frameworks that fall under the umbrella of CSR have been established. As previously noted, two of the most prominent frameworks are the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises*. The *UN Guiding Principles (UNGPs)* are designed to compel business enterprises to follow human rights due diligence, which can be a means of identifying, preventing, and accounting for actual or potential adverse human rights impacts associated with their activities or business relationships (Smit, Bright, McCorquodale, Bauer, Deringer, Baeza-Breinbauer, et al. 2020). Since their introduction in 2011, corporate human rights due diligence has become a norm of expected conduct (Smit et al. 2020).

The *Commentary to Guiding Principles 17* further explains these principles. For instance, potential risks should be addressed through prevention or mitigation, while actual risks, those that have already occurred, should be the subject of remediation (Smit et al. 2020). Additionally, the *UN Human Rights Office of the High Commissioner* defines human rights due diligence as “[a]n ongoing management process that a reasonable and prudent enterprise needs to undertake, considering its circumstances (including sector, operating context, size, and similar factors) to meet its responsibility to respect human rights” (Smit et al. 2020).

Moreover, instead of referring to the value chain, the UNGPs refer to the supply chain (Smit et al. 2020). The value chain concerns the entire life cycle of a product or service, including suppliers and other business partners (Smit et al. 2020).

As mentioned previously, the UNGPs extend the responsibility for human rights beyond the traditional legal understanding of a separate corporate personality by compelling companies to undertake human rights due diligence procedures (Smit et al. 2020). This aims to protect the human rights that a business enterprise may negatively impact through its activities or that may be directly linked to its

operations, products, or services through its business relationships (Smit et al. 2020).

The UNGPs state that human rights due diligence should be an ongoing process and strategy. Moreover, due diligence must be context-specific, tailored to the size of the company, the risks of severe impact, and the nature and context of the company's operations. Additionally, it must cover all human rights, although certain human rights should be prioritized due to their impact and risks. Furthermore, the risks must be defined not only in terms of the company, but in terms of the stakeholders. This requires a significant departure from traditional risk analysis processes. (Smit et al. 2020)

The UNGPs were an effective means of widely spreading human rights due diligence as a standard for business activities (Smit et al. 2020). Additionally, the UNGPs inspired several other standards, such as the *UNGP's Reporting Framework*, the *Corporate Human Rights Benchmark*, the *UN High Commissioner for Human Rights*, but it also proved useful for policy developments in the context of the *International Labour Organization*, and the establishment of the *ILO Tripartite Declaration of Principles* concerning multinational enterprises and social policy (Smit et al. 2020).

The *OECD Guidelines for Multinational Enterprises* were established in 2011 and are described as "*the first international instrument to apply the concept of risk-based due diligence for human rights impacts across all major areas of business ethics*" (Smit et al. 2020). Additionally, the *OECD Guidelines* address various aspects, including due diligence, the environment, climate change, conflict, labour rights, bribery and corruption, disclosure, and consumer interests (Smit et al. 2020).

As with the UNGPs, the OECD due diligence responsibilities are applied to both the supply chain and the value chain (Smit et al. 2020). However, a key distinction is that the OECD also provides detailed guidance on supply chain due diligence for specific sectors, such as conflict minerals, the agricultural sector, the garment and footwear sector, institutional investors, multi-stakeholder engagement in the extractive sector, and export credit agencies (Smit et al. 2020).

The OECD Guidelines require OECD member states to set up National Contact Points (“NCPs”) (Smit et al. 2020). Austria, Germany, Sweden, Turkey, Finland, the Netherlands, Canada, United States, United Kingdom, France, Mexico are among the 37 OECD member states (Smit et al. 2020).

According to the OECD Guidelines, organizations must safeguard the environment, public health, and safety while promoting sustainable business activities (Smit et al. 2020). Furthermore, organizations are required to establish measurable plans and goals, such as enhancing environmental performance and optimizing resource utilization (Smit et al. 2020). These plans and goals should align with relevant national policies and international environmental commitments (Smit et al. 2020).

Moreover, the *OECD Guidelines* advocate for continuous improvement in the environmental performance of businesses. For example, companies should develop products or services with minimal negative environmental impact, high energy and resource efficiency, and the potential for reuse, recycling, or safe disposal (Smit et al. 2020).

The *Commentary on the Environment of the OECD Guidelines* emphasizes that business activities should aim to control both direct and indirect environmental impacts (Smit et al. 2020). Additionally, organizations should act swiftly and proactively to prevent serious or irreversible environmental damage resulting from their activities (Smit et al. 2020).

Furthermore, the *OECD Guidelines* encourage disclosure and communication practices in areas where reporting standards are still evolving (Smit et al. 2020). The guidelines also assert that organizations cannot defer environmental measures due to a lack of full scientific certainty (Smit et al. 2020).

As explained in more detail, the fulfilment of due diligence obligations was initially a voluntary process. The UNGP, serving as the inaugural global due diligence standard, compelled international companies to uphold human rights in their business activities (Kolev & Neligan 2022). Additionally, various EU member states have enacted due diligence laws (Koos, 2022).

The *French Law of the Corporate Duty of Vigilance*, commonly known as the “*Vigilance Law*”, was enacted in 2017 to promote human rights and environmental due diligence (European Commission 2020). This legislation mandates French companies to develop a vigilance plan, integrate it into their business activities and policies, publicly disclose the plan and its implementation results, and include both aspects in the company's annual management report (European Commission 2020). The primary objective of the Vigilance Law is to identify potential risks while ensuring compliance with human rights, fundamental freedoms, and considerations for health, safety, and the environment (Smit et al. 2020).

Non-compliance with this law may result in penalties, including an injunction, possible periodic penalty payments, civil liability, and the potential publication of the court decision on civil liability (European Commission 2020; Kolev & Neligan 2022). The obligations outlined in the Vigilance Law strongly align with the human rights due diligence process elucidated previously that is based on the UNGPs and associated standards, albeit with some distinctions (European Commission 2020).

To fall under the scope of the Vigilance Law, organizations must be registered in France under a specific corporate form and employ, at the end of two consecutive years, either at least 5,000 employees within French territory or at least 10,000 employees within French territory or abroad, including direct or indirect subsidiaries (European Commission 2020). In summary, French companies with over 5,000 employees in France or more than 10,000 employees worldwide are obligated to implement a due diligence plan to avoid the aforementioned violations (Kolev & Neligan 2022). This plan should encompass risk assessment procedures, preventive actions, monitoring mechanisms, and more (Kolev and Neligan 2022).

Furthermore, The *Child Labour Due Diligence (CLDD) Act*, enacted by the Dutch House of Representatives in 2017 and subsequently by the Dutch Senate in 2019, refers to due diligence obligations placed on companies supplying goods or services to the Dutch market to prevent child labour, thereby safeguarding consumers (Smit et al. 2020).

It is important to note that the applicability of the CLDD Act extends beyond companies based in the Netherlands as it also pertains to foreign companies. Any companies supplying goods or services to Dutch end-users, whether natural or legal entities, are subject to this law (Smit et al. 2020). Non-compliance may result in criminal sanctions, although companies that fall into certain categories, such as small enterprises or those with low-risk factors, may be exempt (Smit et al. 2020). Exceptions include companies not supplying goods or services to Dutch end-users, those solely involved in transporting goods, and certain other categories within low-risk sectors (European Commission 2020).

Companies affected by the CLDD Act are obligated to submit declarations to a public supervisor, these declarations are subsequently published in an online registry on the supervisor's website (European Commission 2020). Additionally, companies must be registered in the Dutch Commercial Register. However, entities not domiciled in the European part of the Netherlands or those unregistered in the Dutch Commercial Register must submit declarations within six months of providing goods or services to Dutch end-users for the second time within a year (European Commission 2020). In summary, the primary requirement for companies with end-users in the Netherlands is the submission of a declaration to a public supervisor, leading to its publication in an online registry (Smit et al. 2020).

Moreover, Germany, as the third EU nation, introduced the *Supply Chain Due Diligence Act (SCDDA)* in 2021, making it the latest addition to EU due diligence legislation. The primary objective of the SCDDA is to enforce human rights standards throughout the entire supply chain, which encompasses raw material extraction for end-products (Koos 2022). In addition to human rights, the SCDDA also safeguards labour practices, the environment, modern slavery, and children's rights, addressing various corporate obligation areas such as risk management, risk analysis, preventive and remedial measures, the establishment of a complaint mechanism, and annual documentation and reporting obligations to the competent authority (Koos 2022).

However, the SCDDA deviates from the *Guiding Principles on Business and Human Rights* by mandating systematic and ongoing due diligence only for direct

suppliers (Koos 2022). This limits obligations for indirect suppliers, as the company is only required to perform an incident-related risk analysis if it possesses prior knowledge of potential human rights infringements within the indirect supply chain (Koos 2022).

In the event of a rights violation, the organization must promptly implement measures to cease or restrict the business relationship. In the case of direct suppliers, a plan to prevent future violations must be developed (Kolev & Neligan 2022). The SCDDA imposes fines of up to €800,000 for violations of due diligence or reporting obligations (Koos 2022).

The SCDDA applies to the entire supply chain of organizations registered or headquartered administratively in Germany with at least 1000 employees (as of 01.01.2024) (Koos 2022). These companies are required to integrate SCDDA measures into their own operations and those of their direct suppliers (Kolev & Neligan 2022). This includes creating a policy statement on respecting human rights, implementing procedures for risk analysis, and facilitating transparent public reporting (Kolev & Neligan 2022; Koos 2022).

In conclusion, the SCDDA addresses several corporate obligation areas. All organizations with at least 1000 registered employees or those that have their administrative headquarters in Germany must comply with these obligations. These companies must implement SCDDA into their processes and policies (Kolev & Neligan 2022; Koos 2022).

2.3 Corporate Sustainability Due Diligence Directive

So far, the voluntary nature of fulfilling due diligence obligations was examined, as explained previously. The UNGP stands out as the inaugural global due diligence standard, compelling international companies to uphold human rights in their business activities (Kolev & Neligan 2022). Furthermore, the previous section highlighted that numerous EU Member States have instituted their own due diligence obligations to safeguard human rights and the environment (European Commission 2020).

However, it is noteworthy that several EU Member States have yet to establish due diligence requirements for the protection of human rights and the environment. In response, the EC has proposed the CSDDD, aiming to address this shortcoming and ensure the application of due diligence measures throughout the entire supply chain of EU companies (Kolev & Neligan 2022). This section delves deeper into an exploration of CSDDD.

2.3.1 Overview on Corporate Sustainability Due Diligence Directive

The EU exhibits a strong commitment to the protection of human rights and the environment by actively promoting sustainable values within its framework. This commitment reflects the dedication of European organizations to upholding human rights and mitigating their environmental impact, positioning European companies as global leaders in sustainability (European Commission 2022c). Despite such commitment, the integration of sustainability into business policies and activities has been progressing at a slow pace.

To speed up this progress, in March 2021, the European Parliament urged the EC to present a legislative proposal mandating value chain due diligence (European Commission 2022c). Prior to this, in December 2020, the Council, in its conclusions, called on the Commission to introduce a proposal for an EU legal framework on sustainable corporate governance, which would encompass cross-sector corporate due diligence along global value chains (European Commission, 2022c).

The CSDDD proposal, as mentioned earlier, aims to foster sustainable and responsible corporate behaviour across the entire global supply and value chain. The EC asserts that companies play a pivotal role in shaping a sustainable economy and society (European Commission 2022c). Consequently, CSDDD imposes several obligations on companies, such as the integration of due diligence into their policies, the identification of actual or potential adverse impacts, the prevention and mitigation of potential adverse impacts, terminating actual adverse impacts and minimising their extent (for example, on human rights, such as child labour and exploitation of workers, and on the environment, such as pollution and biodiversity loss), the establishment and maintenance of a

complaints procedure, the observance of the effectiveness of their due diligence policy, and public communication on due diligence (European Commission 2022c).

As a result, international agreements are expected to offer more effective protection of human rights and the environment (European Commission, 2022c). These updated rules are expected to provide legal certainty and a level playing field for businesses, aiming to enhance transparency for consumers and investors (European Commission, 2022c). The proposed EU rules are implemented in order to advance the green transition and protect human rights in Europe and beyond.

Additionally, beyond safeguarding human rights and environmental considerations, the imminent directive aims to safeguard environmental well-being as well. The *Directive from the European Parliament and the Council outlines comprehensive objectives for the Corporate Sustainability Due Diligence Directive (CSDDD)* (European Commission 2022e).

