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Emerging challenges and potential benefits for small- and medium-sized textile enterprises in the global South from the Corporate Sustainability Due Diligence Directive

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ABSTRACT

Das Ziel dieser Masterarbeit ist es herauszufinden, welche Herausforderungen als auch Vorteile sich für Textilfabriken im globalen Süden aus den jüngsten regulatorischen Entwicklungen in Europa in Bezug auf Lieferketten und Sorgfaltspflichten ergeben. Dafür werden die folgenden Forschungsfragen gestellt: *Vor welchen Herausforderungen stehen kleine und mittlere Textilunternehmen im globalen Süden als Teil globaler Wertschöpfungsnetzwerke durch die neuen Lieferkettenvorschriften in der Europäischen Union* und *welche Vorteile können diese Vorschriften bieten?* Im Fokus steht dabei die sogenannte Richtlinie zur Nachhaltigkeits-Sorgfaltspflicht von Unternehmen (Corporate Sustainability Due Diligence Directive (CSDDD)), die am 24. April 2024 im EU-Parlament endgültig verabschiedet wurde und als Ziel hat, Firmen (ab einer gewissen Unternehmensgröße und Umsatz) die in Europa agieren zu einer risiko-basierten Sorgfaltspflicht bezüglich Menschen- und Arbeitsrechten sowie Umwelteffekten zu verpflichten.

Liefer- und Wertschöpfungsketten sind von (oftmals asymmetrischen) Machtstrukturen sowie politischen, ökonomischen und kulturellen Gegebenheiten geprägt, welche einen unmittelbaren Effekt auf verschiedene Komponenten haben, unter anderem auf die Arbeitsbedingungen in den Produktionsstätten als auch auf die Beziehungen zwischen Lieferanten und Einkäufern. Daher wurde für die theoretische Einordnung des Forschungsthemas einerseits das Konzept zu Globalen Wertschöpfungsketten (Global Value Chains) von Gereffi (2001) sowie auch das Konzept zu Globalen Produktionsnetzwerken (Global Production Networks) von Coe und Young (2019) herangezogen. Diese befassen sich unter anderem mit den hierarchischen Strukturen zwischen Einkäufer und Lieferant, den Möglichkeiten der Entwicklung hinsichtlich beispielsweise sozialer oder ökonomischer Bedingungen sowie weitere externe Akteure wie Institutionen oder Regierungen die hierauf wirken können.

Zur Beantwortung der Forschungsfragen wurde qualitativ geforscht wobei die Methoden semi-strukturierter Experteninterviews sowie hermeneutischer Inhaltsanalyse des Gesetzestextes der CSDDD verwendet wurden. Es konnten insgesamt mit drei Fabriksbesitzern aus jeweils der Türkei sowie Bangladesch Interviews von ungefähr einer Stunde geführt werden wobei mit Hilfe eines semi-strukturierten Interviewleitfadens die vorgegangen wurde. Die Analyse erfolgte unter Anwendung des kritischen Paradigmas und einer qualitativen Inhaltsanalyse, bei der die beschriebenen Herausforderungen und Chancen evaluiert wurden und anschließen in Kontext gesetzt wurden mit den in der CSDDD festgelegten Anforderungen für Leitfirmen in Europa. Diese Ergebnisse wurden dann unter Berücksichtigung der zuvor erlangten theoretischen Kenntnisse verwendet, um Schlüsse über die potenzielle Wirksamkeit der Direktive treffen zu können.

Zu den größten Herausforderungen für Textilfabriken zählen der Preisdruck durch gesteigerte Kosten und herausfordernde Wettbewerbsbedingungen, welche durch die Praktiken der Textilfirmen noch befeuert wird. Mindestanforderungen an Nachhaltigkeitsstandards hinsichtlich Arbeitsrechts und Umwelt werden zwar eingefordert, eine entsprechende Incentivierung wird allerdings von den Fabriksbesitzern nicht festgestellt, ebenso wenig die Motivation über die Mindeststandards hinauszugehen. Hinzu kommt eine beinah unmöglich langfristige Planung ihrer Kapazitäten, da die Leitfirmen selten kontinuierliche Bestellungen aufgeben. Die Verantwortung für Sorgfaltspflicht wird weiters auf die Lieferanten übertragen, welche mehrmals im Jahr unter verschiedenen Bedingungen auditiert werden, verschiedene Standards einhalten müssen und zusätzlich die Sorgfaltspflicht für Lieferanten tiefer in die Kette übernehmen müssen. Vorteile werden zwar teils wahrgenommen, wie zum Beispiel die Kostensenkung durch effizientere Energiemaßnahmen allerdings beruhen viele Nachhaltigkeitsmaßnahmen bei den Fabriken eher auf intrinsischer Motivation. Konkrete Verbesserungen für die Arbeitenden werden kaum beschrieben und die Anforderungen seitens der Firmen eher als Bürde gesehen, für die zu wenig Unterstützung durch die Leitfirmen zur Verfügung gestellt wird.

Die CSDDD wird in 2026 in nationales Recht übernommen sein und die tatsächlichen Herausforderungen und Vorteile werden sich erst dann nach und nach herauskristallisieren. Nichtsdestotrotz konnte mit der Analyse ein erster Eindruck über die potenzielle Wirksamkeit als auch die Wichtigkeit der CSDDD geschaffen werden, der als Basis für weitergehende Forschung gesehen werden kann.

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1 LIST OF ABBREVIATIONS

BDCC	Buyer-Driven Commodity Chain
CSDDD	Corporate Sustainability Due Diligence Directive
CSR	Corporate Social Responsibility
CSRD	Corporate Sustainability Reporting Directive
CMT	Cut, Make, Trim
ECLAC	United Nations Economic Commission for Latin America & the Caribbean
EPP	European People Party
ETI	Ethical Trading Initiative
ETUC	European Trade Union Confederation
EU	European Union
FDP	Free Democratic Party
FWF	Fair Wear Foundation
GCC	Global Commodity Chains
GPN	Global Production Network
GVC	Global Value Chains
HRDD	Human Rights Due Diligence
ILO	International Labor Organization
MNC	Multi-National Corporation
MNE	Multi-National Enterprise
NGO	Non-Governmental Organization
OEM	Own Equipment Manufacture
ODM	Own Design Manufacture
OECD	Organization of Economic Cooperation and Development
OHS	Occupational Health & Safety
PDCC	Producer-Driven Commodity Chain
SME	Small-Medium Enterprise
UNGP	United Nations Guiding Principles on Business and Human Rights

2 INTRODUCTION

Past events such as the Tazreen Fashions fire in Dhaka, Bangladesh, in 2012 and the collapse of the Rana Plaza factory building in 2013, also near Dhaka, have awakened textile brands, non-governmental organizations (NGOs) , political writers and consumers. Even though negative reports (about, for example, sweat shops, child labor and low wages) appeared in the media from time to time, these events in Bangladesh have left a special impression due to their scope. Many well-known (fast-fashion) brands had production in these factories and the media attention of these fatal events made many consumers more aware of their own purchasing behavior and the influence they have with their purchasing decisions, or what working conditions they support. This also made the prevailing governance problems within the industry caused by predatory sourcing and production practices clearer (Mayer and Pickles 2014, p. 19).

This master's thesis addresses the evolving governance due to the change in supply chain regulations in Europe and how these regulations affect small and medium sized producers in the textile sector. The two main research questions are: *What challenges do small- and medium-sized textile enterprises in the Global South as part of global value chain networks face from the new supply chain regulations in the European Union* and *what benefits can these regulations offer?* The new supply chain regulation in the European Union (EU) is called the Corporate Sustainability Due Diligence Directive (CSDDD) which was finally passed in the EU Parliament on April 24, 2024. It must first be implemented into national law and will gradually come into force for the first companies from 2027. This means that the challenges and advantages examined by textile companies are not yet based on actual experiences through the implementation of the directive, but rather that the effectiveness and potential of the directive should be examined based on previous findings. The focus of this master's thesis is on the apparel business as this industry is an ideal candidate for a case study because it is highly globalized and characterized by global production networks.

The purpose of the proposal for a Directive on Corporate Sustainability Due Diligence (referred to hereafter also as "the Directive") was to ensure that EU corporations handle human rights and environmental concerns throughout their worldwide value chains. Engaging with workers and the people who represent them is essential to the success of any business. Workers are not only essential to the operation of the company, but they also play an important role as rightsholders and social partners who are directly impacted by the operations of businesses. Workers from throughout the EU's global value chains need to play a major role in the formulation and implementation of the Directive if it is to deliver on its immense potential and achieve what it promises (Wills and Swan 2023). The researcher was working herself in the sustainability department of a global fashion brand and dealt there with social audits, supply chain set-ups and the traceability of them as well as labor rights. The CSDDD process was therefore of great interest to the researcher and the professional past suggested a connection between regulatory developments and this industry for the research of this master's thesis.

The research questions were addressed by incorporating well-known theoretical concepts regarding governance in supply chains. These include, above all, Gereffi's Global Value Chain concept (2001) and Coe and Young's (2019) Global Production Networks concept. These concepts are described in detail in the next chapter and placed in relation to the industry examined. The next chapter also evaluates the existing regulations and guidelines that already exist to integrate human and labor rights into the due diligence regarding companies' supply chains. Chapter 4 briefly and concisely presents the most important facts and findings about the textile sector, the supply chains within this industry and known risks, as a general understanding of this industry is helpful for analyzing and answering the research questions. The following chapter then describes the political process surrounding the CSDDD, which expectations were ultimately recorded in the directive and how these correspond to the previously described guidelines. The methodology used and the methods used are then explained. Qualitative research was carried out by applying a critical paradigm, using semi-structured expert interviews and a hermeneutic interpretation of texts as methods.

Finally, in Chapter 7, the theoretical findings, the analysis of the legal text and the interpretation of the interviews will contribute to answering the research questions. The perceived challenges, but also the advantages for textile manufacturers in the global south, will be identified and these will be put into context with the requirements of the Corporate Sustainability Due Diligence Directive.

3 THEORETICAL APPROACH

3.1 GLOBAL COMMODITY CHAINS

3.1.1 Origin of the approach

During the first several decades that followed the end of the Second World War, two different approaches were put forward for growing economies and newly emerging post-colonial communities. One of these is the modernization hypothesis, which posits that regardless of when a nation first embarked on the path to industrialization, it will inevitably go through the same five stages of economic development, each of which contains the same types of activities and responsibilities. Walt W. Rostow was a well-known figure who advocated for this Eurocentric way of thinking (Rostow 1960). However, modernization theory was criticized as it failed to take into consideration the world-historical growth of transnational institutions that inhibit regional and national growth and presumed that there is just one possible course of evolutionary growth for all countries to take (Sorinel 2010).

From this criticism, two other approaches emerged, aiming to construct capitalism as a world-system in which there were individual components or areas that served to exclude, dominate, or subjugate peripheral or dependent areas of the world economy. One approach is the dependency theory which places its primary emphasis on the role that transnational classes play in the maintenance of the world economy. It was developed by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and sought to explain the pervasive levels of "under-development" in Latin America by placing national economies within the context of their global economic environment. In doing so, it brought to light the potentially exploitative nature of increased contact between the "core" countries and the "periphery" countries of the international capitalist system (Schmidt 2018; Gereffi 2018). According to Frank, a famous representative of this theory, the concept of “the development of underdevelopment” is supported by asymmetrical linkages of economic and political dependency that exist between core and peripheral economies (Frank 1967,1969).

The second method, known as world-systems theory, took a different intellectual tack since it relied significantly on past critical perspectives of imperialism and capitalist exploitation. This gave it a distinctive intellectual agenda. According to Immanuel Wallerstein's methodology, a hierarchy of core, semi-peripheral, and peripheral zones is established. Within these zones, upward or downward mobility is contingent upon the resources and impediments associated with a country's form of incorporation in the capitalist world-economy. Leaving one structural position means taking on a new role in the international labor division without leaving the established system. Hence, the possibilities for autonomous paths of development are quite limited (Gereffi 2018, p. 4).

The concept of commodity chains was first introduced by Terence K. Hopkins and Immanuel Wallerstein as "a network of labor and production processes whose end result is a finished commodity." (Hopkins and Wallerstein 1986, p. 159) The authors define the start of the chain as the final production operation and then moving down the chain towards the raw material inputs. The fundamental question for the authors was thereby whether or not, and to what degree, a capitalist world economy was a structural reality from the sixteenth through the eighteenth century (ibid). Gereffi and Korzeniewicz developed the idea of commodity chains further and distanced themselves from the world-systems theory by trying to combine the macro-level concerns related to the structure of the world economy with the characteristics of national development strategies at the meso-level and an emphasis on inter-firm networks at the micro-level as well as the related political and social ramifications of local embeddedness (Gereffi 1994, p. 214). Since the 1990s, East Asia rapidly developed into an important economic region. Since neither the dependency nor the world-systems theory were able to explain this development, East Asia played an important role in the development of the global commodity chain (GCC) framework by Gereffi (Gereffi 2018, p. 12).

To further elaborate the GCC concept, Gereffi examined the footwear sector and defined the various activities included in this commodity chain. The complete supply chain for this industry includes not only the agricultural sector, which produces leather and crude oil, which is used in the production of plastic, but also the industrial sector, which is responsible for the actual production of the product, as well as the service sector, which is responsible for further distribution. The development of global value chains beyond the realm of manufacturing to include the flow of products to the end consumer market has profound consequences for our capacity to pinpoint the locations within a global business that are home to the greatest concentrations of economic surplus (Gereffi and Korzeniewicz 1990).

3.1.2 Global Commodity Chains

The roots of global commodity chains (GCCs) can be traced back to the production systems that are responsible for the emergence of certain patterns of coordinated trade. The economic operations of businesses are linked to technological and organizational networks through the concept of a "production system." These networks enable businesses to design, manufacture, and distribute a variety of different goods. The origins of the GCC framework are linked to research communities located in universities, conferences, and subsequent publications that reframed and enlarged earlier work on commodity chains that was done in the context of world systems (Gereffi 2018). In order to examine the functioning of global capitalism and the replication of a stratified and hierarchical world-system beyond the territorial constraints of the nation-state, Hopkins and Wallerstein were the first to present a concept of commodity chains as a heuristic (cf. Hopkins and Wallerstein 1977). In the 1990s, this perspective however shifted towards power imbalances within multinational corporations (MNCs) and how they impact the prospects for national development in today’s globalized sectors. This shift of perspective caused a split with more conventional understandings of world-systems (ibid).

The commodity chain notion is thus shared by both the world-systems and GCC camps as a helpful framework for considering the worldwide division of labor that is a hallmark of capitalist production. However, there are important discrepancies between the two schools. According to world-systems theorists, commodity chains are not just the processes by which raw materials are transformed into finished items, but also the networks that link those activities to the social reproduction of human labor power (Bair 2005). Another point of contention is that these groups have different goals in mind while conducting studies on supply chains. The primary goal of a GCC analysis is to comprehend the structure of international markets. Because of their capacity to act as agents of upgrading and development, the most powerful or leading enterprises in an industry—also known as chain drivers—receive a disproportionate amount of attention (cf. ibid).

Gereffi and Korzeniewicz (1990) were the first to publish using the GCC framework to analyze export niche formation in the footwear commodity chain during the early stages of economic globalization (1967-1987), shifting the temporal focus to contemporary industries, while the world-systems perspective centered on the revival of manufacturing in the 16th century (Gereffi 2018). This shift in perspective fueled a general discussion if globalization is best seen as a modern phenomenon made possible by interconnected production systems, or as a process dating back to the rise of capitalism in the long sixteenth century (Bair 2005).

Three dimensions are identified by Gereffi in relation to GCC: one is the input-output structure, another is the territoriality and lastly a governance structure (cf. Gereffi 2018, pp. 44–45). The GCC framework's understanding of governance, as articulated in a number of case studies of specific commodity chains, accounts for the fact that in the modern global economy, power and control dynamics are not always connected with traditional patterns of ownership. A distinction is made between producer-driven and buyer-driven commodity chains in which governance structures play a relevant role. Producer-driven commodity chains (PDCC) are typical of more capital-intensive industries in which powerful manufacturers control and often own several tiers of vertically organized suppliers.

The apparel industry is rather a case of light manufacturing industries which features subcontracting networks managed with varying degrees of closeness by designers, retailers and other brands that are not producing the goods themselves (Bair 2005; Gereffi 2001). The term buyer-driven commodity chains (BDCC) is used to describe sectors where huge retailers, branded merchandisers, and trading corporations play a crucial role in establishing decentralized production networks in a number of exporting nations, most of which are in the global South due to their low labor costs (cf. Gereffi 2018, p. 46). Although the buyers lack ownership within the chain, control is exercised within this notion (Humphrey and

Schmitz 2000, p. 10). Due to the increasing reliance on retailing in the global North, it is expected by Humphrey and Schmitz (2000) that such buyer-driven chains will become more frequent.

3.1.3 Global Value Chains and the governance concept

The Global Value Chain (GVC) Initiative grew out of a workshop in 1999 by the Institute of Development Studies at the University of Sussex and is based partly on the GCC framework and partly on the export potential of SMEs in countries of the Global South, which local business clusters sought to highlight (Gereffi 2019). In this respect, the GVC approach differs from the GCC framework by incorporating more business aspects to the analysis of global production networks. In addition, there is a more pronounced interest in political implications here, while the GCC framework is more sociologically oriented (Bair 2010). According to Fernandez-Stark and Gereffi (2021, 54), GVCs have the ability to connect businesses, workers, and consumers on a global scale, and can contribute to the development of low-income economies if they manage to integrate effectively into GVCs.

In basic, low-skilled work, developing nations have a comparative advantage, whereas developed nations have a comparative advantage in difficult, high-skilled ones (Feenstra 2010). However, lead companies often take advantage of the traditional cultural norms and lax rules that maintain wage disparity high and employment relations unstable in many Global South nations. On the other hand, because they can focus on producing specific components rather than having to establish an entire industry, GVCs can assist developing nations in the Global South to industrialize rather quickly (Dünhaupt and Herr 2021, p. 461). In value chains, transnational businesses predominantly oversee and control global commodity networks. What is to be provided, when, where, by whom, and in what quantity and quality is determined by the lead firms, which are mostly based in the economic hubs of the world. Until the 1970s, the model of vertically integrated and frequently spatially concentrated giant firms, which developed in the United States, was regarded the "gold standard" for profit-maximizing organizational strategies (Fischer et al. 2021).

The emphasis with the GVC framework is on the value-added sequences inside an industry, from idea to production and final use. It investigates job descriptions, technology, standards, regulations, goods, processes, and markets in specific industries and locations, providing a comprehensive view of global industries from the top down and the bottom up. Because of the comprehensive character of this framework, GVC studies have already been extensively employed by institutions to comprehend global industries and help the formation of new programs and policies to promote economic development (Fernandez-Stark and Gereffi 2021). The GVC technique investigates six fundamental dimensions, which are separated into global and local elements. The first three top-down aspects relate to the global elements and are an input-output structure, a geographic scope, and a governance framework. Upgrading (the dynamic movement within the value chain), an institutional context outlining how the value chain is ingrained in local economic and social factors, and industry stakeholders are the local, bottom-up elements. The latter refers to the interactions between various local actors along the value chain to upgrade an industry. All of these describe how various local actors interact in GVCs (ibid).

When it comes to governance, many elements such as history, institutions, geographic and social contexts, as well as the everchanging rules of the game are all relevant in shaping the governance patterns of value chains. Yet, Gereffi argues that “if a theory of global value chain governance is to be useful to policymakers, it should be parsimonious” (Gereffi 2005b, p. 82). The framework should be able to simplify and abstract from a large and heterogenous body of knowledge, focusing on material factors. During the process of developing the framework, Gereffi took into account the widely held belief that market-based relationships among firms and vertically integrated firms (hierarchies) make up opposite ends of a spectrum of explicit coordination, and that network relationships comprise an intermediate mode of value chain governance. However, he extended the network category into three distinct types, which are modular, relational, and captive and identified five primary categories of value chain governance: markets, modular value chains, relational value chains, captive value chains and hierarchy (cf. Gereffi 2005b, pp. 82–83).

For the ‘market’ governance type, the most important characteristic is that the expenses of transferring to new partners are low for both parties. ‘Modular value chains’ are usually defined by suppliers producing goods taking into account the specifications by the customer – which may be less or more detailed. The third category, ‘relational value chains’ are defined by intricate connections between buyers and sellers. Due to this, mutual dependency is often developed as well as high degrees of asset specificity. Within the networks of ‘captive value chains’, a dependency is developed by smaller suppliers to larger purchasers from a transactional standpoint. Because of the high expenses associated with switching, suppliers are considered to be "captive." In many cases, such networks are distinguished by a high level of monitoring and control exercised by the corporations that serve as the network's head. The last category, where the degree of power asymmetry is according to Gereffi the highest, is ‘hierarchy, strongly defined by vertical integration. The managerial control structure here is the most common type of governance, with authority passing down from superiors to subordinates or from headquarters to subsidiaries and affiliates.

Governance institutions refer to those institutions that constrain or enable market behavior – both in the public sphere, in the form of governmental policies, rules and regulations, as well as in the private sphere, in the form of social norms, codes of conduct adopted by businesses, consumer demand for social responsibility or other non-governmental institutions and social movements. Mayer and Pickles (2014) developed an argument about the relationship between markets and governance based on the work of Gereffi and Mayer (2006), who argued that globalization created a global governance deficit. The authors examine how states and society are constantly engaged in struggles to re-embed market actors through new or renewed institutions of governance, using Karl Polanyi's concept of a "double movement" (cf.Polanyi 1978). This process is described as a dynamic one of constant adjustment in which complex arrays of market actors respond to opportunities presented by the institutional environment, social actors respond by constructing new institutions to govern them, markets respond to the new institutional environment, and so on. The final concern is whether the developing architectures in both the global North and South will effectively promote and protect decent work and workers' interests, regardless of how the re-embedding takes shape (Mayer and Pickles 2014, pp. 17–18). Many workers are now outside the jurisdiction of efficient governance structures to defend their interests due to the fast emergence of highly flexible global production networks, which frequently involve informal or non-standard labor arrangements. As a result, a growing number of lead firms and industry forums have experimented with a variety of private governance initiatives in response to pressure from some workers and their advocates. These trials' scope is still unknown because it coincides with a moment when businesses, non-governmental organizations (NGOs), and labor movements are also debating the limitations of private governance strategies. As a result, public governance may be playing a bigger role in emerging industrial nations (ibid, p. 18).

A question that may arise is: What are the drivers for certain types of governance within a value chain? It is also vital to understand the motives that drive purchasing businesses to expend the effort and expense to monitor and regulate their foreign supply chains in order to answer this question. It has been hypothesized by Humphrey and Schmitz (2000) that network and quasi-hierarchical linkages occur in value chains when the buyer attempts to define the product and/or the buyer is exposed to a significant amount of risk in the event that the supplier fails to perform as expected. In terms of the product, this calls for the creation of brand-new manufacturing techniques and technological procedures. It has been observed that buyers in the global North confront a rising risk from non-price competition variables such as quality, dependability of delivery, but also safety and standards. As argued by Keesing and Lall (1992), the standards required by the lead firm however often vary from the local standards, thereby creating a gap that provides for hierarchical governance. It is possible that stringent monitoring and control will be required to guarantee that the products and processes meet the necessary standards. It may also be plausible that, if the gap between the current state and the standards needs to be closed as quickly as possible, buyers will need to make investments in a few carefully chosen suppliers to assist them in upgrading appropriately. Maintaining consistent ties with one's suppliers might be advantageous in this aspect.

Institutions of governance differ along three axes. The divide between public and private governance is the first. The state imposes public governance. However, the private, non-state institutions—which also form the environment in which market actors function—are as significant. These institutions range from general cultural norms to collective bargaining agreements. The second concerns the purpose of governance, namely whether it is to facilitate, regulate, or redistribute (or compensate). Facilitative governance fosters the formation of markets, jobs, investment, and other forms of economic activity. Regulatory control limits the actions of profit-driven businesses that may otherwise exploit their workforces, resulting in subpar working conditions, a lack of job security, restrictions on worker organization, and a general degradation of industrial relations practices and procedures. The goal of redistributive (or compensatory) governance is to either force businesses to provide more generous pay and benefits or to address inequities through progressive taxation and social services. The scale of governance, whether it be at the local, national, or worldwide level, or whether it be more firm- or industry-specific, is the third dimension. At the level of the national state, public governance is highly developed and often non-sectoral. On the other hand, private governance may cross international borders and be structured along sectoral or even firm-specific lines (ibid, p. 20).

3.1.4 Upgrading Processes in Global Value Chains

While the Global Commodity Chains framework drew attention to the role of networks in driving the coevolution of transnational industrial organization, the Global Commodity Chains framework, on the other hand, failed to adequately explain the diverse network structures found in recent field research (Gereffi 2005b). The Global Value Chain (GVC) approach thus focused on ways to utilize the insights gained by the GCC in order to establish sound policy interventions so that domestic firms could enhance their roles in the value chain. This process is referred to as upgrading in the GVC (Bair 2005). Upgrading can address several shifts, firms might implement, such as process upgrading, product upgrading functional upgrading but it may also refer to economic or social upgrading (Humphrey and Schmitz 2000). It should be mentioned here for the sake of completeness that various further developments of the concept can be found in the literature. One such example is by Porter, who uses the terms value chain and value system to discuss corporate strategies in terms of managing relationships with counterparties (cf. Porter 1998; Ruigrok and van Tulder 1998). However, for this research, the work of Gereffi will serve as the primary reference point, with a focus on economic and social upgrading.

Economic upgrading is a process that describes the move from low-value to comparatively high-value activities, an opportunity for enterprises and workers that was due to the growth of global value chains (Gereffi 2005a). When both of the following conditions are met, it is said that the apparel sector of a country has undergone economic upgrading: 1) there is an increase in the world export market share of the country, which indicates that the country's exports are more competitive on the international stage; and 2) there is an increase in the export unit value, which suggests that the country is producing products with a higher value (Kaplinsky and Readman 2005; Amighini 2006). Both dimensions are typically relevant because to the complementing information that they communicate, which enables economic upgrading to be captured.

According to the research conducted by a variety of academic authors, there are four distinct ways in which economic development might be accomplished. Product upgrading is one of these options, and it refers to the process through which manufactured goods are made more complex. It would be considered a process upgrade, for example, if the manufacturing were to become more efficiently structured and be outfitted with modern technologies. The final two types of upgrading are known as functional upgrading and chain upgrading. Functional upgrading involves a company or worker moving upstream or downstream into greater value-added regions, and chain upgrading refers to switching to wholly new GVCs that offer a higher value (Park et al. 2013; Cattaneo et al. 2012; OECD 2013).

When it comes to the garment industry, the "cut, make and trim" (CMT) manufacturing process is the most basic method of production. On the other hand, the so-called "own equipment manufacture" (OEM) method, which may include the procurement of fabric, is a more value-adding method. An even more complex method would be to manufacture products according to one's own design ("own design manufacture" or ODM). These manufacturers have usually greater control over supply chain processes as they are responsible for carrying out every aspect of the production process, including the essential design tasks (Pickles 2013; International Labour Organisation 2016). According to Pahl and Timmer's (2020, p. 1684) reasoning, for economic development to occur, there must be both a convergence in productivity and a sustained expansion in employment within the modern sector of the economy. Because of this, GVCs have the potential to make it easier for manufactured goods to enter global markets. While this may initially increase productivity and employment, it also makes industrialization less significant because performance is not guaranteed, and long-term development may come to a standstill.

Social upgrading is described as occurring in the garment sector of a particular country when both of the following conditions are met: 1) there is an increase in the total number of people employed in the sector; and 2) there is an increase in the total amount of money that workers earn in the sector. The provision of employment opportunities allows for the prospect of employees earning an income which may assist workers in developing nations in climbing out of poverty and, as a result, adds to the general wellbeing of society. Real wages are considered a measurement of how much workers gain from the value created by economic activity in the clothing sector of their country and take into account inflation (cf. Bernhardt 2014, p. 43).

In this light, the question arises as to whether or not an improvement in the economy would not also be accompanied by unfavorable shifts in the working circumstances of the workforce. In the context of the idea of global value chains, the ties between the companies that are involved are given equal weight to the distribution of the various processing steps among the various enterprises located in the various countries. Not only does the manner in which the core firms control the value chains or networks and the power relations that prevail between the buyers and their suppliers play a significant role in the questions regarding the development of countries and regions, but they also play a significant role in the conditions under which people work. The organization and reorganization of value chains and production networks has a direct impact, for a variety of reasons, on the quality of the work that is produced (Flecker and Holtgrewe 2012). For example, one of the driving forces for the migration of manufacturing processes to different geographic locations is the existence of different wage structures and employment circumstances, such as working hours and occupational health and safety.

Working conditions are also influenced by the power dynamics that exist between different companies. Specifically, dependent companies frequently have very little say in the terms and conditions that the core company establishes for the business relationship. As a result, these dependent companies typically pass the requirements on to the employees, who are then forced to contend with low wages, long working hours, and workplaces that are hazardous to their health (cf. Flecker 2021, pp. 150–151). In the garment sector, the typical race to the bottom (especially in fast fashion practices) results in subpar working conditions and breaches of workers' rights and the cost of tasks in the garment sector continually decreases. Therefore, GVCs might easily result in commercial practices that impede or prohibit social uplift, particularly in a global South nation with weak institutions (Anner 2015).