The primary objective is to enhance corporate governance practices by facilitating the seamless integration of risk management and mitigation processes for human rights and environmental risks and impacts, which encompasses those originating from value chains, into corporate strategies (European Commission 2022e). Secondly, the directive aims to prevent the fragmentation of due diligence requirements within a unified market, providing legal clarity for businesses and stakeholders regarding anticipated behaviour and liability. Thirdly, the directive seeks to heighten corporate accountability for adverse impacts and ensure consistency for companies as they fulfil obligations under existing and proposed EU initiatives related to responsible business conduct. Fourth on the agenda is improving access to remedies for individuals affected by adverse human rights and environmental impacts resulting from corporate conduct. Lastly, as a horizontal instrument, CSDDD applies to business processes and value chains. It serves as a complementary measure to other existing or proposed initiatives that directly address specific sustainability challenges or are applicable to particular sectors, predominantly within the Union. (European Commission 2022e)

The revised CSDDD, as outlined by the EC in 2022, aims to extend its reach to companies in specific categories and sectors. Among these are EU companies that fall into two distinct groups. The first, referred to as Group 1, encompasses all EU limited liability companies of substantial size and economic influence that involve 500 or more employees and a global net turnover exceeding EUR 150 million. Group 2, on the other hand, includes other limited liability entities that do not meet these two criteria since they have more than 250 employees and a worldwide net turnover of EUR 40 million or more. Group 2 companies operate in specific high-impact sectors and the regulatory provisions for this group will come into effect two years after they have been implemented for Group 1. The designated high-impact sectors include the manufacture of textiles, leather and related products; agriculture, forestry, fisheries; the manufacture of food products; the trade of agricultural raw materials; the extraction of mineral resources; the manufacture of basic metal products, other non-metallic mineral products and fabricated metal products (apart from machinery and equipment); and the trade of mineral resources such as basic and intermediate mineral products. Non-EU companies that are active in the EU are also subject to these directives, provided they meet the same turnover thresholds as Group 1 or Group 2 EU companies, and this turnover is generated within the EU. (European Commission 2022c)

It is noteworthy that the proposed directives do not directly encompass small and medium enterprises (SMEs) (European Commission 2022c). Moreover, this proposal extends its applicability to the operations, subsidiaries, and value chains (including both direct and indirect established business relationships) of the companies in question (European Commission 2022c).

Concerning the adherence to the CSDDD, it is mandated that EU Member States guarantee companies' accountability for damages resulting from non-compliance with CSDDD obligations (European Commission 2022e). This responsibility extends to cases of failure, where an adverse impact, identifiable and preventable through appropriate measures, should have been mitigated or minimized (European Commission 2022f).

The EC's proposal of the CSDDD emphasizes that a company's civil liability for damages under this provision does not preclude the civil liability of its subsidiaries or direct and indirect business partners within the supply or value chain. Importantly, the provisions on civil liability outlined in this directive do not override EU or Member State regulations addressing civil liability related to adverse human rights or environmental impacts. These pre-existing regulations may establish liability in scenarios not covered by the CSDDD or may impose more stringent liability standards. In addition, EU Member States are obliged to ensure that liability established by national law prevails in cases where the applicable law for such claims is not governed by the law of a Member State. (European Commission 2022e)

Moreover, In December 2023, the Council and the European Parliament have reached a provisional agreement on the CSDDD, marking a significant step toward safeguarding environmental and human rights interests within the EU and beyond. This directive will impose responsibilities on large corporations to assess and address the actual and potential adverse impacts on human rights and the environment arising from their operations, subsidiaries, and business partnerships. Once endorsed and formally adopted by both institutions, the CSDDD will establish a framework to promote corporate accountability and sustainable practices, aligning business activities with societal and environmental welfare objectives. (Ferran Tarradellas 2023)

In conclusion, the CSDDD represents a pivotal initiative by the EU to ensure that companies uphold human rights and protect the environment in their operations. It encompasses a range of obligations aimed at fostering sustainable corporate behaviour and promoting accountability. To provide a clearer understanding of the CSDDD and its implications, below is a summary table highlighting key aspects of the directive.

Table 1. Overview of the Corporate Sustainability Due Diligence Directive (European Commission 2022c, 2022e; Ferran Tarradellas 2023)

Section	Background	Concept	Objectives	Scope	Compliance	Future
EU Commitment	EU actively promotes sustainable values; commitment to upholding human rights and mitigating environmental impact.	Aims to foster sustainable corporate behaviour; imposes obligations on companies regarding due diligence measures.	Enhance corporate governance practices; prevent fragmentation of due diligence requirements; improve access to remedies.	Targets specific categories and sectors of EU companies; extends to non-EU companies meeting certain criteria.	Mandates accountability for damages resulting from non-compliance; civil liability extends to subsidiaries and business partners.	Provisional agreement reached, aiming to impose responsibilities on large corporations for assessing and addressing adverse impacts.
Legislative	Call for legislative proposal for value chain due diligence; urging EC to present a legislative proposal mandating due diligence.	EC asserts companies' pivotal role in shaping sustainable economy; several obligations imposed on companies.	Facilitate seamless integration of risk management for human rights and environmental risks into corporate strategies.			Once endorsed and adopted, establishes framework for corporate accountability and sustainable practices.

2.3.2 Literature Review on Corporate Sustainability Due Diligence Directive

The literature review on the CSDDD explores its implications, challenges, possibilities, and implementation strategies. The review suggests strategies for integrating the CSDDD. Additionally, the review concludes by presenting the most relevant insights and recommendations in a comprehensive table and visual representation to improve accessibility and comprehension.

When it comes to the challenges and implication of CSDDD, the literature review provides several information and an in-depth analysis of various themes. The legislative introduction of a CSR due diligence disclosure mandate emphasizes the limitations of the due diligence processes employed by companies thus far, particularly in relation to the comprehensiveness and nature of the addressed issues (Camoletto et al. 2022). This implies a significant shift as it constitutes a political intervention into what has traditionally been a post-political domain, specifically CSR guidelines, which were typically embraced by companies on a voluntary basis (Camoletto et al. 2022). Additionally, managing the supplementary burdens associated with the implementation and compliance of due diligence creates a challenge for numerous companies. This challenge assumes heightened significance as the CSDDD is just one among several new regulatory requirements that confront companies, spanning various aspects of CSR and business operations (Kortelainen 2022). Additional regulatory challenges involve complying with the CSDDD. EU Member States must ensure that companies bear liability for damages in case of non-compliance with the prescribed CSDDD obligations, as outlined previously. In instances of failure to meet these obligations, especially in cases of adverse impacts that should have been identified, prevented, mitigated, terminated, or their extent minimized through appropriate measures, legal consequences become necessary (European Commission 2022e). The effectiveness of legal interventions to enforce the CSDDD may be compromised without accompanying sanctions, potentially leading companies to adopt compliance-centric behaviours (Camoletto et al. 2022).

The CSDDD proposal, as clarified by the EC, provides an in-depth explanation of the concept, objectives, scope, and compliance aspects of the CSDDD.

Nevertheless, scholars emphasize the importance of not only recognizing the existence of the CSDDD, but also discerningly understanding its specific domains of application (Camoletto et al. 2022). Therefore, another challenge emphasized in the literature concerns the complexities associated with the implementation of the CSDDD. Embedding sustainable business practices across the entire supply chain and ensuring compliance with due diligence obligations present substantial hurdles. This is particularly intricate as companies are required to extend the application of CSDDD to the lower tiers of their supply chains, evaluating the performance of all suppliers within their corporate group, irrespective of their geographical locations (Kortelainen 2022).

As mentioned before, the revised CSDDD will be applicable to two main categories of companies: 1) EU companies characterized by substantial size and economic influence (Group 1) or those operating in high-impact sectors (Group 2), and 2) non-EU companies conducting business in the EU, with a turnover threshold aligned with Group 1 and 2, generated within the EU (European Commission 2022c). However, the overarching objectives remain consistent for all companies falling within the regulatory scope. Another challenge highlighted in the research literature relates to the significance of industry-specific CSR considerations (Camoletto et al. 2022). Different industries have unique CSR priorities, and the adoption of CSDDD tools should align with the principle of materiality, placing a greater emphasis on stakeholder perspectives rather than exclusively focusing on investors (Camoletto et al. 2022).

The CSDDD extends its application to encompass the company's operations, subsidiaries, and value chains, including both direct and indirect business relationships (European Commission, 2022a). Consequently, it necessitates the engagement of all geographically dispersed entities within the supply chain. This is attributed to the non-continuous nature of the process, demanding active involvement and communication with stakeholders (Kortelainen 2022). Nonetheless, research studies have indicated that the absence of stakeholder engagement poses challenges to the effective implementation and compliance with the directive (Kortelainen 2022). The fragmentation and globalization of manufacturing processes have led to an increased presence of suppliers in supply chains. While businesses may exercise control over first-line suppliers,

managing remote actors in the supply chain becomes more challenging or even impossible (Kortelainen 2022). As a result, the unavailability of information from suppliers, particularly third parties, can prevent the effective oversight and implementation of CSR due diligence (Kortelainen 2022).

As previously explained, CSDDD mandates its application across a company's operations, subsidiaries, and value chains, encompassing both direct and indirect business relationships (European Commission, 2022a). However, the increased importance of CSR due diligence for European companies is expected to have a profound impact on global supply chains, requiring heightened scrutiny through increased reviews and audits. This may compel non-European companies to re-evaluate their sustainability practices to uphold their standing as business partners (Camoletto et al. 2022). Furthermore, adapting supply chain structures may become imperative to meet CSR due diligence requirements while ensuring business profitability (Kortelainen 2022). The policy implications extend beyond European borders, as the global adoption of non-financial information disclosure continues. This global shift may impact the integration of companies into Environmental, Social, and Governance (ESG) financial portfolios (Camoletto et al. 2022).

The main objective of the CSDDD is to safeguard human rights and the environment. As a result, companies falling within the scope of the CSDDD are obligated to integrate due diligence into their policies, assess the effectiveness of their due diligence policy, and engage in public communication regarding due diligence (European Commission 2022a). This requires a transition for companies from a conventional business-as-usual approach to a more innovative paradigm guided by ethical and sustainable objectives (Camoletto et al. 2022).

A major facet of the CSDDD concerns the public disclosure of due diligence efforts regarding the reporting and publication of sustainability information (European Commission 2022a). However, this obligation poses a potential challenge, as it may require explicit reporting guidelines and additional resources. Notably, such recommendations and resources were not defined in the CSDDD proposal published by the EC (Kortelainen 2022).

As delineated previously, the concept of the CSDDD mandates companies to undertake various actions with the overarching goal of safeguarding sustainable and responsible corporate conduct across the entire global supply chain (European Commission 2022a). However, the implementation of the CSDDD may entail considerable costs and resources. This includes engaging with a multitude of suppliers to acquire dependable information and appropriately document it, potentially impacting competitiveness, and profitability (Kortelainen 2022).

On one hand, the CSDDD gives rise to several challenges and issues. On the other hand, however, this imminent directive also promotes new possibilities across various domains. In the economic domain, the CSDDD presents numerous advantages, including cost-efficient compliance, heightened competitiveness, and increased leverage. The cost of mandatory due diligence, when compared with company revenues, appears relatively low, potentially easing the financial burden on businesses and facilitating cost-efficient compliance. The directive has the potential to level the competitive landscape among companies by fostering improved competitiveness as all entities must adhere to the same standard, thereby mitigating existing costs and risks. Moreover, companies may derive benefits from a non-negotiable standard, leading to increased leverage and stronger influence over third parties in their value chain. However, the anticipated benefits hinge on the coverage of companies and the effectiveness of the required due diligence measures. (Smit et al. 2020)

Concerning competitiveness and innovation, the CSDDD offers benefits such as the reduction of distortions in competition, the maintenance of competitive positions with non-EU entities, and minimal negative effects on EU businesses. In terms of reduced distortions in competition, consistent adherence to due diligence directives across all EU companies is expected to result in fewer distortions. Despite the additional costs, EU companies may maintain their competitive positions with non-EU entities. While there may be shifts in investments and business relationships, overall, minimal to no negative impacts on EU businesses are expected. (Smit et al. 2020)

Another advantage associated with the CSDDD is the emergence of digital solutions and technologies, which have the potential to significantly decrease the expenses of accounting for human rights and environmental impacts (Smit et al. 2020). This enhancement can lead to increased efficiency in the overall process, including activities such as monitoring and maintenance (Smit et al. 2020).

Moreover, the CSDDD has the potential to promote substantial social impacts contingent upon its design and application, potentially improving the well-being of rights-holders and stakeholders (Smit et al. 2020). In addition to that the CSDDD may contribute to positive effects on employment levels, potentially stemming from an increased demand for specialized personnel (Smit et al. 2020).

The CSDDD is anticipated to promote the positive impacts of human rights, particularly when robust risk assessments, transparency, monitoring, and compliance systems are enforced. This relates to increased protection, preventative benefits, transparency, accountability, and standardization. The legal duty of care under the CSDDD is expected to offer significant human rights benefits by establishing a strong link between corporate practices and regulations, potentially increasing protection for stakeholders. (Smit et al. 2020) Furthermore, the CSDDD, as a duty of care, provides preventative benefits to stakeholders through the implementation of robust risk assessments, transparency measures, monitoring processes, and compliance systems, contributing to the prevention of human rights abuses. Additionally, the CSDDD promotes transparency and accountability, ensuring that companies are held responsible for their actions and impacts on human rights. Through its emphasis on widespread standardization, the CSDDD aims to establish consistent human rights standards, creating a more challenging environment for companies to engage in practices that may harm human rights (Smit et al. 2020).