Nathan and Kalpana (2007) explore the quality of employment in the context of reforming value chains. In their discussion, they take into consideration two aspects: First, the opportunities that are open to businesses and producers within value chains to raise the proportion of their overall surplus that they keep for themselves. Second, the ability of workers to participate in the process of improving their working conditions. According to the authors, it is conceivable to have the first feature without having the second aspect, but it is highly improbable that workers will be able to obtain an improvement in their working and employment conditions if the company has a weak bargaining position in the chain. The shift in work, on the other hand, needs to be evaluated using a variety of criteria, including the activities, qualification requirements, and pressures involved (physical and mental). These dimensions and the unique qualities of labor and employment can change independently; therefore, throughout the process of restructuring value chains, progress in one aspect can occur while other aspects deteriorate (Flecker 2021, p. 160).

When social upgrading occurs in tandem with economic upgrading, it is typically the consequence of policies and programs that were put into place on purpose (International Labour Organisation 2016, p. 4).

3.2 Global Production Networks

The concept of global production networks emerged in the early 2000s and has since then developed into a heterogenous research field, incorporating the global commodity chain and global value chain approach. The initial framework provided a versatile and geographically-based heuristic toolbox that could be used to map the ever-changing configurations of global production networks (GPNs). It highlighted the intricate business networks and territorial institutions that are involved in worldwide economic activity, as well as how these things are structured both organizationally and geographically (Coe and Yeung 2019).

In comparison to Gereffi's concept of GVCs, the term GPN may be more suitable in describing the multiple relational forms and directions (networks) and the social processes involved in producing goods and services (production) instead of only linear chains or economic activities (Henderson et al. 2002). The focus is not only on firms and inter-firm networks, but expands to non-firm actors such as states, NGOs, trade unions and international organizations. GPNs as such are characterized by multi-actors and multi-level production on a global scale (Staritz 3/14/2022). Value, power, and embeddedness are the three primary variables that are investigated inside the GPN. Value is defined in economic terms such as value creation and value capture. This variable is being influenced by several socioeconomic factors, including technological advancements and labor relations. Power can be compared to governance dynamics, such as those described in the GVC-framework; however, power can be subdivided into three distinct types: corporate power, institutional power, and collective power. The third and last characteristic is called embeddedness, and it describes the socioeconomic links that exist between companies and other actors. In addition to this, it can be differentiated according to its territorial embeddedness and network embeddedness. The first perspective is concerned with a company's physical location, while the second examines the company from the point of view of its value chain and production network (Park et al. 2013, pp. 88–89).

GPNs follow the concept of capitalism and are “integrated economic, political, and discursive systems in which market and political power are intertwined” (Levy 2008, p. 943). Therefore, according to Levy's argument, it is not only economic factors that have contributed to greater production; market forces, in and of themselves, work within and shape the environment of social and political systems as well. The broad ideology of free trade and a neoliberal language that promotes the benefits of a market economy are directly tied to the overemphasis on efficiency at the expense of questions of fairness or power (Levy 2008, p. 946).

GPNs are further defined by outsourced manufacturing via a system of contracts and subcontracts to low-wage nations without the need of formal employment agreements between the buyers and individual workers. As a result, profit margins are lowered at every stage of the supply chain, which adds more pressure to cut overall production costs. This leads to lower pay and detrimental working conditions, while also decreasing accountability and transparency (Alamgir and Banerjee 2019). However, economically-speaking and in line with the criticism by Levy regarding the neoliberal approach to supply chains, it was argued that the offshoring and outsourcing of production to countries with lower wages increases the value creation for the brands and the country in the global South receiving the jobs (Agrawal and Farrell 2003).

As Coe and Yeung (2019, p. 778) note, researchers frequently start with a lead firm as their point of reference when examining GPNs, and then work their way backwards or forwards to investigate the relationships that exist between businesses and the enterprises that supply them. End consumers and markets, on the other hand, play a not insignificant role in global production networks though they have the potential to spur more research on the afterlives of products and services.

3.3 Regulations in the context of Global Value Chains

3.3.1 United Nations Guiding Principles on Business and Human Rights

Professor John Ruggie, who served as the United Nations Special Representative on Economic and Human Rights, collaborated with several transnational firms and other business operations to produce the United Nations Guiding Principles (UNGPs). The standards constitute an international framework for politics and business. Furthermore, for the first time ever, they form a generally recognized reference for the human rights obligations of nations and for the responsibility of enterprises in global supply and value chains. The application is open to all states as well as all firms, whether their size, industry, location, ownership structure, or organizational structure (United Nations Human Rights 2011). The Guiding Principles include a total of 31 principles that can be broken down into three distinct categories. *The duty of the state to protect human rights* is listed as the first pillar, the second pillar is *the responsibility of business* to respect human rights and *access to remedy* is the third and final pillar. These three pillars each have their own set of fundamental and operational principles that have been developed. The human rights that should be respected are referred to in the Universal Declaration of Human Rights from 1948 (ibid). They were drafted by delegates from many nations in an effort to forestall a recurrence of the horrors committed during the Second World War. At the World Conference on Human Rights, which took place in Vienna in 1993, each of the 171 countries that took part in the conference reaffirmed their commitment to the goals outlined in that document (Shift and Mazars LLP 2015).

3.3.2 OECD Due Diligence

The OECD Guidelines for Multinational Enterprises were first introduced in 1976, and they were updated in 2011 and again in 2023. The Organization for Economic Cooperation and Development (OECD) asserts that they are the most important instrument in the world for promoting responsible corporate governance, alongside the International Labor Organization's fundamental labor standards and the United Nations Global Compact. The OECD Guidelines for MNEs are suggestions from governments to multinational corporations for the responsible conduct of business and to create a common understanding of due diligence. These recommendations are non-binding. The Guidelines put an emphasis on the fact that firms can contribute positively as well as negatively to the advancement of the economy, the environment, and society. Considering this, the OECD Guidelines for MNEs advise that risk-based due diligence is carried out. By conducting business in this manner, detrimental consequences on firms' relationships with customers and suppliers, as well as their supply chains, can be prevented (OECD 2018b).

The topics covered by due diligence, as defined by the OECD are human rights, employment and the relationship between the social partners, environment, bribery, consumer interests as well as disclosure. In addition to this general guideline for MNEs, the OECD developed specific guidelines for certain sectors such as minerals, agriculture, textile and footwear as well as raw materials and finance (ibid). For the purpose of this Master's thesis, the OECD Due Diligence Guidance for Promoting Responsible Supply Chains in the Apparel and Footwear Industry will be briefly adduced. The OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector recognizes the increased risk of human rights and labor abuses as well as the harm to the environment by companies within this sector and is addressed not only at the producing enterprises but incorporates all actors up and down the value chain including brands, component manufacturers, raw material and fiber producers. In addition, the guidance is relevant to enterprises of all sizes, not only MNEs. The expectations by the OECD in this guidance includes for enterprises to implement risk-based due diligence as well as avoid having unfavorable effects on issues that are addressed by the rules, deal with these effects when they do occur, and work to prevent effects that are directly linked to their activities or products through a commercial relationship. Accordingly, businesses are obligated to do a risk assessment based on the known dangers associated with their industry. Chapter 3 contains a listing of the risks that are associated with the textile and apparel business. In addition, there are risk considerations that are associated with the product, the country, the business model, and the procurement model. (OECD 2018a).

3.3.3 ILO Core Conventions

In 1919, the states that had previously ratified the Treaty of Versailles came together to establish the International Labor Organization (ILO) and, by extension, a framework for international labor standards. Worker representatives, employer representatives, and government representatives make up the ILO's tripartite organization. Since its inception, the International Labor Organization has progressed toward its primary mission, which is to promote "labor that is decent, productive, free, and secure." According to the ILO, despite the evident benefits of globalization, it has not brought about a new era in which everyone is prosperous. The gap between rich and poor has become wider, and the state of affairs on the international labor market is particularly precarious. In a similar vein, the world of labor is undergoing transformations at a rate that has never been seen before and on a scale that has never been seen before as a result of causes such as climate change, demographic shifts, and technology advancement (International Labour Organisation 2019).

For enterprises, two declarations by the ILO are especially important when it comes to implementing corporate social responsibility (CSR): the ILO Declaration on Fundamental Principles and Rights at Work (1998; 2022) and the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, also called the MNE Declaration (International Labour Organisation 2022). By addressing particular aspects of decent employment, such as social security, forced labor, or how to transform the informal economy into the formal economy, the MNE declaration was revised. This was in response to new economic realities, in particular the increase in international investment and trade, and the growth in global supply chains (International Labour Organisation 2019).

The international labor standards that are outlined in the declarations serve as benchmarks for the harmonization of national legislation and practice in a specific area of concern. In addition to this, they are a vital component of the international framework, and the establishment of standards is done with the intention of realizing the enforcement of labor and social standards in ILO member nations across the globe. As a result of the standards' adoption by a two-thirds majority of ILO components, they constitute an expression of widely acknowledged values. At the same time, the diverse cultural histories and legal systems, in addition to the varying degrees of economic growth, are to be taken into consideration while developing the criteria. Consider the issue of minimum wages as an illustration of this point: the standards do not mandate that states that have ratified the standards must establish a minimum pay; rather, the standards require these governments to develop a system and procedure for determining minimum wage rates. The level of economic development should be taken into consideration for this (International Labour Organisation 2019).

3.3.4 CSR in Global Value Chains

The ILO defines Corporate Social Responsibility or CSR as a "way in which enterprises give consideration to the impact of their operations on society and affirm their principles and values both in their own internal methods and processes and in their interaction with other actors. CSR is a voluntary, enterprise-driven initiative and refers to activities that are considered to exceed compliance with the law". (International Labour Organisation 2006) It is as such part of private governance encompassing a wide range of actions that businesses undertake in order achieve integration of social, ethical and environmental concerns into their core business practices (Gereffi and Lee 2016). Despite the fact that the concept of social responsibility has been around for quite some time, the manner in which it is understood and put into practice has been significantly impacted by three significant developments, particularly since the 1990s according to Wickert and Risi (2019). The first development is the decreasing control of national governments over entities that operate globally which increases the challenge of safeguarding the well-being of citizens. Second, there has been a significant increase in the level of social and environmental awareness within civil society, which has led to an increase in consumer demands for products that have been created under ethical conditions. According to Wickert and Risi, the last development is the impact that financial markets have on the prosperity of the economy, as well as the increased mobility of firms that move into tax haven countries or migrate production to countries with lower labor costs (Wickert and Risi 2019, p. 13).

As a consequence, of the Rana Plaza collapse, consumers and NGOs increased their pressure on brands, which is the second development. Companies then increasingly attempted to implement and enforce codes of conduct within their supply chains and published sustainability statements and integrated reports. In that context, a substantial worldwide infrastructure of institutions that promote CSR emerged to support firms in moving toward greater responsibility. Some examples of these institutions include the United Nations Global Compact and the Global Reporting Initiative (Waddock 2018).

Because geographic production and trade patterns in many industries are increasingly becoming dense in the global South, lead firms in GVCs are coming under increasing pressure to link economic and social upgrading in more integrated forms of CSR. According to Gereffi and Lee (2016, p. 25), this "is leading to a confluence of "private governance" […] "social governance" […] and "public governance"." Given the accumulation of evidence and concerns regarding issues such as child labor, exploitative working conditions, and the vulnerability of workers in production clusters in the global South, there is an increasing issue that economic upgrading is no longer feasible for achieving sustainable CSR (ibid, p.26). This is backed by other scholars such as Locke (2013) or Waddock (2018, p. 377) who suggest that CSR is not sufficient to provide for system change and the needed transformation for enterprises, economies and societies to deal with the increasingly fatal challenges involving sustainability, climate change and issues of inequality.

3.4 Own Theoretical Approach

Below is a description of how the theoretical approaches described are linked and used in this thesis.

The focus is firstly on the GVC approach, which aims to understand the creation, capture, use and retention of value across all industry types. The classification into one of the five governance types is useful for describing the role of lead firms including their exercise of power and the resulting power asymmetries (Gereffi and Lee 2016, pp. 25–27). Due to the linearity of value chains as can be perceived in the GVC approach, a combination with the GPN approach is considered necessary. Here, it becomes clear that "value chains" are more like a global network in which external actors such as states and NGOs can exert considerable influence. Especially when the entire value chain is considered from raw material extraction to final product, the linear concept is not very appropriate. However, when the focus is on the relationship between lead firms and direct suppliers, as in this research, the GVC approach can be justified, taking into account that a small part of the whole network is considered.

It should also be noted at this point that this work focuses on cradle-to-gate production and that asymmetries and governance structures may change as a result of increasing circular economy. However, this is beyond the scope of the paper and would also require a different theoretical approach. In relation to the textile sector, it is assumed that the essential governance structure ("captive") is not or hardly changed by the external influence, but rather the power asymmetries could shift, or an influence is exerted on how successful economic, ecological, or social upgrading can take place.