In the context of environmental considerations, the CSDDD is associated with several benefits, including the reduction of environmental impacts, harmonization, alterations in market behaviour, and alignment with policy instruments. The CSDDD is anticipated to have some of the most substantial environmental impacts, particularly in mitigating issues such as environmental air pollution and waste. The harmonization of the CSDDD requirements across

national boundaries and its alignment with existing regulatory frameworks is expected to impact sanctions, refine the definitions of offense, and broaden the scope of liability, ultimately contributing to a more heightened level of environmental protection. Moreover, the CSDDD has the potential to induce shifts in market behaviour, safeguard supply chains, and encourage responsible environmental practices. The establishment of uniform rules and the alignment with other relevant policy instruments can augment the effectiveness of measures aimed at environmental protection. (Smit et al. 2020)

The implementation of the CSDDD is anticipated to promote positive impacts on public authorities in terms of increased oversight and control, enhanced monitoring capabilities, the potential for legal sanctions, and an alignment with other policy frameworks. Under the CSDDD, public authorities would assume a crucial role in overseeing and controlling companies' due diligence activities, ensuring adherence to the legal duty of care concerning human rights and environmental considerations. This enhanced oversight and control by public authorities are crucial for verifying that companies fulfil their obligations. Public authorities are expected to play a crucial role in monitoring and enforcing mandatory CSDDD requirements, overseeing compliance with risk assessments, transparency measures, and compliance systems. This active involvement can contribute to improved corporate accountability and responsible business practices. The introduction of the CSDDD creates the possibility for legal sanctions or liability for companies failing to comply with due diligence requirements. This potential for legal consequences serves as a preventive measure, encouraging companies to take their responsibilities seriously and comply with the prescribed regulations. Ensuring consistency with other related policy instruments can facilitate the work of public authorities and increase their effectiveness in enforcing CSDDD requirements. (Smit et al. 2020)

The CSDDD introduces a paradigm shift in corporate responsibility, requiring companies to expand their CSR policies to address specific sustainability issues effectively. Challenges emerge in meeting CSDDD requirements within complex global supply chains, necessitating stakeholder engagement, reliable information availability, and adaptive business practices. Despite these challenges, the CSDDD offers numerous benefits, including cost-efficient compliance, enhanced

competitiveness, technological advancements, and social and environmental advantages. These benefits hinge on the careful design, enforcement, and scope of the regulatory framework. In summary, while the CSDDD poses implementation challenges, it also presents significant opportunities for improving corporate sustainability practices and protecting human rights and the environment. Below is a table summarizing the main points categorized into implications, challenges, and possibilities related to the CSDDD.

Table 2. Key Findings on Implications, Challenges, and Possibilities of the Corporate Sustainability Due Diligence Directive Identified from Literature Review

Category	Key Points
Implications	<ul style="list-style-type: none"> • Legal intervention into CSR practices, shifting from voluntary to mandatory compliance • Increased regulatory burden for companies, necessitating due diligence integration • Requirement for public disclosure of due diligence efforts, enhancing transparency and accountability
Challenges	<ul style="list-style-type: none"> • Complexity of implementing and complying with CSDDD across global supply chains • Challenges in comprehending and applying CSDDD's specific domains of application • Legal and regulatory challenges, including liability for damages in case of non-compliance • Difficulty in extending CSDDD application to lower tiers of supply chains, especially for geographically dispersed entities

	<ul style="list-style-type: none"> • Industry-specific CSR considerations and materiality challenges, requiring alignment with stakeholder perspectives
Possibilities	<ul style="list-style-type: none"> • Cost-efficient compliance and improved competitiveness • Technological advancements facilitating due diligence processes • Positive impacts on human rights, social welfare, and environmental protection • Economic benefits and increased leverage for companies • Reduction of distortions in competition and maintenance of competitive positions • Potential for increased oversight, control, and alignment with other policy frameworks

It is an established reality that the EU directive mandates businesses to integrate the CSDDD into their daily operational activities and existing corporate policies (Bright & Smit 2022). Achieving this integration involves various steps, including assessment and identification, policy integration, annual reporting, prevention and mitigation, cessation of adverse impacts, establishment of a complaints procedure, monitoring, public reporting, enforcement liability, etc (Bright & Smit 2022).

The integration of the CSDDD may be a considerable challenge. Nevertheless, it is possible to simplify the implementation process by subdividing the tasks into practical steps. Beginning with the initial application of the CSDDD by targeting large European and non-European companies based on specific employee count and turnover thresholds; by using this approach, its applicability to larger organizations could be simplified. The CSDDD emphasizes the identification,

prevention, mitigation, and remediation of negative human rights and environmental impacts. Therefore, by focusing on these impacts, it provides a clear direction for companies to take when addressing specific risks. Later on it is necessary to build upon established international standards, such as the *UN Guiding Principles on Business and Human Rights* and the *OECD Guidelines for Multinational Enterprises*, therefore, this reliance on existing frameworks simplifies the reference points that can be followed by companies. The next step of the directive includes responsibilities for managers and leaders, requiring them to consider matters of sustainability in decision-making, including human rights and environmental consequences, which promotes simplicity by combining the responsibility of company leaders with broader sustainability goals. Later on it is necessary to simplify the enforcement and accountability aspects of the CSDDD by incorporating administrative oversight through public bodies and civil remedies for victims. Not including SMEs in the CSDDD and providing support for SMEs within value chains supports the diversity of businesses and aims to facilitate compliance for smaller enterprises. Consequently, the new directive also requires companies to annually report the information relevant to the CSDDD, which involves the process of tracking, communicating their efforts and making it transparent for others. Moreover, the CSDDD outlines a set of clear instructions for the enforcement mechanisms through public supervisory authorities and judicial remedies, ensuring a straightforward approach to enforcing compliance. Afterwards, the specific duties related to combating climate change simplify compliance in this critical area, guiding companies to align their strategies with sustainability goals. Last, the CSDDD includes provisions for regular reviews and potential adjustments, promoting adaptability and simplifying the incorporation of new developments. (Bright & Smit 2022)

In summary, the CSDDD provides a structured framework leveraging existing directives and global agreements. Despite the inherent complexity of the rules, they serve as valuable guidelines for organizations, offering clarity on required actions. Over time, aligning with the CSDDD's framework becomes a feasible task for organizations. To facilitate ease of compliance with the CSDDD, it is recommended to establish a well-defined plan and effective mechanisms to

ensure comprehensive adherence to the specified requirements. Below is a visualisation of the CSDDD implementation process according to Bright and Smit.

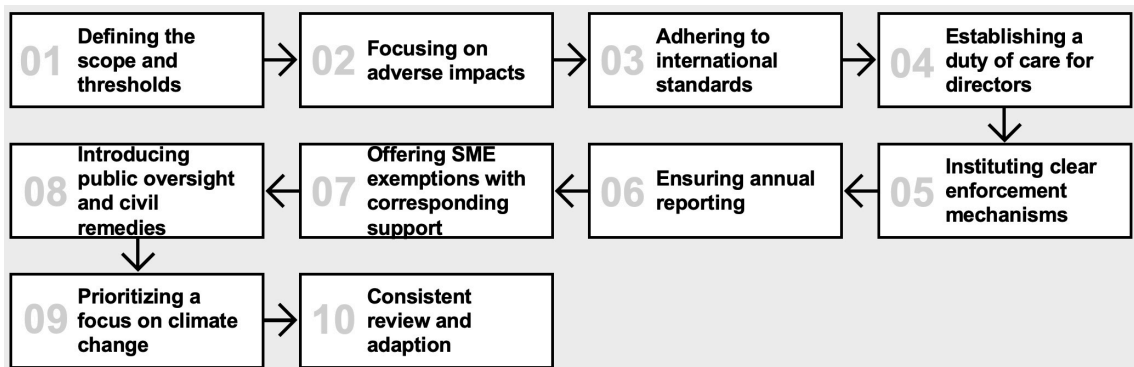


Figure 2. Implementation Process of Corporate Sustainability Due Diligence Directive Identified from Literature Review (Bright & Smit 2022)

3 RESEARCH DESIGN

This chapter outlines the methodological background of the empirical research, offering insight into the decision-making process. It provides a comprehensive account of the research design, methodology, and procedural aspects.

3.1 Research Context

The research context of this thesis revolves around an examination of the 2022 proposal by the EC for the CSDDD. The primary objective is to evaluate the potential impact of this regulatory directive on a partially state-owned case company. The research aims to identify the specific areas within the company that will be significantly affected by the implementation of the CSDDD, as well as to pinpoint the necessary measures and process adjustments required to ensure compliance. The aim is to identify the challenges, implications, and potential opportunities associated with integrating the CSDDD within the context of the case company. An additional goal is to facilitate the seamless alignment of the company's policies and processes with the requirements outlined in the CSDDD. Furthermore, the research aims to explore how the effective implementation of the CSDDD could lead to financial, environmental, and time-related benefits for the company.

To achieve the abovementioned goals, this thesis analyses the following research questions: What are the challenges, implications, and possibilities offered by CSDDD? How can its implementation for the case company be simplified?

At the time of this research, the case company was Österreichische Post AG, a partly state-owned international postal, logistics, and service provider that prioritizes delivering top-quality services to meet customer needs (Österreichische Post AG 2022). The company operates in three divisions: Mail, Parcel & Logistics, and Retail & Bank, with a global presence in Germany, Central and Eastern Europe, and Turkey. These responsibilities make the case company vital for Austria's economy. Österreichische Post AG engages in postal, parcel, and logistics services, following the Postal Service Bank Act. Additionally, it

provides automated data processing and information engineering for business purposes. The company also acquires and manages holdings, participates in infrastructure projects, and owns national and international holdings in various countries (Österreichische Post AG 2022). It has the adaptability to undertake actions or transactions deemed necessary or beneficial for its business, including property transactions for subsidiaries in Austria and abroad (Österreichische Post AG 2022). This comprehensive overview illustrates Österreichische Post AG's diverse operational and strategic presence across different regions, contributing significantly to Austria's economic landscape.

3.2 Research Approach

The initial phase of selecting suitable research approach involves identifying the guiding research paradigm for this thesis. Due to the focus on comprehending the impacts of the CSDDD and the acquisition of experiential knowledge, a thorough analysis of this topic is necessary. The interesting conditions of the research require an exploration of the participants' experiences through diverse research and data-collection methods. The lack of established research requires the development of provisional or valid conclusions, framing this thesis as an open-ended inquiry that is directed by research questions. Furthermore, a comparative analysis has the characteristics of a constructivist approach, which aligns with the requirements of this thesis. Constructivism as a research paradigm posits that individuals construct their understanding and knowledge of the world through experiential engagement and reflection, which emphasizes the active construction of knowledge through lived experiences (Honebein 1996). Additionally, constructivism maintains that reality is subject to interpretation, which gives room for the exploration of underlying meanings in events and activities (Patel 2015).

The constructivist paradigm is closely associated with the qualitative research approach, which aims to describe the characteristics of individuals or events without numerical comparisons or measurements (Adom, Yeboah & Ankrah 2016; R. Murray Thomas 2003). In essence, qualitative research is dedicated to the exploration of ideas and the formulation of theories or hypotheses, in contrast to the quantitative approach, which focuses on testing established theories and

hypotheses. Other characteristics of a qualitative approach include a broader focus on understanding the context surrounding the problem being studied, and it often entails studying larger groups or populations and may involve the researcher being closer or more directly involved with the problem under investigation (Queirós, Faria & Almeida 2017). Qualitative studies typically have a longer time frame, allowing for more extended observations and data collection, and additionally, the researcher's internal perspective and subjective interpretation are often incorporated into qualitative research (Queirós et al. 2017). Another benefit compared to quantitative research, qualitative research tends to have less structured theoretical frameworks and hypotheses, and also qualitative research offers higher flexibility and emphasizes exploratory analysis to uncover new insights and understandings (Queirós et al. 2017). Given the research context of comprehending concepts related to the CSDDD without testing hypotheses, and considering the constructivist paradigm, a qualitative research method is appropriate for this thesis. It facilitates exploring participants' experiences and allows for the formulation of theories or hypotheses, aligning with the open-ended inquiry directed by research questions.