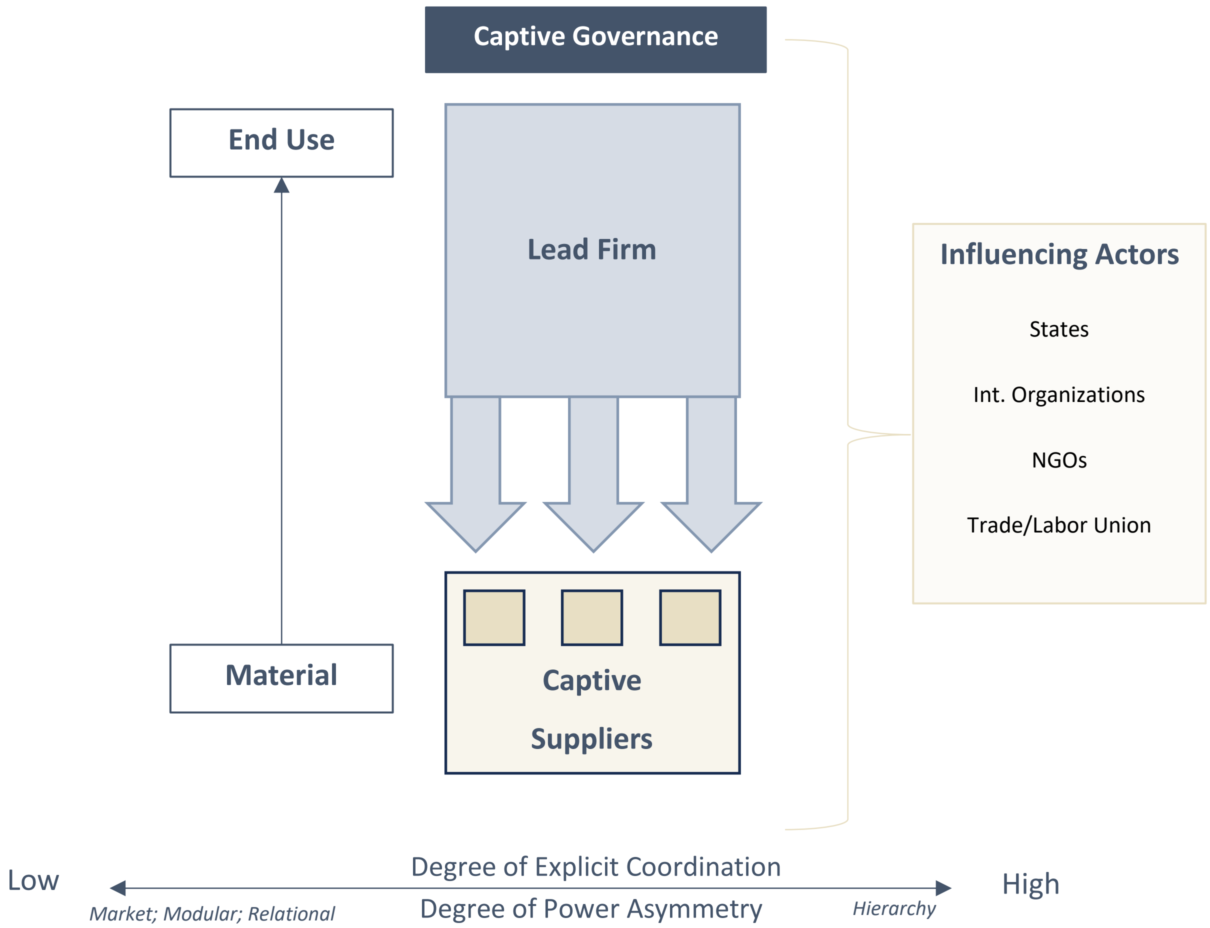

Figure 1 Own illustration based on Gereffi (2005, p. 89)

The combination of the two approaches, which build on each other but are nevertheless different, was attempted to be shown in the following graphic. The described soft law approaches of the OECD and the UN, but also of the ILO, are mainly used for the comparison with the Due Diligence Guideline according to the latest official version and where possible gaps or contradictions between the established guidelines and the developing hard law exist.

4 The European Textile Industry

4.1 Overview

Apparel is one of the world's oldest, largest, and most international export industries and due to its low fixed costs and focus on labor-intensive production it is often the traditional starting industry for nations engaged in export-oriented industrialization (Gereffi and Frederick 2010). China is the largest exporter of clothing in the world, accounting for almost 32% of all garment exports in 2018, followed by Bangladesh (6,5%), Vietnam (5.7%), Türkiye (3.4%), and India (2.9 %) (Sheng 2022b). Until recently, consumption was highly concentrated with the United States, the European Union and Japan being the main consumption regions (Gereffi and Frederick 2010). However, the (luxury) fashion market in China has grown immensely in the last decade due to an increasing domestic market, high levels of disposable income, and Chinese consumers' willingness to spend more for high-quality goods (Marketing China 2023).

Economically speaking, several events impacted the apparel industry lately. The first crisis happened in 2005 when the World Trade Organization decided to phase-out the quota system for textiles and apparel, called Multi-Fiber Arrangement (MFA), which supplied many small, export-focused economies with access to markets in developed nations. The geography of garment manufacturing and commerce around the world underwent a significant shift as a result, and business strategies had to be revised to realign production and sourcing networks to take into account the new economic and political climate. The second event was the financial crisis in 2008 and the subsequent recession which had a negative impact on demand for apparel exports. Unemployment across the entire supply chain was the consequence for workers but also a transition to more streamlined supply chains where lead firms preferred to work with a consolidated and strategically placed supplier pool. Nevertheless, low-cost garment makers such as China, India, Bangladesh and Vietnam were able to grow their export shares in important international markets (Gereffi and Frederick 2010). Though the Covid-19 pandemic in 2020 also had a massive impact on the functioning of supply chains, workers in the value chain and working conditions, exports accelerated again in 2021. Yet, inflation and rising energy costs could slow the economy in 2023 (World Trade Organization 2023). Numerous international fashion brands and retailers have been striving to minimize their sourcing of garments from China, a trend that has been fueled by a variety of economic and non-economic factors, including cost considerations, trade issues, and geopolitics. As a consequence, clothing exporters are increasingly competing to be considered as an alternative to China (Sheng 2022b). In 2022, a study recognized the sourcing diversification strategy being adopted once again by several fashion firms in order to manage risks effectively and being increasingly flexible with sourcing as this became an essential concern, especially during the Covid-19 pandemic (Sheng 2022a).

4.2 VALUE CHAINS IN THE TEXTILE INDUSTRY

In the apparel business, manufacturing networks and value chains have been extremely fragmented for decades and large retailers and brands have almost entirely moved production to the global South (Dünhaupt and Herr 2021). Therefore, these networks and chains are global, and price rivalry applies immense pressure to cut labor costs in this labor-intensive industry. Typically, lead firms today focus on key competencies including research, design, and branding. Less profitable production procedures and service inputs are outsourced and offshored. Thus, the brands themselves become hollow firms that, in the majority of cases, do not have their own production facilities (Fischer et al. 2021; Flecker 2021). The complex and dynamic structure of economic activity has accelerated the growth of developing and emerging economies' productive capacity. Economic globalization has created a great deal of wealth for some people in some regions of the world, but rapid economic growth has been accompanied by the expansion of precarious forms of employment, especially at the margins of the new global economy, but also within core functions and companies. It has also contributed to labor pressure in more traditional production locations (Mayer and Pickles 2014, p. 17). In most cases, the power ties within value chains favor the brands themselves over the manufacturing enterprises. The ensuing imbalances and dependencies among the businesses are sometimes referred to as "captive value chains" (Gereffi 2005b). In recent years however, also more modular governance structures developed within the apparel sector, with larger suppliers being able to supply finished goods (Gereffi and Frederick 2010). Despite this shift in governance, no positive effect on power asymmetries in GVCs and the pressure on suppliers to reduce costs could be observed (Dünhaupt and Herr 2021, p. 466).

The fashion industry is a complex system, that could be broken down in smaller ones, such as “fast fashion”, the developing slow fashion movement or haute couture. Any action that is made by one of these smaller systems collectively will have repercussions for the entire system. This can facilitate the identification of the root causes of problems by demonstrating the interconnectedness between events and suggesting the most strategic ways to develop solutions. It also brings to light how dependent our culture and the fashion business are on the ecosphere, which includes natural resources such as fresh water, land, and air; fossil fuels; raw fibers; and ecological diversity (Gardetti and Torres 2013, p. 25). In practice, the textile industry’s value chain, regardless of whether it is about fast fashion or haute couture, is composed of four major segments: 1) raw material supply; 2) production 3) exporting and 4) marketing and retailing (cf. Gereffi and Korzeniewicz 1990, 51). These four segments usually include a few more subcategories to actually turn a cotton plant in the field into a clothing piece in the store.

The practice of subcontracting plays a significant part in this industry. Here, manufacturing companies outsource a part of their production to another manufacturer, who usually does not have a business relationship with the lead firm. This shifts the burden of meeting deadlines and fluctuating production quantities to these companies (Dünhaupt and Herr 2021). The interwoven relationships between the actors make it clear that the term "chain" can actually be misinterpreted - in fact, representations of value chains in the textile sector are more like a global spider's web. Taking into account that more and more external actors, including governments, NGOs, public institutions, are now influencing corporate due diligence and sustainability efforts by lead firms and manufacturers, the GPN approach incorporating the governance types of the GVC framework is quite appropriate.

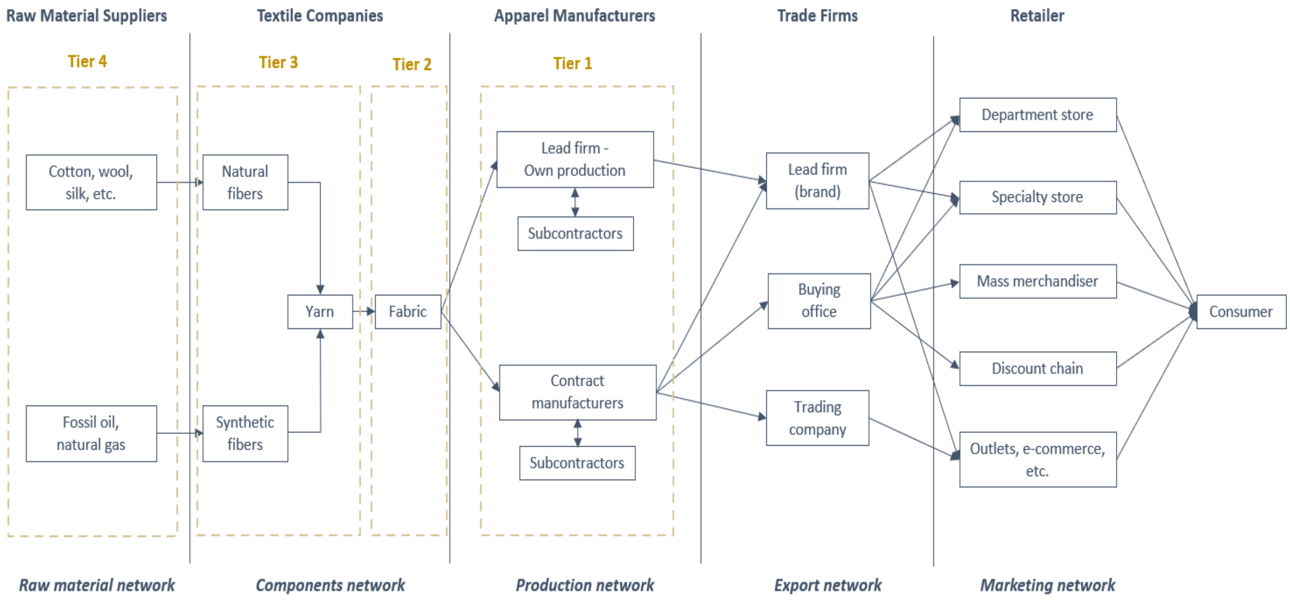

Figure 2 Global Textile Value Chains – own illustration based on Gereffi and Memedovic 2003, p. 5

4.3 Sector Risks in the Textile Industry

Bernhardt (2014) argues, that over the past few years, the global clothing industry has been hit by not one but two significant crises. The first crisis happened in 2004 and was shortly described before: The Multi-Fiber Arrangement (MFA), which had governed the international garment trade since 1974 by imposing quotas on the apparel and textile exports of developing countries to industrialized ones, came to an end in 2004. As a direct result of this, the global garment supply chain underwent a significant amount of shifting. The second catastrophe is the worldwide economic downturn that began in 2008 and has since spread to every region of the world. This resulted in a further acceleration of the sector-wide reconfiguration and restructuring that was already underway. The Covid-19 pandemic was another event that took its toll on the industry (cf. Bernhardt 2014, pp. 40–41).

Due to the described unfavorable conditions in the Global Production Networks chapter (2.2), in April 2013, one of the worst disasters in the industry happened. The Rana Plaza factory building in Bangladesh collapsed due to disregarded health and safety measures. More than 1000 garment factory workers who were producing clothing for Western fast-fashion brands died and another 2000 were injured, drawing attention to the dangerous working conditions, frequent overtime without compensation, and the absence of collective workers' rights in the industry (Saxena 2021, p. 2). As a result, the primarily buyer-driven supply chain was attempted to be broaden, not only in Bangladesh, by involving multiple domestic as well as international actors in governing the supply chain. These actors include the government, labor unions, non-governmental organizations (NGOs), as well as major brands and merchants who collaborated on "soft laws" such as compliance standards and codes of conduct to enhance governance mechanisms (Alamgir and Banerjee 2019).

Despite all efforts, working conditions in textile factories remain desirable, especially for those producing for lead firms, where purchase prices, delivery times and competitive pressures are particularly unsustainable. Labor standards can be violated in any production country, regardless of whether the factory is located in Europe or in the global South. The level of risk may be lower in countries with high standards, but there is no guarantee of compliance with labor law. “Risk” usually refers to the likelihood of negative incidents and the severity of such incident (Raian et al. 2022, p. 2). It should be noted, however, that there is a different level of risk in each country of production.

For instance, Bangladesh has better access to health and safety management compared to ten years ago, according to the Fair Wear Foundation, which routinely audits factories. However, the foundation also discovers that low communication between workers and management, involuntary excessive overtime, and wages far below living wage benchmarks are persistent issues. There are still many barriers to workers' freedom of association, gender inequality persists, and construction safety regulations are nonexistent (Fair Wear Foundation 2023a).

In Türkiye, on the other hand, other problems can be observed. For instance, factory buildings and the residences of factory workers sustained irreversible damage during the earthquake in February 2023. Türkiye is also home to the largest refugee population in the world, most of whom are employed illegally and are particularly vulnerable to dangerous working conditions due to this informal employment relationship (Fair Wear Foundation 2023c). Myanmar, on the other hand, is suffering from the renewed military coup that took place in 2021, since which all systems protecting human and workers' rights have violently collapsed. Job losses and severe restrictions on NGO work in the country have only exacerbated the prevailing risks: forced and mandatory overtime without leave, gender-based violence and harassment, unsafe working conditions, extremely low wages, denial of severance pay after sudden termination of employment, and arbitrary arrests and detentions. Child labor, for which there was already an increased risk before the coup, has continued to rise in the country (Fair Wear Foundation 2023b).

In November 2023, the government of Bangladesh declared an increase in the minimum wage for garment workers. It increased by 56% to almost $113 a month. However, protests and demonstrations took place beforehand, as previously only a 25% increase was offered, which would have been equivalent to $90 a month. Like so many other countries at the moment, Bangladesh is suffering from inflation of 9.5%, making the cost of living generally more expensive (VOA News 2023). However, a fair living wage in 2023 is $235 a month in Dhaka and $194 in satellite cities, according to the Global Living Wage Coalition. This means that the new minimum wage would still be well below a living wage (Medinaceli et al. 2023). In response to the demands of the demonstrators, factory owners have retaliated by claiming that manufacturing costs have increased due to rising energy and transportation costs and that Western companies are offering lower production prices (VOA News 2023).