As previously mentioned, qualitative research stands out for its heightened flexibility compared to other experimental techniques, offering a diverse array of accepted methods and structures (Astalin 2013). Moreover, several distinct types of research approaches exist within qualitative research. However, the case study is the only suitable research approach since case studies are optimal to entail an in-depth description and analysis of a case or multiple cases (Khan 2014). In addition to that within the specific research context of this thesis, which are the impacts of CSDDD, only case studies align more closely with the background of this master's thesis. Therefore, the chosen approach for this research is a qualitative case study approach. Other qualities of the case study approach are that it is a robust method for conducting thorough analyses of diverse scenarios, including events, programs, activities, or even individuals (Khan 2014). Notably, this approach excels in hypothesis development, which distinguishes it from other methods as it is more apt for hypothesis testing and theory construction (Astalin 2013). Additionally, the case study approach distinguishes itself by its ability to yield a wealth of information, often beyond the

reach of alternative research approaches (Astalin 2013). Case studies involve the examination of a relationship between a subject and an object. The subject, categorized as either key cases, outlier cases, or local knowledge cases, serves as the practical focal point through which the theoretical dimensions of the research can be uncovered. Conversely, the object embodies the theoretical focus itself (Astalin 2013; Gary Thomas 2011). Moreover, this approach presents notable advantages, including the fact that it provides intricate details pertaining to a specific phenomenon, it facilitates the sharing and understanding of diverse experiences, and it is cost-effectiveness in comparison to alternative methodologies like experiments and surveys (Suryani 2008). Conversely, the case study approach comes with inherent limitations. Some may assert that case study researchers deviate from systematic procedures, potentially harbouring biased perspectives that could impact findings and conclusions (Suryani 2008). Moreover, criticism may arise concerning the reliance on subjective data, such as participants' statements and researchers' observations, given the predominant focus on human experiences in most case studies (Suryani 2008). However, it is essential to note that these issues can be mitigated, particularly within the research context of this research, which promotes an objective viewpoint over a subjective one.

The process of conducting qualitative case studies encompasses six distinct stages. Initially, the researcher conceptualizes the chosen topic, in this case, the new EU directive. Subsequently, the second stage involves the selection of a specific phenomenon and the formulation of a research question, which, in this research, pertains to the impact of CSDDD on the case company. The third stage revolves around the collection of raw data, employing various methods such as interviews, observations, and literature review. Following this, the fourth stage focuses on the identification of patterns within the amassed data related to the chosen topic. The fifth stage involves the formulation of a triangulation of observations and the subsequent development of different interpretations. Notably, this stage also includes the consideration of alternative interpretations. The final stage is concerned with the synthesis of findings into a comprehensive and systematic report. (Suryani 2008)

3.3 Research Method, Data Collection and Analysis

As highlighted earlier, the chosen research method for this master's thesis is the qualitative research method, specifically by employing the case study approach. This method aligns with the research context, which revolves around comprehending the concept of CSDDD and its implications for the case company. The case study approach offers a diverse array of research methods for data collection and analysis, observations, the examination of documents, articles, and more (Khan 2014).

In-depth interviews make use of varied approaches to different respondents, which nevertheless covers the same data points, however, it is advisable to record these interviews as not everything discussed may be transcribed during the interview process (Noor 2008; Queirós et al. 2017). On the one hand, in-depth interviews, require fewer participants for valuable insights, can be conducted in informal settings, and allow for adjustments to gather more detailed information (Queirós et al. 2017). On the other hand, they share some of the same drawbacks as structured interviews with their rigidity in response options, difficulties in obtaining detailed data, and time-consuming interview preparation (Queirós et al. 2017). For this research, the in-depth interview research method and data collection are applied due to its flexibility and the need for a smaller yet carefully selected sample of participants. In addition to that the subject of this case study involves identifying the effects and impacts of an imminent directive where direct observation is not relevant. Therefore, the most suitable method for data collection results in in-depth interviews.

When undertaking in-depth interviews, several vital steps should be considered. Initially, interview planning involves the identification of participants, the specification of the necessary information and the discernment of information sources. In the context of this thesis, the key stakeholders include the researcher (interviewer), the interviewee, and the case company. It is essential that the selected interviewees possess expertise in the field of CSR and demonstrate a comprehensive understanding of the CSDDD. Subsequently, the development of research instruments, such as an interview protocol or guide, becomes imperative. The development of the interview protocol and guide is the

responsibility of the researcher, who is the author of this thesis. The interview guide and a protocol template are prepared beforehand, and it includes, apart from the interview questions, inquiries about the interview participant, such as contact information, a statement of approval, name (only if the interviewee has given consent for publication), department/position, expertise and knowledge, additional context, or background information about the interviewee, if necessary and the planned interview schedule. The third step entails the training of interviewers to ensure uniformity in the interview process. Given that the interviews are conducted solely by the researcher, the third step, involving the training of interviewers, is deemed irrelevant. The fourth step involves data collection through the actual execution of the in-depth interviews. During the in-depth interviews, the interview protocol template is filled out to ensure that no important interview steps are overlooked. Additionally, sufficient time is allocated to allow participants to delve deeper into the topic during the open conversation. Following this, the fifth step involves data analysis, wherein all interview responses are comprehensively examined to discern underlying patterns. Lastly, the formulation of findings is achieved by creating a comprehensive report and distributing it to both interviewees and relevant stakeholders. After the successful completion of the interviews, the subsequent tasks of data analysis and the distribution of the findings are also undertaken by the researcher. The data analysis involves identifying similarities and differences within the interviews. Subsequently, the results of the in-depth interviews are compared with the findings of the literature review to establish robust conclusions. Regarding the reporting of the results, the findings resulting from the aforementioned analysis are reported in this thesis and disseminated to relevant stakeholders. Below is a visualization depicting the implementation process of in-depth interviews for research method and data collection/analysis. (Boyce & Neale 2006)

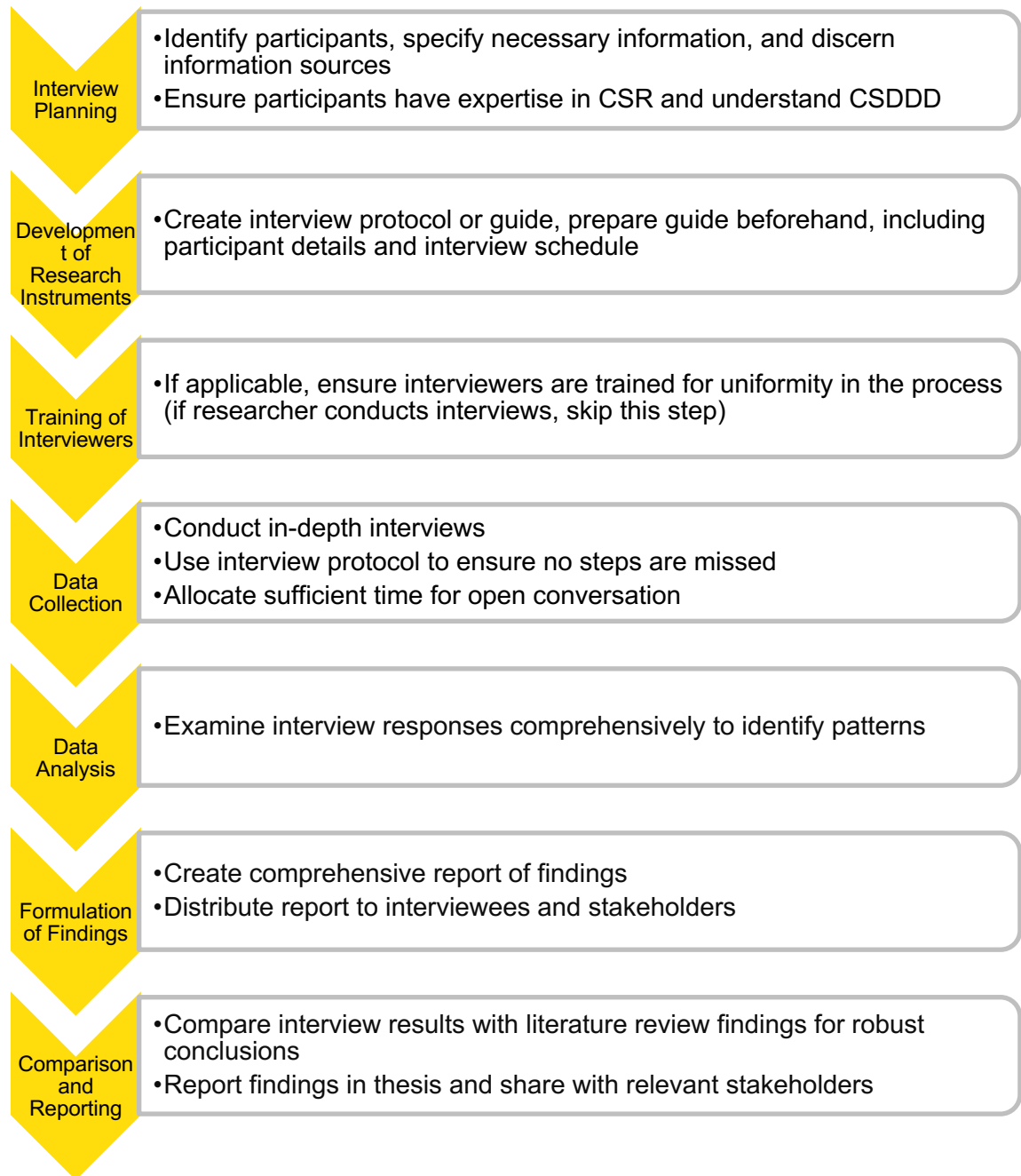


Figure 3. Implementation of In-Depth Interviews for Research Data Collection and Analysis

3.4 Material and Equipment

The implementation of in-depth interviews requires meticulous preparation and significant resources, including specific materials and equipment, necessitating an extensive preparatory phase to ensure successful data collection. The key focus lies in crafting interview questions that delve into essential aspects, aligning with the primary thesis inquiries: understanding the challenges, implications, and

possibilities of the CSDDD, and exploring methods to simplify its implementation for the case company. In order to enhance the output of the in-depth interviews, thorough research was conducted, encompassing a comprehensive review of relevant literature. This step ensures that interview questions cover topics that may not have been explicitly addressed in existing literature. Since the literature review provides a general perspective on the CSDDD, it was imperative for interview questions to address the specific viewpoint of the case company. This approach involved initially acquiring foundational knowledge through the literature review and subsequently identifying gaps in information, particularly regarding the impacts of CSDDD from the case company's standpoint. A comprehensive list of the interview questions is provided in the appendix. Considering that the in-depth interviews are exclusively involving employees at the Österreichische Post, it is necessary to conduct the interviews in German.

Afterwards, to implement the in-depth interview approaches, the necessary materials are besides interview questions, the interview guide/protocol template and electronic devices to conduct the in-depth interviews and to record the in-depth interviews. As previously mentioned, the interview guide and a protocol template is prepared beforehand, and it includes, apart from the interview questions, inquiries about the interview participant, such as contact information, a statement of approval, name (only if the interviewee has given consent for publication), department/position, expertise and knowledge, additional context, or background information about the interviewee, if necessary and the planned interview schedule.

When it comes to electronical equipment, using electronic devices, such as laptops, to conduct online in-depth interviews and record transcripts is essential for ensuring the reliability and validity of the interview results. For online in-depth interviews to proceed, both the interviewer and interviewee must have access to Microsoft Teams. Moreover, Microsoft Teams provides the functionality to record meetings and generate transcripts, enabling the documentation of interviewee statements for future reference.

3.5 Research Process

Undertaking a qualitative case study, this research delved into the CSDDD and its ramifications on the case company. The thesis was driven by fundamental research questions aiming to unearth the multifaceted challenges, implications, and possibilities engendered by CSDDD, while also exploring avenues to streamline its implementation for the case company.

Prior to embarking on the in-depth interview phase, an exhaustive literature review was conducted to lay the groundwork. This phase not only familiarized the researcher with CSDDD but also served to identify any gaps or lacunae in existing knowledge. This preliminary analysis played a pivotal role in shaping the research methodology, which, in this instance, centered around in-depth interviews. Furthermore, insights garnered from the literature review informed the construction of interview questions. Crafted with precision, these questions were poised to corroborate or challenge the findings of the literature review and, importantly, to probe into areas where information may be lacking, thereby fostering open-ended discussions during the interviews. Additionally, by applying flexible pattern matching in this research, the interview questions were iteratively adjusted during the research phase. This ensured that crucial information gaps were addressed and the statements from the data analysis were either confirmed or refuted during the in-depth interviews.