In Türkiye, a super-inflation of 85% was experienced in 2021. For 2023, minimum wages were increased by 55% to $455 and again in January 2024 to around $550 (Sriram 2022; WageIndicator Foundation 2024). Unfortunately, there are too few up to date assessments of what a livable wage would be in Türkiye at the moment. The last estimate from the Global

Living Wage Coalition is from 2020 - here the reference value was $507. The Clean Clothes Campaign estimates this value to be around $950 in 2022, although the method for this value is not transparently disclosed (Global Living Wage Coalition 2020; Clean Clothes Campaign 2022).

From a purely economic perspective, improving sustainability in value chains is considered a competitive business strategy that companies can use because it is affordable, environmentally friendly and promotes social well-being. Additionally, market dislocations, political unpredictability, non-compliance issues and the changing global business environment can be risky if not managed properly. A company's value chain may be more vulnerable to reputational damage, financial losses, labor strikes, customer boycotts, or expensive legal action (Raian et al. 2022, p. 1). Even if companies find the working conditions in their value chains irrelevant from a development-oriented or fair sustainable perspective or do not see themselves as responsible for them, at least the economic risks associated with non-compliance with CSR standards should be an important motivating factor.

5 Supply Chain Regulations in Europe

5.1 Development process of the Corporate Sustainability Due Diligence Directive

The disaster at Rana Plaza and other appalling working conditions and labor practices, such as the abuse of child labor, migrant workers, and forced labor in many sectors, as well as the environmental impact through the apparel sector, are among the reasons for calling for legislation that requires companies to act responsibly and implement a sound human rights due diligence (HRDD) system (Jurić et al. 2023). According to Nelson et al. (2020, p. 3), HRDD is a process-oriented standard rather than a performance-based one. Incorporating responsible business conduct into company policies and management systems is one of the steps that are included in this process. Other steps include identifying, assessing, preventing, mitigating, monitoring, and correcting any negative impacts on human rights that may occur throughout the supply chain. Beginning in 2017, various countries in Europe, including as France, Germany, and the Netherlands, started the process of adopting their own versions of human rights due diligence legislation. As a result, momentum was generated for the EU to assist in creating a level playing field (Shift Project, Ltd. 2023). Therefore, the European Commission published a proposal of the Corporate Sustainability Due Diligence Directive (CSDDD or the Directive) and amending Directive (EU) 2019/1973 on February 23, 2022. The catalyst for enhanced political discourse was a one-of-a-kind set of global principles, the 2011 UNGPs. The principles reframed the discussion over corporate accountability by emphasizing the roles of states, corporations, and civil society, and proposed 'due diligence' as a new legal mechanism for leading firms to evaluate their value chains. The CSDDD, like the German Supply Chain Act of 2021, is global in both its scope and the roots of its basic concepts (Eller 2023).

This proposal aimed to require companies operating within the EU, whether they are EU-based or non-EU-based, to take responsibility for the environmental and social impact of both their own operations and those of their suppliers. If a company does not fall within the scope of the Directive, then it will not be directly governed by it. However, the law has an indirect impact on them if they are part of the value chain of a company that falls within the scope, as the company concerned must then integrate them into its compliance system (Campbell and Kraten 2022). In June 2023, the European Parliament (EP) published a proposal for a Directive of the European Parliament and of the Council on corporate sustainability due diligence and amending the European Parliament Directive. The trilogue between the Council of the EU, the European Parliament and the European Commission then began in the second half of the year. This was intended to determine the scope and type of sustainability due diligence requirements for companies operating in the internal market (Vallejo 2023). The trilogue was planned until the end of 2023 but the negotiations and objections from NGOs, politics and industrial associations all had the potential to delay the final result. As it passed, certain companies are required to implement mandatory due diligence obligations to identify, prevent or mitigate and ultimately end negative impacts of their corporate activities on human rights and the environment (Cherelle 2023; Stibbe

2023). A robust mandate for the negotiations was held by the Parliament and its viewpoints were more closely linked with the OECD Guidelines and the UNGPs, therefore providing a higher probability of being effective in practice (amfori et al. 2022; Fair Trade Advocacy Office et al. 2023).

The development of the Directive was significantly driven by the efforts of the European Trade Union Confederation (ETUC), which already in December 2019 called for a European Directive on mandatory human rights due diligence and responsible business conduct (European Trade Union Confederation 2022). The draft followed in the footsteps of the 2017 French devoir du vigilance (duty of vigilance) and the 2021 German Lieferkettensorgfaltspflichtengesetz (Supply Chain Due Diligence Law) which is applicable since January 2023 and was so far the most ambitious regulation. Following several years of consultation at the EU level with considerable public attention, the Commission's draft directive was under consideration in 2023 from both the Council of the European Union (representing each European government of the day) and the European Parliament. The consultations at the EU level took place over the course of several years (directly elected European politicians). Following the conclusion of their deliberations over their respective stances, these institutions engaged in what is known as a "trilogue" in which the final language is negotiated (Patz 2022, p. 291). As soon as a proposed directive is approved by the European Parliament and the European Council, it will require all 27 member states of the EU to enact laws that are consistent with the directive. This will have a significant impact on the way that international business will advance in the future (Campbell and Kraten 2022, 6).

Several NGOs and research centers were engaged in providing substantive feedback on the drafts, doing their part to help ensure that the proposal, if implemented, will indeed ensure that companies conduct meaningful human rights and environmental due diligence value chains throughout their value chains. The nonprofit organization Shift, for instance, contended that it is essential to align the Directive with the pre-existing, authoritative international standards for sustainability due diligence. These standards include the UNGPs and the OECD Guidelines for MNEs (Vallejo 2023, p. 1). An alliance of garment industry representatives including among others the Fair Wear Foundation (FWF), the Ethical Trading Initiative (ETI), and the Sustainable Apparel Coalition also argued that the proposal departs, in several areas, from both the UNGPs and the OECD guidelines. One of the points that has been criticized is the relationship-based obligation to perform due diligence, while in reality, it ought to be risk-based. Based on the CSR practices that firms with a mature due diligence process have followed, it has been demonstrated that the concept of prioritization based on severity within the due diligence process is essential in order to make the due diligence process manageable for businesses. In accordance with the OECD Guidelines, the alliance placed additional emphasis on the significance of the responsibilities held by the company itself. As a result, the alliance criticized the practice of shifting responsibility to third parties such as suppliers, industry schemes, or multi-stakeholder initiatives, and it highlighted the necessity of encouraging responsible purchasing practices (amfori et al. 2022, pp. 3–4).

Further feedback also came from smallholder farmers from Africa. They urged during an event that the legislation should create incentives for businesses to consider how the actions they engage in, including price decisions, are connected to some of the most serious human rights problems that exist in the world today (Rainforest Alliance et al. 2023). These demands are supported by Nelson et al. (2020) who suggest including a definition of human rights due diligence in the Directive to ensure that it covers pricing and procurement practices that either directly or indirectly influence the ability of workers and farmers to earn a living wage. This is relevant because the trading and procurement practices by lead firms keep existing power disparities in place and encourage the top-down approach regarding putting pressure on suppliers. In addition, the authors emphasize in their research that multinational corporations should be the primary focus of the legislation, but that it is critical to take into account the perspectives of other businesses that are involved in the global supply chain. Legislation has the potential to have an effect on all types of businesses, but particularly on those of a smaller size, which is why SMEs require special consideration (Nelson et al. 2020, p. 4).

As mentioned earlier, the EU parliament officially adopted its position on the Corporate Sustainability Due Diligence Directive in June 2023. The acceptance of the report, which was voted with 366 votes in favor and 225 votes against, came after intense talks and last-minute resistances by some members of the European Parliament, most of whom were from the European People's Party (EPP) to crucial elements of the text (Ellena 2023). The Directive requires due diligence to be integrated into management systems and policies, as well as the identification, assessment, and management of risks and impacts. An additional requirement consists in the remediation and mitigation of these risks and impacts, as well as the establishment of a grievance procedure. In addition, the measures of due diligence need to be monitored, and an annual report should be released that discusses the measures of due diligence that have been taken (Solidaridad Network 2023). What has been scrapped out due to the efforts of the EPP is the responsibility of the board of directors in establishing and monitoring the due diligence requirements outlined in the draft law (Ellena 2023).

On January 30, 2024, the EU CSDDD was released in its final consolidated form and it was likely that it will then be approved in the first half of 2024. EU member states then need to implement the Directive within two years through national legislation. The regulations will therefore go into effect in 2026 (Blomquist 2024; Richter-Schöller 2024). Friday, February 9th, was set aside as the day for the EU member states' Council to hold the final vote on the EU Supply Chain Directive. Germany declared it would not participate in the voting process as a result of the FDP's (Free Democratic Party) objection within the coalition that governs Germany. There was a chance that the necessary majority would not have been reached because other EU members such as France and Italy were also against the current text of the EU Supply Chain Directive. The Belgian Council Presidency therefore decided to postpone the vote at short notice (Würz 2024). As a response, several corporations published a joint statement urgently calling for an agreement on the CSDDD as it would bring clarity and more uniform competitive conditions within Europe (Business & Human Rights Resource Centre 2024).

Following the impasse in the EU capitals in February, the Belgian Presidency was able to negotiate among the Member States, resulting in the CSDDD's political adoption on March 15, 2024. However, in order to achieve this, significant cuts were made to what was supposed to be a political agreement with the Parliament in December 2023 (Garcia 2024). The final step is for the revised proposal to be formally approved by the European Parliament before it can be finally transposed into national law.

5.2 AIM AND PARAMETERS OF THE CSDDD

The purpose of this Directive is to encourage businesses to behave in a way that is both sustainable and responsible, as well as to ensure that corporate governance and business operations take into account human rights and environmental concerns. Because of the new regulations, firms will be required to address the negative repercussions that are caused by their actions, including those that occur within and outside of Europe along their value chains (European Commission 2023a). Thus, the Draft by the Parliament goes beyond the supply chain and defines "value chain" in a very broad sense to refer to operations related to the development, production, and provision of goods and services, as well as the use and disposal of products and the related activities of upstream and downstream businesses (Campbell and Kraten 2022). The Commission's proposal was in line with international standards, proposing that all business relationships across a company's value chain should be in scope (Davis 2023, p. 4). The European Council, on the other hand, rejected the European Commission's draft and demanded that the phrase "value chain" be substituted by the word "chain of activities." (Castellanos-Jankiewicz and Schneider 2023). Nevertheless, the term value chain will continue to be used in this thesis. The text from January 2024 changed indeed the concept of "value chain" to "chain of activities" and includes not only direct and indirect upstream suppliers but also downstream suppliers. In the compromise of March 2024, the term "chain of activities" is still be used but downstream activities such as recycling, composting and landfilling are excluded (Council of the European Union 3/15/2024).

The CSDDD obligates corporations to ensure that their economic activities do not have a harmful impact on human rights or the environment throughout the entire value chain.

Regarding environmental standards, the CSDDD is quite broad as almost all measurable adverse environmental effects are taken into account. As the directive refers to international conventions such as the Universal Declaration of Human Rights, companies must also ensure that their products have no adverse effects on human rights throughout their entire life cycle (Richter-Schöller 2024). This applies, for example, to working hours, child labor and forced labor, poor health and safety in the workplace and exploitation in the workplace.

Entities that fall in the scope of the CSDDD are obliged to fulfill certain requirements, one of them referring to due diligence. Within their own operations, those of their subsidiaries, and throughout their value chains, businesses are obligated to perform activities that fall under the category of "due diligence." These efforts should evaluate the adverse effects on human rights and the environment. In addition, entities are required to develop policies that contain a code of conduct for employees and subsidiaries, as well as explanations of methods for putting due diligence operations into action. To reflect on the relevance of these policies, they must be updated each year (Davis 2023). It should be noted in this context, however, that the Directive does not expect companies to guarantee that negative impacts will never occur or that they will cease. Instead, it requires companies to implement measures to address adverse impacts that are proportionate to their severity and likelihood. This is called an "obligation of means" (Council of the European Union 3/15/2024, p. 11).

Another major topic that will be covered by the CSDDD is the negative effects that operations and business interactions can have on both human rights and the environment. It is expected of businesses to take the appropriate measures to identify these actual or potential negative impacts in their value chains, and to then prevent or mitigate those impacts accordingly. Prioritizing corrective actions is necessary, and it should depend on the impact's severity, scope, and finality. This is referred to as a risk-based approach. In addition, the CSDDD requires organizations to implement preventative or corrective action plans, obtain contractual assurances that the entities in the value chain are following the code of conduct and action plans, and pay affected persons financially in order to further minimize actual detrimental consequences (European Commission 2023a; Campbell and

Kraten 2022). As a last resort, and this is clearly emphasized in the text from January 2024, that this should be the last option, contracts with suppliers must be terminated or suspended indefinitely. However, this should only be an option if cooperation with direct and indirect suppliers brings no remediation to the negative effects. It has long been unclear if financial institutions will be in scope of the CSDDD. Even if their downstream operations constitute their primary business activity, banks and other financial institutions are now solely taken into account in relation to their downstream suppliers (Richter-Schöller 2024).

The draft still provided for explicit liability for the Management Board and Supervisory Board. This was deleted in the January version, but under Austrian law, members of the management board and supervisory board can still be personally liable if they behave unlawfully and culpably in the exercise of their function. Another demand is the extension of whistleblower protection so that affected persons in the value chain have the opportunity to report information. Companies who disregard these requirements risk administrative fines of up to 5% of their consolidated worldwide turnover and the supervisory body must disclose the fines for a minimum of five years. In addition to particular rights of action for NGOs and civil society, reimbursement for damages is stipulated in the amount of full recompense. Furthermore, in public tenders, consideration must be given to CSDDD infractions (ibid).

5.3 Alignment with International Standards

With regard to the scope of application of the CSDDD, the parties were in favor of different limit values - for example, 500 or 1000 employees were under discussion. However, the area of application was expanded in the January edition to include businesses with more than 500 employees and a revenue of more than EUR 150 million. For businesses in "high-impact" industries, lower criteria of 250 people and EUR 40 million in turnover are applicable. The textile, agricultural, food and beverage, and construction industries are among the "high-impact," or especially sensitive, sectors (Richter-Schöller 2024). However, the scope of application was greatly increased in the compromise version from March: Companies with more than 1000 employees and a net worldwide turnover of 450 million euros in the last financial year fall within the scope of application. Smaller limits for companies in high-risk sectors have been lifted. If a company based outside the EU achieves a net turnover of 450 million euros within the EU, this company also falls within the scope of the CSDDD (Council of the European Union 3/15/2024, p. 15). The current draft will encompass around 5,400 companies, which is a 67% decrease from the 16,389 companies that would have been covered by the rules tentatively agreed upon by the European Parliament and the Council in December (Brunetti 2024).