Preparation for the in-depth interviews involved meticulous planning, encompassing the identification of suitable participants, specification of necessary information, and discernment of pertinent information sources. Among the key stakeholders engaged in this process were the researcher (interviewer), the interviewees, and the case company itself. Participants were selected based on their expertise in CSDDD and allied fields such as CSR, compliance, and sustainability. While the ideal scenario entailed involving three to five participants from diverse departments, pragmatic constraints may have necessitated a more focused approach, potentially resulting in fewer interviews being conducted. Interviewee 1 brought extensive professional experience, having worked for 12 years at Österreichische Post AG with a focus on compliance. Notably, they had led the development of a new area dedicated to supply chain compliance. With a

legal background and a global business outlook shaped through academic pursuits in China and the completion of an MBA program in California, Interviewee 1 navigated complex issues, including anti-corruption measures and thorough supplier assessments. Actively engaged in European reporting initiatives, they played a crucial role in addressing regulatory directives such as the Corporate Sustainability Reporting Directive (CSRD) and the imminent CSDDD. This interview provided valuable insights into Interviewee 1's experiences in compliance, sustainability, and corporate governance. Interviewee 2 was an experienced professional at Österreichische Post AG with a diverse range of roles within the organization. At the time of the research, managing the Supplier Portal, Interviewee 2 held a crucial position in corporate procurement, with significant involvement in compliance matters. Their responsibilities extended beyond supplier-related risks to include broader monetary risks throughout the organization, particularly in the area of risk management. In this conversation, Interviewee 2 shared valuable insights into the complexities of compliance and risk management at Österreichische Post AG, offering practical perspectives on the implementation of CSR and due diligence in the corporate landscape.

Invitations were extended to the chosen participants, accompanied by the sharing of interview questions in advance to facilitate better comprehension and preparation. The interviews themselves were conducted either in English or German, with each session allotted a duration of one to one and a half hours. Throughout the interviews, meticulous documentation of participants' responses and key insights was undertaken, supplemented by the recording of interviews to ensure accuracy and completeness of data.

Following the successful completion of the in-depth interviews, the subsequent phases of data analysis and dissemination of findings ensued. Essential information gleaned from the in-depth interviews was documented, with thorough analysis of audio recordings undertaken to ensure comprehensive coverage. The meticulous documentation and recording of interviews served as a valuable asset, providing both reassurance by double-checking the accuracy of statements and enabling the identification of any overlooked relevant information

during the in-depth interviews. Furthermore, German interviews were translated into English with the help of translation tools to facilitate uniform documentation.

A systematic analysis of the amassed data was then conducted, with a particular focus on addressing the core research questions. This entailed identifying patterns and trends within the data, thereby facilitating a nuanced understanding of the research topic. Subsequently, the findings from the in-depth interviews were compared with insights gleaned from the literature review, enabling the formulation of robust conclusions that accurately addressed the research questions.

The resultant findings were meticulously documented and incorporated into the thesis, while also being disseminated to relevant stakeholders. A visual representation of the implementation process of in-depth interviews accompanied the final report, serving as a comprehensive record of the research methodology and data collection/analysis procedures.

In essence, this holistic approach ensured a rigorous and comprehensive examination of the impact of CSDDD on the case company, with implications extending beyond the realms of academia to inform and influence industry stakeholders and policymakers alike. Below is a visualization depicting the research process of this thesis.



Figure 4. Research Process Overview of This Thesis

4 FINDINGS

In this chapter, the results of the in-depth interviews are presented, offering insights into the research questions. To enhance clarity and coherence, the chapter is subdivided into several sections, each addressing specific thematic areas aligned with the research questions: implications challenges, and possibilities, and implementation. Following the presentation of the interview findings, a comparative analysis is conducted, comparing these outcomes with the findings from the literature review. This comparison aims to discern recurring patterns and provide comprehensive insights into the research questions. Finally, based on these analyses, recommendations are offered for the development of the case company.

4.1 Results of In-depth Interviews

In this subchapter, the results of the in-depth interviews are presented, which are divided according to the research questions into two parts: implications challenges, and possibilities, and implementation.

4.1.1 Implications, Challenges, and Possibilities

In considering the ramifications of monitoring the entire value chain, concerns are raised regarding the feasibility of extending oversight beyond the supply chain. While it's sensible to track the supply chain, expanding this surveillance to encompass the entire value chain presents notable risks, particularly due to the intricate nature of businesses, especially those with diverse subsidiaries and operations. Large enterprises with complex business structures may find it particularly arduous to evaluate the impact on various segments of the value chain.

Moreover, the logistics sector, being a pivotal component of the supply chain, faces significant implications under the CSDDD, especially for logistics companies operating in Europe. Compliance is deemed indispensable, given that logistics companies often represent the initial link in the supply chain, directly impacted by impending directives.

Despite recognizing potential benefits like enhanced transparency and a strengthened commitment to human rights, interviewees underscore the drawbacks of the CSDDD. Increased compliance costs and potential challenges in meeting stringent directives, particularly in comparison to other regions, underscore the necessity for a nuanced balance of advantages and disadvantages.

The harmonization of compliance across diverse regions and legal systems within the EU presents considerable challenges. Effective communication, structured training initiatives, and clear elucidation of the directive's objectives are deemed crucial to ensure comprehensive understanding and alignment among subsidiaries and stakeholders dispersed across EU member states.

Implementation of the CSDDD is acknowledged as a complex process, particularly challenging in supply chains dealing with rare resources. The demand for tracing the entire supply chain, including Tier 2 suppliers, adds complexity, necessitating meticulous scrutiny.

Furthermore, the resource and financial demands of CSDDD implementation are emphasized, particularly for companies with limited resources and budgets. Past challenges in thoroughly examining the complete supply chain due to a lack of transparency highlight potential obstacles in the initial phases of CSDDD implementation.

The findings shed light on the significant impact of the CSDDD on EU citizens and businesses. It emphasizes the directive's role in enhancing supply chain management, enabling consumers to trace product origins and supplier locations, thus enhancing reliability. Beyond individual consumers, the interviews highlight broader societal changes, with increased transparency influencing societal perceptions of products and services.

Regarding implementation strategy, there's an emphasis on conducting risk analyses for current suppliers and creating corporate level purchasing strategies. This includes defining criteria to identify high-risk suppliers and establishing escalation procedures for handling them. Enforcement mechanisms discussed include legal measures and regulatory oversight, crucial for ensuring compliance,

particularly for publicly traded companies where adherence to rules is a major concern.

The in-depth interviews also explore the marketing opportunities arising from the CSDDD, especially for logistics companies. Emphasizing sustainability and environmental responsibility can enhance brand image, providing companies with a unique selling point to connect with conscientious consumers.

Global implications are recognized, with the directive expanding ethical standards to international supply chains, fostering responsible business practices worldwide. There's an expectation of increased consumer awareness about product origins and environmental implications, prompting companies to adapt communication strategies accordingly.

Managing supplier relationships and mitigating risks are identified as critical aspects of CSDDD implementation. Beyond traditional methods like questionnaires, a collaborative approach is recommended to comprehensively understand supplier practices and replace non-compliant suppliers when necessary.

Technology plays a crucial role in implementing the CSDDD, particularly for large enterprises with complex supply chains. Technology and digital solutions simplify monitoring processes and ensure transparency, essential for compliance in intricate supply chain landscapes.

In conclusion, the in-depth interviews shed light on the multifaceted implications of monitoring the entire value chain under the CSDDD. Concerns regarding feasibility, compliance costs, and implementation challenges were highlighted, alongside the importance of strategic planning and collaboration. The directive's impact on EU citizens and businesses, enforcement mechanisms, marketing opportunities, global implications, supplier management, and technology integration were extensively discussed. These insights underscore the need for proactive measures to address challenges and capitalize on opportunities presented by the CSDDD. Ultimately, successful integration requires a balanced approach that fosters transparency, compliance, and sustainability across the

value chain. For a concise overview, the key points discussed are summarized in the table below.

Table 3. Key Findings on Implications, Challenges and Possibilities of Corporate Sustainability Due Diligence Directive Identified from In-depth Interviews

Category	Key Points
Implications	<ul style="list-style-type: none"> • CSDDD enhances supply chain management, enabling consumers to trace product origins and supplier locations • Increased transparency influences societal perceptions of products and services • Global expansion of ethical standards fosters responsible business practices
Challenges	<ul style="list-style-type: none"> • Feasibility concerns arise due to the complexity of businesses, particularly for large enterprises with diverse subsidiaries • Compliance costs and challenges in meeting stringent directives pose significant obstacles • Harmonizing compliance across diverse regions and legal systems within the EU presents considerable challenges
Possibilities	<ul style="list-style-type: none"> • Marketing opportunities arise for emphasizing sustainability and enhancing brand image • Increased consumer awareness prompts companies to adapt communication strategies

- | | |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------|
| | <ul style="list-style-type: none">• Technology plays a crucial role in simplifying monitoring processes and ensuring transparency |
|--|-------------------------------------------------------------------------------------------------------------------------------------------------|

4.1.2 Implementation

As, at the time of this research, the imminent EU directive for the CSDDD was officially implemented yet, a concrete implementation framework does not exist currently. Nevertheless, the findings provide a better comprehensive overview of how the implementation would be the most beneficial to companies, especially for the case company.

In implementing the CSDDD framework, a comprehensive approach can be formulated based on the insights gained from the research findings. This unified process integrates key steps aimed at effectively navigating the complexities of CSDDD implementation and fostering transparency, stakeholder engagement, and responsible business practices.

The process begins with establishing a robust legal framework and regulatory oversight to enforce CSDDD compliance. This involves developing clear enforcement mechanisms and emphasizing the role of market forces in driving compliance, aligning with customer-driven demands and investor scrutiny, particularly for publicly traded companies. Thorough risk analysis and compliance assessments are conducted to identify high-risk suppliers based on ethical, environmental, and social criteria. This initial step sets the foundation for subsequent actions by informing the development of a corporate level purchasing strategy to effectively manage high-risk suppliers.

Clear channels for communication regarding CSDDD efforts and progress are developed to foster transparency and stakeholder engagement. This entails leveraging sustainability reporting, stakeholder roundtables, and participation in global initiatives like the UN Global Compact to communicate the organization's commitment to CSDDD principles. Strategic communication plans emphasize transparency and position compliance as a fundamental aspect of the company's core values, extending ethical considerations beyond immediate boundaries to foster a comprehensive view of responsibility and ethical conduct.

Sector-wide collaborations are encouraged to anticipate and address challenges in CSDDD implementation, leveraging the interconnected nature of supply chains. This involves fostering collaborations across sectors and promoting national and international collaboration to address diverse challenges. Possibilities for joint assessments or shared databases for supplier evaluation are explored to streamline processes and enhance efficiency.

Technology integration plays a crucial role in supporting various aspects of CSDDD implementation. This involves developing databases or tools for supplier evaluation, parallel to establishing certification norms related to CSDDD compliance. Leveraging technology ensures the effectiveness and efficiency of CSDDD processes, facilitating comprehensive solutions and streamlining compliance efforts.

Collaboration between the compliance department and other relevant departments within the organization is promoted to align CSDDD goals with broader departmental objectives. This integration ensures that compliance is seamlessly integrated into daily operations and decision-making processes. Actively engaging stakeholders and seeking their feedback on CSDDD initiatives enhances transparency and strengthens stakeholder relationships, ultimately contributing to the organization's brand image and reputation.

Addressing challenges in international collaborations and overcoming initial resistance within the organization are pivotal steps in the CSDDD implementation journey. This involves recognizing and anticipating challenges related to data accessibility and focusing on initially implementing CSDDD for suppliers within the European region for smoother execution. Clear communication about the long-term benefits of reshaping the organizational culture towards more ethical considerations and responsible business practices is essential. Encouraging a gradual shift in mindset emphasizes CSDDD as an integral part of standard processes over time, ensuring sustained compliance and alignment with organizational values.

In summary, the unified CSDDD implementation process integrates key insights gained from the research, offering a comprehensive approach to navigating the complexities of compliance while fostering transparency, stakeholder

engagement, and responsible business practices. By addressing challenges, leveraging technology, and promoting collaboration, organizations can effectively integrate CSDDD principles into their operations, ultimately contributing to long-term sustainability and ethical business conduct. For a concise overview, the implementation is summarized in the graphic below.

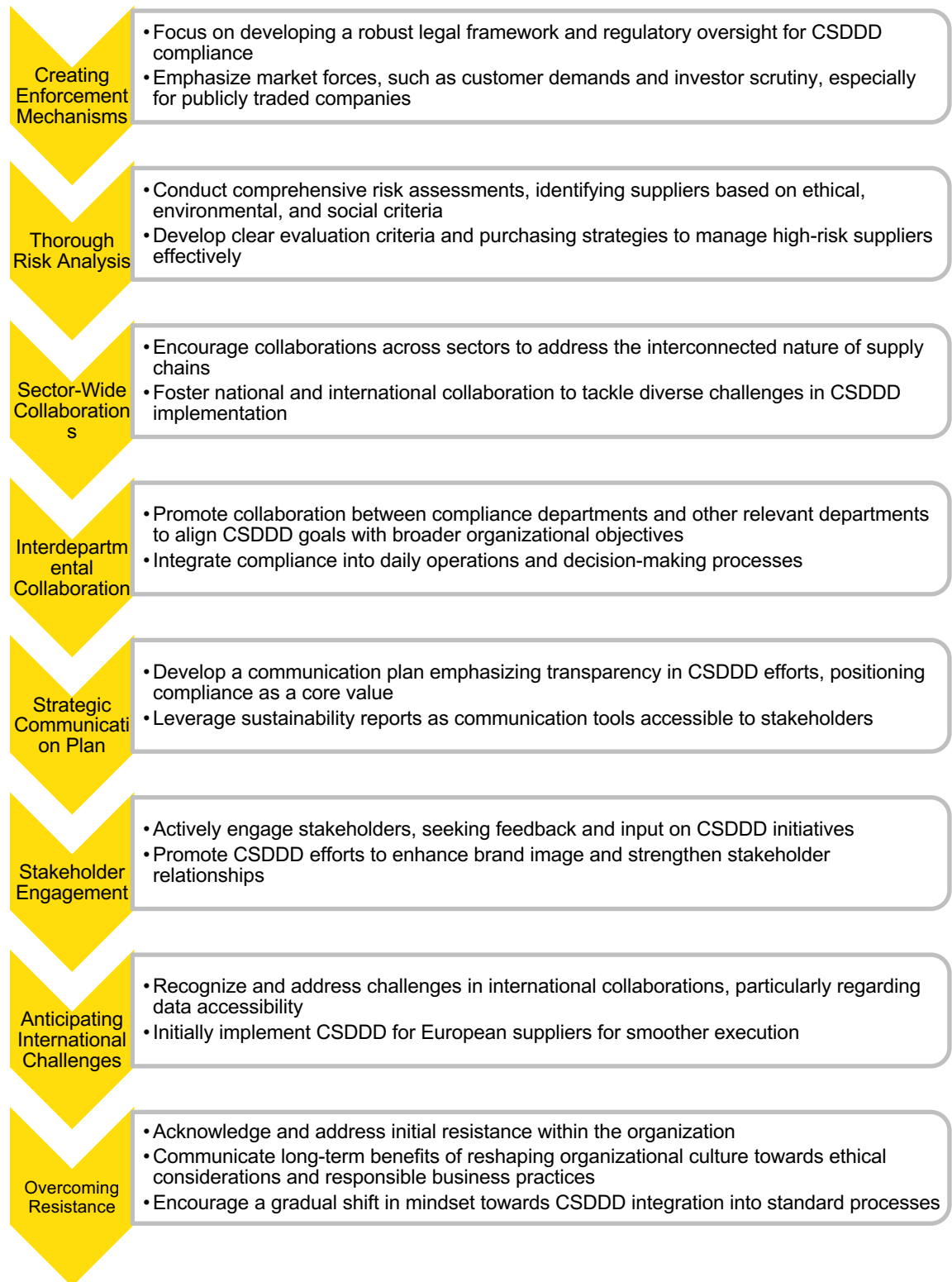


Figure 5. Implementation Process of Corporate Sustainability Due Diligence Directive Identified from In-depth Interviews

4.2 Comparison of the Literature Review and In-depth Interview Results

This section highlights a comparative analysis of the findings derived from the literature review and in-depth interviews. The objective is to identify recurrent patterns within the results, facilitating a comprehensive exploration of the research questions.

4.2.1 Implications, Challenges and Possibilities

Both sources provide interesting insights about the implications, challenges, and possibilities of the CSDDD. Hence, this section further explores the challenges and implications of the CSDDD as observed through literature review and in-depth interviews.

The findings from both the literature review and in-depth interviews reveal several significant similarities regarding the implications and possibilities associated with the CSDDD. Firstly, both sources highlight challenges concerning the monitoring of the entire value and supply chain. While the literature review underscores the complexities in comprehensive monitoring (Kortelainen 2022), the in-depth interviews echo concern about extending oversight beyond the supply chain.

Secondly, the feasibility concerns for large enterprises in implementing the CSDDD are emphasized in both sources. The literature review discusses practicality challenges for large companies (Camoletto et al. 2022), while the in-depth interviews underscore the complexities faced by large enterprises in compliance navigation.

Furthermore, the impacts on the logistics sector are noted in both the literature review and in-depth interviews. The literature highlights the significance of adapting to impending directives for logistics companies (Camoletto et al. 2022), while the in-depth interview stresses the pivotal role of the logistics sector in the supply chain.

Additionally, economic advantages emerge as a common theme in both the literature review and in-depth interviews. Both sources highlight benefits such as cost-efficient compliance, improved competitiveness, and increased leverage (Camoletto et al. 2022; Smit et al. 2020).

Furthermore, the reduction of distortions in competition and the maintenance of competitiveness are emphasized in both sources. This is attributed to the implementation of uniform due diligence rules across the EU, ensuring a fair competition environment (Camoletto et al. 2022; Smit et al. 2020).

The emergence of new technology solutions is identified as another shared aspect in both the literature review and in-depth interviews. Both sources suggest that the CSDDD could drive the development of digital solutions to enhance monitoring processes and efficiency, thus reducing costs (Camoletto et al. 2022; Smit et al. 2020).

Finally, positive social impacts are recognized in both the literature review and interviews. Both sources acknowledge the CSDDD's potential to improve the welfare of rights-holders and stakeholders, reflecting a collective commitment to societal well-being (Camoletto et al. 2022; Smit et al. 2020).

The examination of findings from both the literature review and in-depth interviews reveals several notable disparities concerning the challenges and implications of the Corporate Sustainability Due Diligence Directive (CSDDD). These differences shed light on various aspects of the CSDDD's implementation and its effects on different sectors and stakeholders.

Regarding the differences, the literature review underscores the necessity for legal interventions and compliance measures, focusing on disclosure requirements and the inadequacy of past due diligence processes (Camoletto et al. 2022). Conversely, the in-depth interviews draw attention to the potential burden of compliance and implementation, particularly for companies facing multiple new requirements.

Furthermore, regarding industry-specific considerations, the literature review highlights the importance of tailoring CSDDD regulations and tools based on materiality and specific industry needs (Camoletto et al. 2022). In contrast, the in-depth interviews emphasize challenges within the logistics sector and advocate for tailored regulations and tools to address sector-specific concerns.

While the literature review emphasizes the involvement of geographically distributed actors and the challenges posed by the globalization of manufacturing

processes (Camoletto et al. 2022), the interviews focus on the challenges of engaging and communicating with stakeholders, particularly remote actors.

Moreover, regarding harmonization within the EU, the literature review addresses challenges related to harmonizing CSDDD compliance across diverse regions (Camoletto et al. 2022), whereas the interviews stress the importance of effective communication and training to achieve harmonization.

Additionally, the literature review highlights the complexity of implementing the CSDDD, especially in supply chains dealing with rare resources, and points out challenges arising from a lack of transparency (Kortelainen 2022). Similarly, the in-depth interviews discuss the complexity of implementation, particularly in supply chains dealing with rare resources, and note historical challenges in examining the complete supply chain due to a lack of transparency.

In conclusion, the comparison of findings from the literature review and in-depth interviews reveals nuanced perspectives on the challenges and implications of the CSDDD. While both sources highlight key issues such as legal interventions, industry-specific considerations, stakeholder involvement, and implementation complexities, they also present distinct viewpoints on enforcement mechanisms, public perception, global perspectives, and consumer awareness. This juxtaposition underscores the multifaceted nature of the CSDDD and the varied concerns surrounding its implementation across sectors and stakeholders. Below is a table summarizing the key similarities and differences identified from both sources.

Table 4. Key Findings on Similarities and Differences of Implications, Challenges and Possibilities of the Corporate Sustainability Due Diligence Directive Identified from Literature Review and In-depth Interviews

Similarities	Differences
<ul style="list-style-type: none"> • Monitoring challenges • Feasibility concerns for large companies 	<ul style="list-style-type: none"> • Legal interventions and compliance challenges • Industry-specific CSDDD

<ul style="list-style-type: none"> • Impacts on the logistics sector • Economic advantages • New technology solutions • Positive social impacts • Enforcement mechanisms • Communication and reports • Collaboration across sectors • Integration into corporate culture • Focus on long-term sustainability goals • Addressing legal landscape variances • Technology integration 	<ul style="list-style-type: none"> • Involvement of stakeholders • Harmonization challenges within the EU • Complex implementation process and lack of transparency • Enforcement considerations • Public perception and societal changes • Global perspectives • Consumer awareness and marketing opportunities • Steps in implementation • Specific managerial duties • SME exemptions and support • Climate change focus • Review and adaptation
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4.2.2 Implementation

Regarding the implementation of the CSDDD, both literature review and in-depth interview provides some similar and different approaches. This section delves deeper into the subject concerning the implementation of the CSDDD.

The implementation of the CSDDD is explored through both literature review and in-depth interviews, revealing several notable similarities. Both sources provide interesting insights into various aspects of CSDDD implementation, highlighting key areas of convergence. Enforcement mechanisms emerge as a central theme in both document analysis and in-depth interviews, underscoring the importance of robust regulatory oversight and compliance frameworks (Bright & Smit 2022). While literature review emphasizes the role of legal frameworks, in-depth

interviews shed light on the influence of market forces, customer demands, and investor scrutiny in ensuring compliance.

Communication and reporting are identified as crucial elements in facilitating CSDDD implementation, with both sources advocating for transparent communication on CSDDD developments. Literature review emphasizes the use of sustainability reports, while in-depth interviews stress the need for strategic communication plans to embed compliance within organizational values (Bright & Smit 2022). Collaboration across sectors is deemed essential for addressing the multifaceted challenges posed by CSDDD implementation. Both literature review and in-depth interviews highlight the importance of sector-wide collaborations and international cooperation in navigating interconnected supply chain issues (Bright & Smit 2022).

Integration into corporate culture emerges as a key consideration in literature review and in-depth interviews, with a consensus on the importance of embracing CSDDD principles as influential factors shaping corporate conduct. This entails extending ethical considerations beyond immediate boundaries and fostering a comprehensive view of responsibility and ethical conduct (Bright & Smit 2022). Moreover, a shared emphasis is placed on viewing CSDDD as a driver for long-term sustainability goals, with both research methods advocating for a holistic approach that goes beyond mere regulatory compliance to shape organizational values (Bright & Smit 2022).

Addressing variances in the legal landscape is recognized as a significant challenge in both literature review and in-depth interviews, with an acknowledgment of the need for clear communication, training, and detailed explanations of CSDDD objectives for stakeholders operating in diverse legal environments (Bright & Smit 2022). Finally, technology integration emerges as a common theme, with both literature review and in-depth interviews highlighting the crucial role of technology in supporting various tasks related to CSDDD implementation. This includes the development of databases or tools for supplier evaluation to ensure a comprehensive solution (Bright & Smit 2022).

Differences between the literature review and in-depth interview results regarding the implementation of the CSDDD highlight various facets of the process. Notable

distinctions include the steps in implementation, specific managerial duties, SME exemptions and support, climate change focus, and review and adaptation.

Regarding implementation steps, the literature review offers a broad overview of general procedures such as assessment, policy integration, and reporting (Bright & Smit 2022). In contrast, in-depth interviews provide more detailed insights, delineating specific steps like risk analysis, collaboration, and strategic communication, offering a more nuanced perspective (Bright & Smit 2022).

While the literature review outlines managerial responsibilities (Bright & Smit 2022), in-depth interviews stress the broader role of company leaders in integrating sustainability considerations into decision-making processes. Additionally, ethical considerations are highlighted, emphasizing the need for leaders to extend their ethical compass beyond immediate boundaries (Bright & Smit 2022).

SME exemptions and support are addressed in the literature review, demonstrating an acknowledgment of business diversity (Bright & Smit 2022), whereas in-depth interviews do not emphasize this aspect. This discrepancy suggests a variance in emphasis placed on SMEs across the research methods.

A disparity in focus is observed regarding climate change. The literature review highlights duties related to combating climate change specifically (Bright & Smit 2022), while in-depth interviews take a broader perspective, emphasizing long-term sustainability goals beyond immediate environmental concerns (Bright & Smit 2022).

Regarding review and adaptation, the literature review includes provisions for regular reviews and potential adjustments (Bright & Smit 2022). Conversely, in-depth interviews focus on acknowledging and addressing initial resistance within organizations, suggesting a more proactive approach to managing implementation challenges (Bright & Smit 2022).

In conclusion, the examination of CSDDD implementation through literature review and in-depth interviews reveals both commonalities and differences. While both sources emphasize the importance of robust enforcement, transparent communication, collaboration, and long-term sustainability goals, they diverge in

their focus on specific implementation steps, managerial responsibilities, SME support, climate change, and review processes. Integrating insights from both approaches offers a comprehensive understanding of CSDDD implementation challenges and opportunities, enabling tailored strategies aligned with organizational contexts. This integrated approach can enhance the effectiveness of CSDDD implementation, fostering responsible corporate conduct and positive societal impact. Below is a table summarizing the key similarities and differences identified from both sources.