External stakeholders such as the NGO Shift pointed out before that limit values should be harmonized in the guidelines and regulations of the Green Deal. In the new reporting standard, the so-called Corporate Sustainability Reporting Directive (CSRD), which will apply to some companies from 2024 onwards, defines the threshold as 250 employees. In the existing international due diligence standards, companies of all industries and sizes are called upon to act responsibly, as the core concepts for due diligence are tailored to the type of sustainability risks and impacts of a specific company (Davis 2023, p. 9). In a nutshell, the CSRD demands sustainability disclosures that are paying attention to human rights issues throughout the entire value chain, engaging meaningfully with affected stakeholders and taking into account the risks related to a company's business model and strategy – which is in line with the international due diligence standards (European Commission 2023b).

Regarding due diligence on human rights, the CSDDD would be compliant with current international norms. These consist of the OECD Due Diligence Guidelines for Responsible Business Conduct, the UN Guiding Principles on Business and Human Rights, and the OECD Guidelines for Multinational Enterprises (Adcock et al. 2023). For due diligence, the CSDDD refers to the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (European Parliament and the council of the European Union 2024, p. 9). The 1998 ILO Declaration on Fundamental Principles and Rights at Work defines all fundamental principles and rights at work, which are intended to be fully covered by the Directive (Council of the European Union 3/15/2024).

The CSDDD's original proposal limits a company's due diligence obligation to conducting due diligence on its own operations, subsidiaries, and business partners in an "established business relationship" in its value chain but was not well defined yet. Short-term, erratic, or informal relationships, like unofficial subcontracting, home-based labor (like artisanal embroidery), or self-employed workers (like cotton farmers), may be exempt from the scope of due diligence obligations if it refers to direct or indirect business partners with whom the company in scope has a long-term relationship (The Remedy Project 2023). Comparatively, in the OECD MNE Guidelines, "business relationship" refers to relationships with business partners, subcontractors, franchisees, investee companies, clients, and joint venture partners; it also refers to supply chain entities that provide goods or services that support the enterprise's operations; or that receive, license, purchase, or use goods or services from the enterprise. In addition, any other non-State or State entities that are directly related to the enterprise's operations, goods, or services are also included. Here, companies are expected to adopt a risk-based approach, taking into account the probability and severity of identified potential and actual risks (OECD 2023, p. 18). The Council's position would prefer the definition of "business partner" as this term has broader implications and a wider scope. In the final versions of January as well as March, the latter term was used.

5.4 OTHER REGULATIONS WITHIN THE EUROPEAN UNION

According to Marshall et al. (2023), the nations that make up the Economic North or those who are members of the OECD are the ones who are most interested in HRDD. It is viewed as a mechanism to ensure that firms whose headquarters are located in wealthy countries accept responsibility for adverse effects on human rights caused by their supply chains, which frequently extend into the Global South.

The CSDDD is not the first approach to dealing with HRDD and promoting more responsible business behavior. The Supply Chain Sourcing Obligations Act (“Lieferkettensorgfaltspflichtengesetz”), for instance, has been in force in Germany since January 2023. The law regulates corporate responsibility for compliance with human rights in global supply chains. This includes, for example, protection against child labor, the right to fair wages, and environmental protection. Companies that fall under the law are required to identify, evaluate and prioritize supply chain risks and issue a policy statement accordingly. In addition, measures must be implemented to eliminate or prevent instances in which human rights are violated (Bundesministerium für Arbeit und Soziales 2023). It should be noted that from 2023 the law initially applied to companies with at least 3,000 employees, from 2024 it will also apply to companies with at least 1,000 employees in Germany. This means that around 600 companies in Germany were affected in the first year, and around 2,900 companies in the second year (Agentur für Wirtschaft und Entwicklung 2023). In 2021, there were approximately 4 million companies in Germany as a whole. Of these, the majority (2.9 million) are microenterprises. Still, more than 16,000 companies have more than 250 employees. Considering then the larger companies exclusively, only a scant 4 percent will fall under the legislation in 2023, and 17 percent approximately in 2024 (Statista 2021). As the name suggests, the focus in this piece of legislation is on a company's supply chain. This means that the due diligence obligation applies to direct suppliers. Indirect suppliers must be considered in a risk analysis, but further action is only necessary in cases of suspicion (Bundesministerium für Arbeit und Soziales 2023).

Besides, there are four other HRDD laws enacted in Europe until now. France was the first to introduce the French Duty of Vigilance in 2017, followed by the Netherlands in 2019 with the Dutch Child Labor Due Diligence Act. In 2021 the Swiss Due Diligence Legislation was published as well as the Norwegian Transparency Act. The French vigilance plan may be created as part of multi-party initiatives or in cooperation with pertinent parties. It needs to have the five actions listed below: An alert mechanism that gathers reports on actual or current risks and is developed in conjunction with unions; a monitoring system to track the actions taken and assess their efficacy; a process for routinely evaluating the state of subsidiaries and suppliers; and a mapping that identifies, analyzes, and assesses risks (Deva 2023, p. 407). Both the Swiss plan and the French law cover all enterprises up to a specific size and address environmental and human rights issues. Both have extraterritorial reach since victims may file lawsuits in France or Switzerland even though the harms happened in another state, and covered companies are required to exercise a duty of care throughout their worldwide supply chain. The Swiss proposal would shift the burden of proof from victims to companies, which is where it differs from the French Dury of Vigilance (COSSART et al. 2017, p. 319).

The Dutch Child Labor Due Diligence Law mandates businesses that offer products or services to Dutch consumers to recognize and avoid using child labor in their supply chains. The Dutch law is distinct from other laws in that it mandates the designation of a regulator in order for the corporation to post its due diligence reports on human rights in a public registry. At least initially, companies cannot be sued, but individuals impacted can lodge a complaint with this oversight body. Additionally, it was the first law to establish criminal sanctions for violating the due diligence requirements related to human rights. In addition, the law makes an effort to include an existing mechanism for ethical business practices (Hoff 2019). However, the focus of the law is on compliance with a process and there are no provisions for a red line or strict liability, including with regard to child labor (Deva 2023, p. 408).

Norwegian legislation seeks to encourage businesses that produce goods and provide services to respect fundamental human rights and provide fair working conditions. The UN Guiding Principles' concept of "internationally recognized human rights" and the notion of "fundamental human rights" are similar. Norwegian legislation places greater demands on businesses by clearly defining decent employment as involving a living wage (rather than the minimum wage) (Deva 2023, p. 409). The right to access information is another element in which the Norwegian Transparency Act varies from the other HRDD legislations in Europe. Anybody can obtain information from a firm about how it handles actual and potential impacts on human rights under this requirement. In addition, the size and volume thresholds for companies to fall in the scope of the law is considerably lower with 50 full time employees and an annual turnover of roughly 6.9 million Euros (Kyhl et al. 2022).

According to Deva (2023, p. 391), in order to successfully safeguard people and the environment from harm caused by business, binding HRDD regulations need fulfill at least six requirements. This entails enshrining the law as broadly as possible, removing power imbalances that already exist, going beyond current procedures, defining "red lines," and guaranteeing efficient access to remedy. analysis and discussion of results. It is pointed out that the HRDD laws described focus on the process of human rights due diligence rather than including the outcome, namely the responsibility for companies to respect human rights (ibid, p. 413). Marshall et al. (2023) admit that the idea of HRDD is causing significant normative adjustments and has the potential to be a beneficial development for workers' rights. However, there is little evidence to suggest that HRDD laws, as they are currently designed and popularized in OECD nations, are bringing meaningful and practical advantages for labor.

Reflecting on existing laws, the Business and Human Rights Centre conducted research on the needed priorities of the CSDDD and organized workshops with worker representatives from the Global South in four different countries between November 2022 and April 2023. Participants at each of the four workshops emphasized that workers have spent over a decade engaging with "corporate social responsibility" processes driven by the Global North. These processes have, for the most part, failed to produce meaningful outcomes for workers, or even to acknowledge the key role that workers play as stakeholders. Among these trends has been an increase in the use of social audits as a component of certification programs and industry-driven sector efforts. In the meantime, the fundamentally unequal power dynamic that exists between employees and the firms that hire or buy them has not been challenged, and the rights of workers continue to be threatened in many of the nations that supply the EU. Participants acknowledged the requirement for a new legislative framework and were unanimous in their demand that workers from countries across the Global South be included in every stage of the process, beginning with the drafting of the law and continuing with the enforcement of due diligence requirements. When this condition is met, the Directive will have accomplished its primary goal of minimizing risks to human rights throughout global value chains (Wills and Swan 2023, p. 3).

6 RESEARCH METHODOLOGY

In order to be able to respond to the research questions that were stated in the introduction, this chapter presents the utilized research technique. A presentation of the qualitative orientation of the empirical study comes first, followed by a discussion of the research design, data collecting, and data analysis. Finally, the results of the investigation are discussed. The chapter comes to a close with a discussion on the ethical standards and quality criteria.

6.1 RESEARCH DESIGN

6.1.1 Research Philosophy

A school of thought or a collection of commonly held views that helps shape the meaning or interpretation of research results is referred to as a research paradigm. In other words, the researcher's worldview is what determines how the researcher sees and understands the world, as well as how the researcher behaves within that environment (Kivunja and Kuyini 2017). Part of this is to address the question of how knowledge is acquired and to what extent that knowledge reflects 'truth'. It is assumed in this context that knowledge is best derived from sense experience and demonstrable, objective facts. Therefore, the approach in this research tends toward empirical epistemology.

The research topic deals with regulations of supply chains and to what extent these regulations affect the concerned manufacturers in the global South. The previous chapters have already addressed, in part, the unequal power relations and related issues of social justice. Due to this underlying theme, the critical paradigm is deemed appropriate as it is among other factors characterized as concerns with power ties established within societal systems, as well as an effort to bring to light the intersections of politics, morality, and ethics (Mertens 2010). It further seeks to address the political, social and economic problems contributing to social injustice and power structures.

Horkheimer (2002) contends that in order for a critical theory to be considered adequate, it must first and foremost be explicatory, then normative, and last practical. In other words, it needs to address the issues that are plaguing the current social reality, determine who the agents of change are, lay out the parameters for constructive criticism, and specify the goals that can be achieved through social transformation. Alternatively referred to as a transformative paradigm, this approach examines modernity from a critical perspective. It seeks to alter existing policies that will lead to a reduction in dominance and an increase in freedom in all of its manifestations. Critical characteristics of this paradigm include the following: the pursuit of human emancipation, the explanation of the conditions that enslave human beings and the provision of normative bases for social inquiry. This model presupposes a dialogic methodology, an axiology that is respectful of cultural norms, a transactional epistemology, and an ontology of historical realism (Kivunja and Kuyini 2017, p. 35; Munck 1999, p. 34).

While in positivist science validity and reliability are important quality criteria, in the critical paradigm the following criteria are recognized: credibility, dependability, confirmability and transferability (Kivunja and Kuyini 2017, p. 34). Credibility refers to the trustworthiness and authenticity of the gathered data while dependability is defined as the capacity to observe the same outcome or discovery in situations that are quite similar to one another. This is because the interpretivist researcher studies human behavior, which, by its very nature, is continuously changing, contextual, and subjective. Because of this, it is impossible to reproduce the exact same results using this method of study (Guba 1981). The overarching purpose of the confirmability criterion is to ensure that any bias on the part of the researcher has as little of an effect as is practically possible, and ideally has no effect at all, on the results of the data that was analyzed. This is done in order to ensure that the findings can be confirmed by other experts in the field. The final criterion, that of transferability, has been disputed by a number of academics because of the context-specific nature of research following an interpretivist paradigm (Gomm et al. 2000). In the end, it reflects the efforts of the researcher to make sure that adequate contextual data about the research has been presented in order for readers to be able to apply these findings to their own contexts (Guba 1981).

6.1.2 Research Type

In line with the research paradigm, the research being conducted for this thesis is qualitative, which is generally interested in the subjectivity of the researched. This is because the research focuses on the potential benefits and threats posed by the CSDDD, which is a topic that is both extremely timely and highly contentious. As a result of the topic's current relevance, there is only little specific background information available. In light of this, it is advisable to engage in dialogue and derive early descriptions, theories, or hypotheses from the information gathered. The approach taken is therefore inductive.

In this method, the people being studied should be allowed to behave as normally as possible and to develop their personalities as freely as feasible. This, in turn, necessitates an orientation toward the particular case, which nevertheless goes hand in hand with an attempt at generalization. In contrast to quantitative research, qualitative research tends to be more open and context-oriented towards its research subject, more flexible in its methodology, and more centered on individual situations and subjective meaning structures which fits the research subject (Hug and Poscheschnik 2020).

6.2 Research Setting and Methods

A hermeneutic approach was chosen for the interpretation of the legal drafts of the Corporate Sustainability Due Diligence Directive - the legal basis for this work. This means that basic principles of scientific interpretation were developed for the interpretation of the directive since texts are produced by humans and therefore connected with subjective meanings (Mayring 2016, pp. 13–14). The process of determining what is required, prohibited, or permitted in a legal context is thus called legal interpretation. On the one hand, the institutional nature of legal interpretation arises from the fact that its subjects are the institutional acts of a legal system, the legal validity of which is dependent on the competences that were formed by the institutions themselves. On the other hand, it is a consequence of the fact that interpreters are likewise permitted to interpret and are integrated into the institutional requirements of a specific legal system (Klatt 2017, p. 228).

Throughout this procedure, there are several possible avenues of interpretation. The person who establishes the norm must be the one to provide the authentic interpretation. This is what is referred to as the legal definition, and in most cases, it is binding. On the other hand, judicial interpretation is created by the courts and is typically binding solely on the parties involved in the specific issue. The view that is based on jurisprudence is referred to as the dogmatic interpretation. Although it is not legally binding, it may have a significant factual influence on the way in which the courts make their decisions. Citizens are the ones who make lay interpretations. It does not become part of the body of customary law; hence it does not have any legal force (ibid). The researcher's competence extends a bit further than simple law interpretation, but it is not based on a degree in legal studies. As a consequence of this, written evaluations from legal counsel and policy advisers will be sought in order to provide a more accurate assessment of the existing draft of the law.

The further method of data collection necessary for answering the research question is based on semi-structured expert interviews. An interview is a form of conversation that is conducted with the goal of gathering scientific data. Although formal standards of ordinary language are employed, interviews are more systematic than casual conversations. Semi-structured interviews are often used in qualitative research, when an interview guide is created with the goal of bringing up pertinent issues that help to address the research question. With this partial structuring, the option to go deeper into a particularly fascinating subject or to pose more questions if necessary remains open (Hug and Poscheschnik 2015, p. 100). "Experts" are thought to possess specialized knowledge and competence, which is frequently connected to socially institutionalized positions like a job. Additionally, the expert is seen as a representative of a particular expert group rather than as an individual instance. In light of this, it is important to remember that the generalizability of expert knowledge should not be confused with the objectivity of an opinion, as there may be disagreements among experts within a group (Helfferich 2014, pp. 570–571).