Table 5. Key Finding on Similarities and Differences of Implementation of the Corporate Sustainability Due Diligence Directive Identified from Literature Review and In-depth Interviews

Similarities	Differences
<ul style="list-style-type: none"> • Enforcement mechanisms • Communication and reports • Collaboration across sectors • Integration into corporate culture • Focus on long-term sustainability goals • Addressing legal landscape variances • Technology integration 	<ul style="list-style-type: none"> • Steps in implementation • Specific managerial duties • SME exemptions and support • Climate change focus • Review and adaptation

4.3 Answering the Research Questions

Once this imminent directive becomes official, many European companies must follow these rules. Therefore, the objective is to analyse the impact of the CSDDD, especially when applied to the case company, and determine how they can be implemented into its existing policies. Identifying, addressing, and devising a plan to mitigate problems and manage risks are part of the task.

Additionally, monitoring the case company's adherence to the rules and communicating the findings to the public is a key aspect. Furthermore, the research questions aim to improve the understanding of the CSDDD and facilitate the company's compliance. The research focuses on a large company with partial state ownership, examining the challenges, impacts, and opportunities associated with incorporating the CSDDD into its policies. To sum up, the focus of this thesis is the impact of the CSDDD on the case company, Österreichische Post, an enormous European company in the postal and courier sector.

To achieve the above-mentioned goals, the research questions that are further analysed are “What are the challenges, implications, and possibilities of the CSDDD?” and “How can the implementation be simplified for the case company?”. Moreover, the outcomes of each section is explained from a general point of view and the case company's standpoint.

The challenges and implications of the CSDDD within the EU are thoroughly examined through both literature review and in-depth interviews. One common concern highlighted in both sources is the complexity of monitoring the entire value and supply chain. Large companies face feasibility challenges, prompting a need for effective legal interventions to ensure compliance with the disclosure requirements of the CSDDD (Camoletto et al. 2022). In addition to that the research findings supports supply chain monitoring but expresses concerns about extending oversight to the entire value chain.

Logistics companies, as integral components of the supply chain, face significant impacts due to the imminent directive, necessitating them to adapt in order to comply with the CSDDD (Camoletto et al. 2022). Both sources address potential feasibility concerns for large enterprises in navigating the intricacies of compliance. Legal interventions, as proposed by the CSDDD, are crucial, emphasizing disclosure requirements and the need for effective sanctions to ensure compliance (Camoletto et al. 2022).

The importance of industry-specific considerations is evident in both sources. Literature review emphasize the significance of industry-specific CSR issues, urging tool selection based on materiality and the perspective of the stakeholders (Camoletto et al. 2022). The research findings underscore the challenges for

logistical sectors and the need to adapt to industry-specific requirements. Stakeholder involvement is crucial, which addresses the challenges of globalized manufacturing and necessitates effective communication and compliance training across diverse EU regions (Camoletto et al. 2022).

Both sources identify challenges in the complex implementation process and a lack of transparency (Kortelainen 2022). In addition to that the research results highlight the resource-intensive concern of implementing the CSDDD and the historical challenges in examining the entire supply chain.

The possibilities of the CSDDD are diverse, offering a wide range of benefits, including economic benefits such as cost-efficient compliance, improved competitiveness, and increased leverage (Smit et al. 2020). Competitiveness and innovation are anticipated to thrive, as there are reduced distortions in competition and competitiveness is maintained with non-EU counterparts (Smit et al. 2020). The emergence of digital solutions and technologies is highlighted, promising an increased efficiency in monitoring processes as it aligns with broader trends in technological integration for sustainability (Smit et al. 2020).

From a social perspective, the CSDDD has potential positive impacts on employment and human rights, emphasizing a commitment to societal well-being (Smit et al. 2020). The human rights considerations include increased protection, preventative benefits, transparency, and accountability (Smit et al. 2020). Environmental benefits, reduced impacts, and behaviour changes align with the directive's potential to drive positive environmental outcomes (Smit et al. 2020).

Furthermore, public authorities stand to benefit from increased oversight, control, legal sanctions, and coherence with other policies under the CSDDD (Smit et al. 2020). The research findings highlight the positive outcomes for EU citizens, an increased transparency in supply chains, and societal changes that would influence perceptions of products and services.

Despite overall agreement, differences between literature review outcomes and in-depth interview results become apparent in enforcement considerations, public perception, societal changes, global perspectives, and consumer awareness. The insights from both methods provide a comprehensive understanding of

possibilities of the CSDDD, spanning from economic advantages to societal impacts (Camoletto et al. 2022; Kortelainen 2022; Smit et al. 2020). The table below provides a concise overview of the implications, challenges, and possibilities associated with the CSDDD.

Table 6. Analysis of Implications, Outcomes, and Possibilities of the Corporate Sustainability Due Diligence Directive Based on Research Questions

Category	Key Points
Implications	<ul style="list-style-type: none"> • Complexity of monitoring the entire value and supply chain • Feasibility challenges for large companies • Significant impacts on logistics companies due to the CSDDD • Importance of effective legal interventions to ensure compliance
Challenges	<ul style="list-style-type: none"> • Complexity and lack of transparency in implementation process • Resource-intensive nature of CSDDD implementation • Historical challenges in examining the entire supply chain
Possibilities	<ul style="list-style-type: none"> • Economic benefits such as cost-efficient compliance, improved competitiveness, increased leverage • Emergence of digital solutions and technologies for increased efficiency in monitoring processes

	<ul style="list-style-type: none"> • Positive social impacts on employment, human rights, and societal well-being • Potential positive environmental outcomes • Benefits for public authorities, EU citizens, and societal changes
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The second research question focuses on the implementation of this imminent directive for the case company Österreichische Post AG and other relevant EU companies. Both sources helped to create a guide, which offers a practical, step-by-step approach to implementing the CSDDD especially tailed for companies like Österreichische Post AG. The objective is to simplify the complex compliance process and provide actionable steps based on research insights.

In the initial phase, apply the CSDDD to large organizations based on specific employee count and turnover thresholds (Bright & Smit 2022). This focused approach emphasizes applicability and simplifies the compliance process, especially for larger entities. Furthermore, it emphasizes the identification, prevention, and mitigation of adverse impacts (Bright & Smit 2022). By concentrating efforts on addressing negative human rights and environmental impacts, companies can streamline their compliance measures.

Subsequently, utilizing established international standards, such as the *UN Guiding Principles on Business and Human Rights* (Bright & Smit 2022). An alignment with existing frameworks simplifies the reference points for companies, making compliance more straightforward. Additionally, integrating sustainability considerations into decision-making responsibilities for managers (Bright & Smit 2022). Extend ethical considerations beyond immediate boundaries, fostering a comprehensive view of responsibility and ethical conduct within the organization.

Advocating for robust legal frameworks and regulatory oversight, driven by market forces, customer demands, and investor scrutiny, ensures a straightforward approach to enforcement (Bright and Smit 2022). Small and medium-sized enterprises (SMEs) are exempted from specific regulations,

acknowledging the diversity of businesses and providing them with support within value chains (Bright & Smit 2022).

Strategic communication plans, emphasizing transparency and leveraging sustainability reports as communication tools, enhance stakeholder understanding and support (Bright & Smit 2022). Moreover, the development of databases or tools for supplier evaluation, aided by technology, enhances efficiency and accuracy in monitoring and compliance processes (Bright & Smit 2022).

Alignment with CSDDD also involves highlighting duties related to climate change, contributing to broader sustainability goals (Bright & Smit 2022). Provisions for regular reviews and potential adjustments acknowledge and address initial resistance within organizations, emphasizing the long-term benefits of reshaping organizational culture towards ethical considerations and responsible business practices (Bright & Smit 2022).

In conclusion, the implementation of the CSDDD for Österreichische Post AG and other EU companies necessitates a strategic and comprehensive approach outlined through both literature review and in-depth insights. The proposed guide offers practical steps to simplify compliance and foster ethical conduct. Key strategies include focusing on large organizations initially, addressing adverse impacts, and aligning with established international standards. Robust legal frameworks, exemptions for SMEs, strategic communication, and technology integration are crucial for effective implementation. Moreover, emphasizing climate change duties and regular reviews ensures long-term compliance and organizational transformation. The illustrated graphic below visualizes this implementation process, providing a roadmap for navigating CSDDD requirements and fostering sustainable business practices.

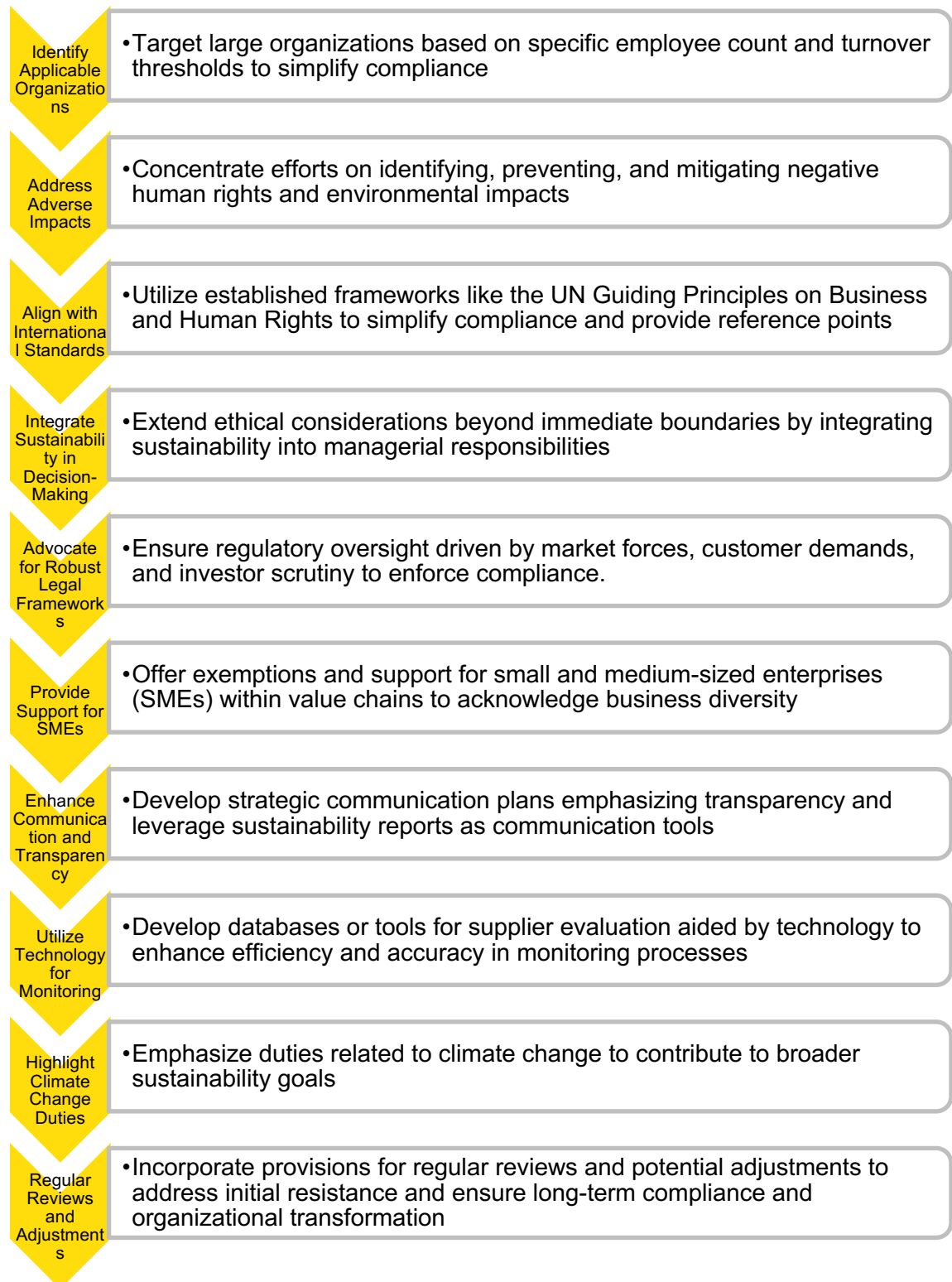


Figure 6. Analysis of Implementation of the Corporate Sustainability Due Diligence Directive Based on Research Questions

4.4 Recommendations for the Development of the Case Company

After completing the research, it can be proven that Österreichische Post AG could face potential challenges in complying with the CSDDD. Therefore, this recommendation provides support by focusing on a crucial aspect, which is monitoring the entire supply chain. Moreover, the insights gathered through literature review and in-depth interviews are explored and formulated into practical steps. By doing this, the goal is to help Österreichische Post AG adapt to these regulations, ensuring ethical practices and streamlined compliance.

One of the key recommendations for Österreichische Post AG is prioritizing supply chain monitoring. Due to the complexity of monitoring the entire value and supply chain, it is crucial for the case company to prioritize comprehensive monitoring of the entire value and supply chain as part of the implementation of the CSDDD, ensuring compliance with CSDDD's disclosure requirements (Camoletto et al. 2022). Additionally, the literature highlights that effective legal interventions are necessary to guarantee compliance with the directive (Camoletto et al. 2022).

Logistics companies such as Österreichische Post AG, being integral components of the supply chain, will be significantly impacted by the imminent directive, which requires adaptation measures to comply with the CSDDD (Camoletto et al. 2022). As a result, supply chain monitoring becomes crucial for such a logistics company. Therefore, both literature review and in-depth interviews recommend that the focus must be on the industry-specific requirements that should be considered during the implementation process, which makes effective monitoring crucial for addressing potential feasibility concerns (Camoletto et al. 2022).

However, to make this recommendation operational, Österreichische Post AG must invest in new technologies, which offer robust monitoring mechanisms that cover the entire value chain (Bright & Smit 2022). In addition, during the in-depth interviews, developing databases or tools for supplier evaluation was highly suggested. This technological integration would enhance efficiency and accuracy

in monitoring processes, aligning with broader trends in sustainability through technological solutions.

Furthermore, this recommendation aligns with the overarching goal of the CSDDD, which is to ensure that companies are aware of, prevent, and address the adverse impacts of their operations on human rights and the environment. By monitoring the entire supply chain, Österreichische Post AG can not only fulfil its compliance requirements, but also demonstrate a commitment to transparency, accountability, and ethical business practices, in line with the objectives of the CSDDD (Bright & Smit 2022; Camoletto et al. 2022).

Another recommendation, which was mentioned in literature review and the in-depth interviews, is a regular review and adaptation of the CSDDD processes. This proactive approach, acknowledging initial resistance within the organization, emphasizes the long-term benefits of reshaping the organizational culture towards ethical considerations and responsible business practices (Bright & Smit 2022).

To sum up, prioritizing comprehensive supply chain monitoring is a strategic move for Österreichische Post AG, addressing challenges, ensuring compliance, and embracing the ethical and responsible business practices, which support the CSDDD and are mentioned in the scientific literature (Camoletto et al. 2022).

4.5 Assessing the Reliability and Validity of the Research Findings

Various methods were implemented to ensure the reliability and validity of the research findings. Triangulation (also called multi-method strategies) was one of these methods, which fundamentally strengthens the research by combining different methodologies (Golafshani 2003). For this research, the two different data collection methods were literature review and in-depth interviews. The combination of multiple methods is beneficial because it strengthens the trustworthiness of findings, improves their applicability to different contexts, addresses potential biases, enhances methodological rigor, fosters a comprehensive understanding, and involves peer input for validation (Golafshani 2003).

Literature review allowed important yet general information about the CSDDD topic to be gathered. In-depth interviews enabled the collection of targeted and specific information, particularly relevant to the case company, which was not achievable through literature review alone. Additionally, in-depth interviews allowed for the exploration of specific details that may not have emerged during the initial literature review phase, improving the depth and comprehensiveness of the research findings. Therefore, combining multiple methods through triangulation enhances the credibility and defensibility of research findings. Additionally, triangulation is considered to be the best method for qualitative research due to its ability to enhance credibility, address biases, ensure methodological rigor, and provide a comprehensive understanding of complex phenomena across different paradigms (Golafshani 2003). As this thesis adopted a qualitative research paradigm, triangulation helped achieve a profound understanding of a complex and new topic while ensuring that the research was trustworthy and complied with a strong method.

Another technique used to assess the reliability and validity of the research results was pattern matching, also referred to as prolonged and persistent fieldwork. Pattern matching is proposed as a valuable tool to address the challenges associated with the messiness and complexity inherent in qualitative research. It involves comparing predicted and observed patterns, with a focus on transparency, clarity, and precision in research design and implementation (Sinkovics 2018). For qualitative research, often the most suitable type of pattern matching would be flexible pattern matching, as it is adaptable, open to exploration, and compatible with the iterative nature of qualitative inquiry (Sinkovics 2018). In this research, it was implemented as follows: theoretical information was gathered through literature review, which was then compared to statements made by experts, as obtained through in-depth interviews. In simpler terms, the aim was to understand what the conceptual foundation tells us about the CSDDD topic and how it manifests itself in reality, particularly within the case company. By applying flexible pattern matching in this research, the interview questions were iteratively adjusted during the research phase. This ensured that crucial information gaps were addressed and the statements from the data analysis were either confirmed or refuted during the in-depth interviews.

Apart from triangulation and pattern matching, other techniques that were applied include participant language verbatim accounts, mechanically recoded data, and negative or discrepant data. All these strategies were applied during the implementation of the research methods. For example, matching findings with participants' reality was performed, and negative or discrepant data, which are either exceptions to patterns or data that modify patterns, were analysed. Additionally, all in-depth interviews were recorded with the participants' permission.

However, when it comes to assessing the reliability and validity of the research results, there were also some concerns regarding the in-depth interviews. Unfortunately, due to qualification requirements, only two suitable interview participants were found, although the goal was to recruit three to five participants. After an extensive search, only two suitable participants who had the necessary knowledge for the interview were identified. This is mainly because, at the time of this research, the imminent EU directive was not implemented yet, therefore, there are no specific regulations. This results in very few people having experience or knowledge regarding the subject. As a result, this limited number of participants puts the credibility of the interview results into question.

5 DISCUSSION

This final chapter contains the results of this thesis. First, the main results of the case study research are summarized. Additionally, the theoretical and practical implications of this thesis are discussed. Finally, the conclusions of this thesis are provided, and future research prospects based on this thesis are considered.

5.1 Summary of the Results

The literature review and in-depth interviews of the CSDDD offer a wide range of challenges, possibilities, and implementation aspects. The challenges of the CSDDD are diverse and complex. Some of the key concerns are legal interventions and a lack of due diligence processes (Camoletto et al. 2022). Regulatory challenges that include compliance issues and the potential inability to perform without accompanying sanctions highlight the complexity of the subject matter (European Commission 2022e). Other concerns are industry considerations, stakeholder engagement challenges, global supply chain impacts, and the need for innovation and transparency (Kortelainen 2022). The in-depth interviews helped to explore challenges such as monitoring difficulties across the value chain, feasibility concerns for large companies, impacts on the logistics sector, and other issues of the CSDDD.

In contrast, the CSDDD offers many possibilities across various domains. The economic benefits include cost-efficient compliance, improved competitiveness, and increased leverage (Smit et al. 2020). There are also technological advancements, such as digital solutions, which enhance efficiency and reduce monitoring costs (Smit et al. 2020). Regarding the social aspect, the CSDDD is seen as a potential means of improving the welfare of rights-holders and stakeholders, positively impacting employment levels (Smit et al. 2020). The imminent directive monitors the authorities with greater supervision, control, and legal sanctions (Smit et al. 2020). The in-depth interviews provide additional insights and highlight the positive outcomes for EU citizens, societal changes, marketing opportunities, global impact, increased consumer awareness and the transformative role of technology.

The implementation of the CSDDD requires a comprehensive approach, involving the following steps: assessment, policy integration, annual reporting, prevention, mitigation, complaints procedures, monitoring, public reporting, and enforcement liability (Bright & Smit 2022). Breaking down this complex process into actionable steps by focusing on adverse impacts, adhering to international standards, emphasizing the duty of care for directors, and ensuring SME exemptions with support, would simplify the process (Bright & Smit 2022). The in-depth interviews add further value by proposing the creation of enforcement mechanisms, clear communication channels, sector-wide collaborations, and positioning the CSDDD as a cultural influence.

The combination of literature review and in-depth interviews supports our understanding of the CSDDD. Both research methods continue to discuss challenges related to monitoring difficulties and feasibility concerns for large organizations (Camoletto et al. 2022; Kortelainen 2022). However, the differences include legal interventions, industry-specific challenges, stakeholder involvement, implementation steps, specific managerial duties, SME considerations, climate change focus, approaches to review and adaptation, harmonization within the EU, providing a more comprehensive understanding of the complex challenges of the CSDDD (Camoletto et al. 2022).

5.2 Theoretical and Practical Implications

Since, at the time of this research, the CSDDD was not officially implemented as a directive within the EU, there are many potential theoretical and practical implications that could arise. From a theoretical point of view, this would mean that the current state of the main elements of the agreement will undergo changes and adaptations. This could lead to a significant research gap, emphasizing the absence of specific guidelines for dealing with this directive. This gap suggests that there is a need for further theoretical development to explain and understand the CSDDD. In addition, the ongoing changes in the directive could lead to a paradigm shift, challenging existing theoretical frameworks and calling for a shift in understanding sustainability due diligence within corporate structures.

The practical implications of the existing state of the CSDDD, as it is undergoing revisions, accentuate the tangible challenges faced by organizations. The lack of specific guidelines creates a practical uncertainty, potentially exposing organizations to inadequate protective measures. Moreover, this underscores the urgent need for the development of clear and comprehensive directives to guide organizations in aligning their practices with the evolving regulatory landscape. The practical challenges extend to organizational adaptability and proactive measures, as companies may encounter difficulties in navigating the uncertainties associated with the ongoing changes. As, at the time of this research, the directive was still in progress, practical implications include the preparation for potential adjustments in compliance requirements. Organizations are likely to invest in training programs and awareness initiatives to ensure that employees and the leadership comprehend the evolving nature of the CSDDD, enabling them to respond effectively to compliance updates and changes.

To sum up, the theoretical and practical implications of the CSDDD are interlinked, forming a complex landscape that demands scholarly attention and practical adaptation from organizations. The evolving regulatory framework requires a cohesive effort from both academia and the industry to foster a comprehensive understanding and successful implementation of sustainable corporate practices.

5.3 Conclusions and Recommendations for Future Research

Regarding future research, it is necessary to consider the limitations of the research, which in this case is the significant research gap. As previously mentioned, this gap suggests that further theoretical development is required to explain and comprehend the CSDDD. Furthermore, ongoing changes in the directive could lead to a paradigm shift, which would challenge the existing theoretical frameworks and require further development of the understanding of sustainability due diligence within corporate structures.

Therefore, when revisiting this research once the CSDDD has become official, it is necessary to conduct a comparative analysis with the present data as it represents a valuable strategy to gain insights into the dynamic landscape of the

CSDDD. This serves as a constructive approach to assess the effectiveness and impact of regulatory changes in the topic under question.

The research addresses a notable theoretical gap in the existing literature and creates an opportunity for scientists and scholars to actively participate in the ongoing discourse. Future initiatives could include introducing innovative models or refining existing models, which would be more aligned with the dynamic nature of the CSDDD. This identified theoretical gap not only highlights the need for further scientific investigation, but also emphasizes the potential for theoretical advances to enrich our understanding of the CSDDD.

In summary, the proposed direction for future research aims to complete the temporal gap by providing a comparative perspective that would assess the impact of regulatory changes. At the same time, sustainable theory development of the CSDDD should be promoted.

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Appendix 1. Interview Questions

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Appendix 1. Interview Questions

1. From your perspective, do you believe the enforcement of the newly proposed Corporate Sustainability Due Diligence Directive (CSDDD) is attainable? Are there any requisite adjustments you would suggest before implementing this imminent directive?
2. Could you elucidate the primary distinctions between CSDDD and the German supply chain law? What unique elements of CSDDD might have varying impacts on international postal, logistics, and service companies?
3. In your assessment, what are the predominant potential advantages and drawbacks that companies, particularly those in the realm of international postal, logistics, and service, might encounter due to the adoption of CSDDD?
4. In the broader context of the European Union, what are the prospective benefits and risks associated with the CSDDD for member states, both in terms of sustainability objectives and business operations?
5. Could you expound upon the envisaged effects of CSDDD on EU citizens? To what extent might the directive contribute to transparency enhancement and responsible business conduct?
6. Regarding implementation strategy, what initial considerations should Österreichische Post, and analogous entities, prioritize? Could you delineate the pivotal elements essential for the successful execution of CSDDD mandates?
7. Ensuring adherence to CSDDD holds significance. How would you suggest the imminent directives be effectively enforced? Are there methodologies or mechanisms that you consider particularly efficacious?
8. Within Österreichische Post, which specific departments do you anticipate will be the most significantly affected by the exigencies of CSDDD? How

might these departments need to recalibrate their procedures and methodologies?

9. Given the multinational scope of your operations, what are the perceived challenges of harmonizing CSDDD compliance across divergent regions and nations?
10. In the context of your organization, how do you foresee CSDDD influencing supplier relationships? What adaptations might be imperative to align with the novel requisites?
11. CSDDD underscores environmental and human rights aspects. In your estimation, how could this directive trigger a re-evaluation of sustainability strategies and objectives within companies?
12. Technology and digital solutions potentially play a pivotal role in CSDDD compliance across intricate supply chains. How might these solutions facilitate transparency and conformance?
13. CSDDD emphasizes transparency and accountability. How do you envision companies like Österreichische Post communicating their endeavours and progress in meeting the stipulated benchmarks to stakeholders?
14. As the regulatory landscape evolves, how do you anticipate CSDDD influencing cross-sectoral collaborations and international partnerships?
15. In terms of enduring sustainability goals, how do you perceive CSDDD shaping the corporate culture of organizations, particularly concerning ethical considerations and responsible business practices?