Since the research is interested in the perceptions of manufacturers in the textile sector regarding the EU supply chain regulation, it is appropriate that these manufacturers constitute the main sample of the research. Specifically, managers and CEOs of medium-sized textile manufacturers were interviewed. Unfortunately, no samples were found for small-sized enterprises. The goal of the sampling process was to conduct at least three interviews with sufficient validity to be able to draw final conclusions with a certain level of confidence. For this purpose, supplier lists from fast fashion companies published online were used and systematically screened for contact details in order to get typical cases of fast fashion manufacturers. The brands usually publish the names of the suppliers, the address and the country. Using the supplier's name, an attempt was made to get email addresses using a search engine, these could however not be found for every supplier. In addition, NGOs such as the Fair Wear Foundation, the Solidaridad Network and Clean Clothes Campaign were contacted to find further potential interviewees, as these NGOs were expected to have a pool of suitable supplier contacts. This, unfortunately, turned out false and no interviewees were found via this approach.

During the sampling process, only suppliers from the global south were selected, as the aim of this work is to give these actors a forum. It was also a conscious decision to prioritize the suppliers of fast fashion brands, as the power imbalance in these value chains in particular is widening even further due to purchasing practices. In addition, it represents a certain form of this industry, in which many negative headlines and tragedies have been documented in the past, which, among other things, have contributed to the need for a hard law regulation. According to market research firm Business Research Company, fast fashion grew at a compound annual growth rate of 15.6% with further expected grow until 2027 at a rate of 10.7%, making it a material branch of the industry (The Business Research Company 2023). More than 150 suppliers were contacted via e-mail by the researcher and if no reply was received after a few days, a follow-up e-mail was sent as a reminder. Response rates were however quite low as only six replies were received, of which three turned into an interview. Even after repeated requests, confirmation of an interview appointment could not be obtained from the remaining three respondents. However, the three interviews conducted during July and August 2023 were meaningful and provided a sufficient basis for a subsequent analysis.

6.3 Methods and Procedure of Data Collection and Analysis

6.3.1 Data Collection

Reviewing and becoming familiar with the literature related to the research question and topic was the first step in the data collection process. Following the development of the theoretical framework, it was decided that qualitative research would be beneficial for this research topic. In this regard, it was essential to accurately define and confine the research topic and, consequently, the type of specialist knowledge that needed to be gathered. Against this background, the collection of this work is information related. The main objective was to gather technical knowledge that was both practical and experience based. However, a part of such an interview that is also recorded includes subjective assessments. The intention is to convey various perspectives, not to make generalizations (Hug and Poscheschnik 2020, pp. 89–91). Based on this, an interview guide was created to allow for comparison between interviews, to help answer the research question and to be able to hold the interview itself competently and professionally (Helfferich 2014). The design of the interview guide was based on the requirements for a guide defined by Helfferich, with a certain degree of flexibility being the focus (Helfferich 2011, pp. 180–181). The guide was divided into different thematic blocks: welcome and introduction (of the researcher and the topic), experiences with sustainability and due diligence within the factory, challenges associated with it in the past and now, advantages of advanced sustainability measures and finally the interviewees' opinions on the regulation of due diligence were discussed. For some lead questions, it was defined when to ask follow-up questions if ambiguities or unclarities are noticed. The researcher, after introducing herself and the topic, asked the interviewee to tell a bit about himself, his role within the company and the set-up of the factory. This should ensure that the interviewees can familiarize themselves with the interview setting through simple topics and then only have to refer to potentially more challenging questions as the conversation progresses.

The people interviewed work at the management level of textile factories that produce for European brands and are therefore confronted with sustainability issues and the fulfillment of due diligence obligations. Although the people interviewed work in the same segment and act as direct suppliers to European companies, their perspectives differ due to different cultural and geographical backgrounds. The interviewees were also requested to sign a statement of consent, which is included in the appendix I, and were informed in advance about how the interview will be used. The statement of consent covered the recording and use of the data. In order to enable an open conversation, the anonymity of the interviewees and the company was guaranteed. Since the research question does not deal with company-specific experiences, the focus was on the knowledge and experiences of the people interviewed, which is why anonymity does not impose restrictions on the evaluation of the data. The transcripts of the interviews are not attached due to the required anonymity but are available.

Regarding the interview itself, the researcher aimed for interviews to be around one hour long. The interviews took in reality 51:50 minutes for Interview A, 42:17 for Interview B and 1:20:00 for Interview C. Due to the spatial distance between the researcher and the interviewees, interviews were held in an online video setting when possible so that reactions could be better observed and also to ensure the interviewee would feel more confident speaking openly by seeing the researcher. In one interview, though, the internet connection by the interviewee was not strong enough and it was switched to a phone call during the introduction phase. When conducting the interviews, the interviewer followed the “Seven Golden Rules of Interview Technique” by Hug and Poscheschnik (2020, p. 105-106). These include comprehensibility, technique, a calm atmosphere, trust, control of the conversation as well as patience and flexibility. Therefore, the interviewer began with some background on herself and some easy questions to begin with in order to ease the interviewees. She also highlighted the anonymity of the interviewees and implemented an understanding approach towards the statements by the interviewees.

6.3.2 Data Analysis

This chapter describes the evaluation process and the data obtained from it. As a first step, the audio files of the interviews were transformed into written text by transcribing the interview with help of a transcription software called *Happy Scribe* (Happy Scribe 2024). Since English is not the native language for the interviewees, the written form of the interviews still had to be checked and revised because the dialects were not fully recognized by the software. Grammatical inconsistencies in sentence structure were retained in order to not distort the statements of the interviewees.

A qualitative summarizing content analysis was used to evaluate the interviews. Here, a person's concrete statement is taken, and a more abstract category or code is formed from it. Similar statements from the same person or other people can then be assigned to these codes. An inductive strategy was used to form categories, in which categories were derived step by step from the statements in the transcript (Hug and Poscheschnik 2020, p. 152). To simplify the coding process, the *Atlas.ti* software was used, in which individual codes can be assigned to coding groups (ATLAS.ti 2024). The software eases to simultaneously manage the transcripts, define categories for marked text sections and visually display the frequencies of the categories. The categories created were checked again and again during the analysis and revised if necessary. The results were then interpreted with regard to the research question and the significance of the analysis was assessed using the content analysis quality criteria (Mayring 2010, p. 59). The level of abstraction resulted in paraphrases which are reduced to their essential statements in two phases. As Mayring (ibid, p. 69) emphasizes the need to check at the end of the reduction phases whether the new statements compiled as a category system still represent the source material. Based on this, a second summary was also conducted to raise the level of abstraction even further. The result of this procedure should be a new, simpler, more comprehensive system of categories, which then must be reevaluated. This cycle may need to be repeated numerous times before the material reduction meets the desired outcome. It was determined that two occurrences of abstraction were sufficient for this study.

When evaluating interviews, the question arises as to how interpretations should be dealt with. As Kuckartz, Dresing et al. (2008, pp. 40–46) describe, an interpretative approach is necessary to go beyond simply describing the interview. For the evaluation, text passages from one category were summarized and described so that they could then be placed interpretively into a larger context by referring to the existing literature, theories and jurisdiction.

6.4 Ethical Issues

Qualitative interviewers must deal with ethical questions in research and do justice to the principles of informed consent and non-maleficence. The consent of the interviewee must be voluntary and in writing. Anonymizing personal data complies with data protection and also requires that audio files be deleted as soon as they are no longer needed for the research process (Helfferich 2011, pp. 190–191). However, there are also other ethical questions that can arise in the course of research and which require the ability to reflect ethically. This also includes, for example, dynamics and expectations between the interviewer and the interviewee. Although it can be helpful if both parties have a similar background, Helfferich emphasizes that it is more important that the interviewee is convinced that the researcher can understand them (Helfferich 2011, pp. 119–120). The researcher’s professional experience in the textile sector with a focus on sustainability was therefore perceived as beneficial for this research, as the researcher was able to more easily empathize with the situation of the factory managers and was already familiar with certain technical terms. Additionally, the researcher applied critical consciousness to avoid a biased attitude towards the interviewees and during the analytical process as much as possible. To define critical consciousness, the researcher applied the interpretation by Aluwihare-Samaranayake (2012, p. 66): “to represent thinking […] and being aware from multiple angles from outside in and inside out in the process of creating transparency to all thoughts, actions, and ways of being, taking into consideration different socio-cultural, economic, and political contexts."

One fact to keep in mind during the analysis of the interviews is that while the focus of the interview was on the relationship between supplier and lead firm, perceived asymmetries and implications of sustainability criteria, other topics remain sensitive. A factory manager is unlikely to address possible grievances in his own factory in an interview or to be overly critical of a higher wage if, in turn, this means predominantly higher costs for him. Statements made during interviews about the compliance status within the factory are therefore viewed with caution by the researcher. It is also easier, of course, and to a certain extent probably justified, to place the blame solely on the lead firms and their purchasing practices. It is therefore all the more important for the researcher to take into account the various influencing actors and to refrain from all too one-sided "apportioning of blame". Contextualization, fact-checking, and consideration of theoretical approaches are intended to counteract this.

7 ANALYSIS AND DISCUSSION OF RESULTS

The results, analysis, and discussion of the expert interviews are presented in this chapter. A detailed description of the evaluation procedure utilizing a qualitative summarizing content analysis is provided in Chapter 5. Coded segments of the interviews are listed in Appendix III, whereas the semi-structured interview guideline is listed in Appendix II.

7.1 PRESENTATION OF THE RESULTS, INTERPRETATION AND DISCUSSION INCLUDING THEORETICAL PRINCIPLES

7.1.1 Background of the Interviewees

The production-related perspective should be made clear at this juncture. Naturally, every interviewee follows their own interests and entrepreneurial viewpoints. Different perspectives may arise from the fact that the standards and economic systems of different nations influence the features of textile value chains. The comments on the perception of the directive are highlighted in the following section. The views on benefits and challenges arising from sustainability measures are then compared. Subsequently, these statements from the interviews are placed in context with the requirements of the directive and the extent to which the directive has the potential to overcome the challenges mentioned by the manufacturers and create benefits potentially is assessed.

Interviewee A is the owner and managing director of a family business in Bangladesh that specializes in the production of sweaters and cardigans and has been operating since 2002. The factory mainly produces for fast fashion brands and exports to Europe. Interviewee B is also the owner of a factory in Bangladesh that produces woven clothing for markets in the USA, Japan and Europe. He had previously worked in the merchandising sector of European subsidiaries in Bangladesh. Interview partner C is the manager of a family business that has existed since 1970 and is based in Türkiye. The factory has been working with European brands since 1982, and well known fast-fashion brands are now regular customers of the factory. The interviewee was supported by his colleague who takes care of the audits in the factory and at subcontractors - however, there were language difficulties here, which is why the manager did most of the talking. All three factories fall within the CMT-category, where garments are cut, made and trimmed.

7.1.2 Perception of the CSDDD

With regard to the perception of the CSDDD, the interviewees had in common that they had not yet dealt with the requirements of the CSDDD in detail. As the directive has not yet been integrated into national law in Europe and European brands have therefore not yet had to implement any corresponding measures with their suppliers, this is understandable. However, the Turkish factory has already gained initial experience with the German Supply Chain Due Diligence Act.

In their statements, all three described the beginnings of increased sustainability efforts on the part of the brands. On the one hand, the collapse of the Rana Plaza factory was described as a key event: “When we started the business in 2002, there was no concern about sustainability or corporate social responsibility or anything like that. After there was an incident in Bangladesh regarding a factory, the Rana Plaza. After that, the Accord Alliance.” (Interview A, 18.08.2023) The interviewee refers to the Accord on Fire and Building Safety in Bangladesh signed in 2013 following the collapse in April 2013 and was initially signed by 40 brands, two trade unions and eight Bangladesh trade unions (International Accord 2022). For the Turkish factory, it began even earlier in 1998 when the first sweatshop allegations against some manufacturers were made public in the USA: “The first audit requests from American companies because they had a level of issue, because they used to do a lot of business with the parties. And the well-known brands at that time had issues with child labor [...]” (Interview C, 19.07.2023). The factory was however already working for European brands for more than a decade, yet “[…] nobody asked us anything about this. Nobody was interested in where we do the production, how we do the production or how the fabric is made, or what do we do with our workers.”

In this context, the role of the media and NGOs was also emphasized, which put pressure on the larger brands in particular to comply with their due diligence obligations. From the Turkish manufacturer's point of view, the larger brands are hence already further along in their sustainability efforts as they are exposed to public pressure and have less chance of remaining under the radar: “[..] if you are big like Nike or other brands, then they chase you more so in order to protect their brand value and the social knowledge to the people, they are trying carefully to work out this issue.” (Interview C, 19.07.2023)

When asked who will be benefiting from the CSDDD, Interviewee A (18.08.2023) regards it as an advertising tool for brands and retailers where they can state to customers that “we are purchasing all our garments ethically.” He does not see much advantage for the manufacturer, though, as human rights due diligence is no new concept to many suppliers. Many fast fashion brands have established minimum requirements that suppliers have already to comply with before being able to produce for the brand and suppliers are now well experienced with several brand and third-party audits per year. Nevertheless, it is not an easy task to fulfill all sustainability requirements, especially due to the multitude of standards, auditing companies with different methods and the different claims of the brands that do not coincide with the purchasing practices. “So, it's not easy to handle most of the time, but it gives you some benefits as well. The thing is, that's when especially for Europeans when the legislations are in place and are more strict, they will come together and try to find one way.” (Interview C, 19.07.2023)

Interviewee B (16.08.2023) is confident that the CSDDD does not impose any higher requirements than national legislation and that there is therefore no ambivalence between national and European legislation: "They are not making the rules, which is not according to our country, normally is following the local country also. So, it's not conflicted I should say." National legislation, such as social security regulations for workers, is also primarily relevant for Turkish manufacturers. The different employee costs in the respective competing production countries are a market disadvantage from his point of view, as they also affect the purchase prices for brands. "All the social security requirements are different because of the country regulations. So, we have to follow our own country's regulations and they have to follow their country regulations." (Interview C, 19.07.2023) Interviewee A (18.08.2023), on the other hand, emphasizes that the requirements of European brands often have a deficit when it comes to understanding local conditions and making appropriate demands. One example is the right to freedom of association. Labor unions in Europe function according to a different principle than in many other countries, if it is not even forbidden to form an association alongside the official state one (as in China, for example). “Western countries to Europe and America that they think the freedom of association that they have in their country is the same. […] In Bangladesh, we are a very small country with a huge population. The freedom of association […] in Bangladesh, it's nothing like that […]” The interviewee A goes on explaining how he thinks trade unions work in Bangladesh. The union leaders would influence the workers and promise them to fight for higher wages in return for their union dues, but in reality incite them to riot - which he says is considered okay by Western countries - and take their money, "[…] but at the end of the day they don't think that, as I said, from 2022 to 2023 almost 900 factories will be closed. They take the money from the 900 factory workers." These figures regarding factory closures cannot be confirmed with certainty. However, that many factories have closed is a fact that is reported in many media outlets. For example, the Business Human Rights Resource Center reported in August 2023 that 300 factories had closed in the last eight months, leaving 35,000 workers without jobs. In November 2023, more factories - at least 300 according to TBS news - suspended their operations due to violent protests demanding a higher minimum wage (Ali et al. 2020; Business & Human Rights Resource Centre 2023; TBS News 2023).

A key point that is repeatedly emphasized in all three interviews in different contexts is the price that brands are willing to pay. The demands on manufacturers are becoming even higher, not only in terms of human rights for workers but also in environmental matters such as green electricity, the reduction of water in production or the use of recycled materials. From the manufacturers' point of view, however, purchasing practices do not meet these demands because at the end of the day it is the price that counts and not the manufacturers' sustainability performance: “They want to have like water reduction, recycling, everything…but they don't want to pay fair price. This is the problem.” (Interview B, 16.08.2023)

7.1.3 Perceived Benefits and Challenges of Sustainability Measures

During the discussions with the manufacturers, it became clear that sustainability requirements and collaboration with brands cannot be clearly divided into black and white. As is so often the case, there are more complex issues to consider. The focus of questions about perceived challenges and benefits generally related to the sustainability requirements of brands, regardless of the CSDDD. This was deliberate, as the CSDDD is not yet in use and manufacturers could therefore only speculate on how the directive would affect them. By highlighting the existing challenges and benefits, these can be compared with the current version of the Directive. This makes it possible to evaluate the extent to which the directive addresses the challenges faced by manufacturers and therefore has the potential to actually improve conditions in value chains.

According to the manufacturers, the motivation for factories to improve their sustainability performance does not stem purely from the fact that European brands demand it. All of them describe a partly intrinsic motivation to create a good working environment through daylight and green electricity on the one hand, and to promote worker motivation on the other. For Interviewee B (16.08.2023) from Bangladesh, the efforts of European brands have certainly helped in the increased implementation of sustainability efforts, at the same time he sees the benefits in a larger economic context: "I was getting more motivation from European brands, and I think also this is good for country and also our people then I think it's very positive. " For interviewee A (18.08.2023), who also comes from Bangladesh, sustainability efforts are also essential, especially in the area of OHS. This was made particularly clear to him by the collapse of the Rana Plaza building, "because this is our livelihood. If we cannot protect our livelihoods, we will not be able to survive in the long run." In the aftermath of Rana Plaza, improving the safety of buildings for workers was, in his opinion, a mutual understanding of both parties, brands and factories. Interviewee B (16.08.2023) even goes beyond a good OHS of the buildings in his factory and rebuilt the factory accordingly in order to be able to guarantee his workers a good working atmosphere with high ceilings and daylight: "So here we expand more to making the height to get the good breathing for our employees. Then we used more like glasses to get the lighting. See, now I am working with mostly daylight." It is observed that there is a certain pride behind these statements and that manufacturers have created an awareness of what a sustainable factory should be like in their eyes. Regardless of the expectations of the brands for which the factory produces, he is also busy thinking up philanthropic ideas for his employees: "how can we make more helping way to all of our employee to give the food, like all kinds of food, or like washing materials or everything by fair price - no need to profit by company only.[…] Whenever we can afford, we can do whatever we can do." For interviewee B, however, the Rana Plaza collapse was an accident caused by mismanagement from the owner of the building. According to him, “before Rana Plaza also our country has lot of sustainable project honestly […]”. Statements such as these make it clear that there is no uniform understanding of what "sustainable" means in the context of the environment, social issues or corporate governance. The working conditions in Bangladesh before the Rana Plaza incident are well documented, yet the conditions that prevailed then and now are defined differently even within the country.

Returning to the topic of motivational reasons, it can be noted that intrinsic motivation to improve working conditions and sustainability is emphasized not only in Bangladesh, but also in Türkiye, regardless of the brands' expectations. The factory is already more than 50 years old and is now in the third generation of the family, “and if we can do everything for it, not only brands are doing, but also we believe that it is the mindset and we will keep on doing this”, says Interviewee C (19.07.2023).

However, it is not a purely ethical claim that manufacturers are emphasizing in order to implement sustainability to a greater extent. Especially in the environmental area, managers see cost savings, even if an investment is often initially necessary for the changeover. Interviewee B (16.08.2023) can not only reduce and recycle waste in the factory through his conversion, but also save costs: "We are using all wastage, we have incineration boiler not like normal boiler which is in our cutting wastage. We burn it and we produce steam and we use the iron. So, no energy losses here from the nature or from the government, nothing and we're saving money as well as saving the country." Interviewee C (19.07.2023) also sees the long-term effect of "green" investments: "cost wise, it gives you some advantages, because when we are doing…when we are producing our own energy, we don't pay any electricity costs. Okay, it costs all together, but long-term we benefit from it."

Furthermore, sustainability efforts are also used by the interviewees as a competitive advantage, not within the country per se, but in comparison with other production countries. The interviewees from Bangladesh see the working and environmental conditions in their country as very positive, with interviewee A emphasizing that Bangladesh is the only production country that is fully compliant: “Bangladesh is the only country in the world where all the factories is 100% compliant. If you talk about structure, if you talk about fire safety, if you talk about electrical safety, if you talk about worker salary, minimum wage, everything is being regulated in Bangladesh." Indeed, Bangladesh's ready-made garment (RMG) sector has been setting the global standard for sustainable garment manufacturing, boasting the greatest number of green garment factories worldwide. Following initiatives like the RMG Sustainability Council, the Alliance for Bangladesh Workers' Safety, and the Accord on Fire and Building Safety in Bangladesh, the industry is now, according to the Fair Wear Foundation, working towards a transparent and compliant industry regarding factory safety and value-chain accountability. FWF audits reveal, however, that unpaid excessive overtime and inadequate communication between employees and management continue to be widespread issues. These pay far less than the recommended living wage. While meeting the minimum wage criteria complies with the law, it does not improve working conditions in and of itself. The freedom of association for workers is still frequently restricted, and there are still many gender-based and unsafe construction standards issues (Fair Wear Foundation 2023a). Despite these findings, interviewee B (16.07.2023) also believes that Bangladesh performs better in comparison to other countries such as India or China: "Because I am visiting also China and Many countries, they did not follow anything. They don't bother actually. […] Like all the regulation I should say they respect. […] I should say, day by day, our country is improving lot on the environmental Issue, social issue, chemical issue, all the issues."

Costs, prices and international competition not only play a role in describing the benefits of sustainability measures. They also play an important role when it comes to the challenges described and perceived. The theoretical concepts of Gereffi et al. (2010) relating to dependencies within captive value chains and how positions of power can be exercised by brands become particularly clear. However, not only brands but also states, political situations and international trade agreements play a central role when it comes to influential factors.

First of all, however, the unequal balance of power between brands and suppliers and the challenges arising from this as well as the sustainability requirements should be considered at this point. When working with brands, and fast-fashion brands in particular, it is clear from the interviewees that the factories' sustainability efforts do not automatically lead to better price conditions. Interviewee C describes the minimum sustainability expectations on the part of large fast-fashion brands, which must be met by the factory and also by the sub-suppliers, if there are any. If these requirements are not met, no order will be placed - a good sign from a sustainability perspective. Once these minimum requirements have been met, however, according to interviewee C (19.07.2023), no further efforts on the part of the suppliers are appreciated by the brands: “When you do more, you don't get more. They look for the minimum requirements […] They don't look for different levels. They say that they are going to give more orders for the companies who have higher level of sustainability because it is politics and rights. But so far, we didn't see this […].” Instead, price is the deciding factor, he says - "But then you have prices, which is the first thing." Both within the country and internationally. If another factory in Türkiye only meets the minimum requirements, but he himself has higher standards implemented in the factory and therefore charges one euro more per item, the brands will yet go to the cheaper supplier. Even if the brands themselves make high demands on their products and the materials from which they are made, Interviewee C has already had to experience that brands nevertheless insist on low price offers. In case of doubt, however, he would turn down these order requests because "it's not a sustainable business".

From a global perspective, it is not only the unequal balance of power between brands and suppliers that is decisive, as economic and political factors also play a role here. In most cases, sustainability cannot be viewed in isolation from other factors, as a sustainable company also operates in an economic context and a capitalist system and is therefore profit-oriented and usually also growth-oriented. This fact also becomes clear in all three interviews, as economic factors such as price and (global) competition are repeatedly mentioned as a challenge. Although the detailed challenges differ slightly in the various production countries, they can basically be broken down to the same factors. The Turkish supplier's statements indicate that the mentioned external factors are more beneficial for the brands themselves than for the producing countries. One passage where this becomes clear is the following: “[…] now we are more expensive - we have higher inflation and also the working cost increase. And companies are started giving less orders to Türkiye because of this. We used to make 2 million pieces […] for the past 20 years. Now we have zero. […] So they move all their products to Vietnam, Cambodia, Bangladesh […]” (Interview C, 19.07.2023).

At the beginning of the 2000s, Türkiye lost some customers and therefore also business due to the multi-fiber agreement mentioned in chapter 3.1. As a result of free trade, many of the factories' customers shifted their orders to cheaper production countries in Asia, the after-effects which are still being felt today and exert pressure on more expensive production countries such as Türkiye: "Then we lost a lot of customers to Far East because of price points. And it's still a big challenge for all countries to keep the prices and to reach out to customers targets in order to do business." (Interview C, 19.07.2023)

The challenges described in connection with competition with lower-cost production countries for the supplier from Türkiye might initially lead one to think that suppliers in Asia are not familiar with such challenges. However, Interviewee A makes it clear that even in a country like Bangladesh there is strong national competition: "It's very saturated compared to the other countries. So, what happens is that brands have a lot of suppliers, and they don't care about the relationship with the factories because they have a lot of suppliers." According to him, suppliers have little chance of negotiating prices with the brands in such an environment, as they simply switch to the cheaper supplier - "I'm giving you this price. If you want to take it, you take it. If you don't want to take it, I have another supplier." (Interview A, 18.08.2023) These statements seem to confirm the characteristics of a global value chain described by Dünhaupt and Herr, namely that leading companies often exploit the lax regulations that create a high wage gap and unstable employment relationships in many countries of the Global South (2021, p. 461).

Brands - especially fast fashion - seem to be well aware of the asymmetric power imbalance when they exploit their position to produce as cheaply as possible without considering the economic consequences for suppliers - which in turn is strongly intertwined with the economic but also social situation of workers. Nowadays, the well-known fast-fashion companies pay attention to a minimum level of sustainability and fair working conditions, but beyond that, price is still the driving factor: “They are asking everything like good standard, everything. When you ask for the money, they always try to squeeze.” (Interview B, 16.08.2023) However, a basic prerequisite for an upgrade, whether economic or social, would be that the costs for suppliers are at least covered. This is the only way that factory owners can make a profit at all, which can subsequently lead to better working conditions for workers, at least in monetary terms. Interviewee A describes how costs from January 2022 until August 2023 have gone up by 30% due to an increase in energy and raw material prices. Yet, “the brands want a price reduction of 5%. So, on average, we're taking a 35% loss. It's not sustainable for any company to run under a 35% loss every year, right? 35% in 2023. In 2024, it's going to go up to 40% or 45%.” (Interview A, 18.08.2023) According to Interviewee A, cost pressure and unsustainable business practices have led to the closure of many factories in Bangladesh, which in turn means job losses for an even larger number of people and a downgrade to the overall local economy: “Almost 900 factories closed […]. Even on average, if you think maybe 500 workers are working… So, there is around yes, around 450,000 people lost their job. For 450,000 people in each family if there is four members So it has affected around 1.8 million people in one year. And the more cost is going to impose to these factories, more factories are going to close down. So ultimately, it's going to affect the economy too.”

The economic situation is quite serious and stems partly also from the textile industry's ongoing recovery from the lockdowns imposed during the Covid-19 outbreak, during which many of Europe's largest corporations substantially curtailed, if not stopped, their orders. Retail sales in the fashion industry have dropped month over month for the first time since 1992. The economics has been directly impacted by the lockdowns and quarantines. Low-income developing nations' GDPs will be directly impacted by this, as their economies primarily depend on the manufacture and export of clothing and fashion items (Chakraborty and Biswas 2020). However, not only the Covid-19 pandemic, but also the Russia-Ukraine war has global consequences, including the sharp rise in commodity and energy prices: “the oil price has gone up by almost I think in Bangladesh right now 60% more, electricity price has gone up.” (Interview A, 18.08.2023) Not only is domestic demand suffering from the difficult economic conditions, but weaker western foreign demand is also slowing down the dominant clothing exports in Bangladesh (Koch 2022).

However, prices and rising costs are not the only difficulties that manufacturers have to overcome, according to Interviewee A and C. In terms of due diligence and monitoring working conditions, there are now various standards (e.g. Better Cotton Initiative, Oeko-Tex, Responsible Wool Standard) which lead firms follow and the auditing companies (e.g. FWF, Business Social Compliance Initiative, SEDEX) all have different methods and quality characteristics. On the one hand, this creates a certain routine for suppliers, but on the other hand it is also very time-consuming and sometimes costly to meet the various requirements of the brands: “[…] But not only the audits. We have to do recycling, which is another certification, organic means another certification, responsible wool, another certification, BSCI another specification. So, you pay every year.“ (Interview C, 19.07.2023) According to the Turkish interviewee, it would be helpful if there was a uniform audit mechanism that suppliers had to follow. This would not only reduce audit fatigue, audit costs and the time required to process corrective action plans following the audit, but would also help to establish a uniform standard (at least for European brands) for monitoring working conditions at suppliers.

In this respect, Interviewee A has already had experience with the German Supply Chain Due Diligence Act. However, the brands that fall under this law and have their products manufactured at Interviewee A's factory have apparently passed on their duty of care, at least with regard to transparent supply chains: "The problem with this is they have import rules for which we have to be responsible. [...] That is very difficult for companies like us because we can't force the suppliers to tell us from which farmers you have taken the cotton from." (18.08.2023) Similar experiences were also made in the Turkish factory and present the managers with an unmanageable task: “[…] so they are asking us to fulfill those responsibilities for the total supply chain, and they push us to control every step of the production. Even down to the farms that produce wools. How can I do that?” The difficulty here is not only to create transparency and traceability, but as global value chains are intertwined and not always easy to understand, or in some cases, not wanted to be disclosed by every player. Another hurdle is know-how - when brands from their direct suppliers ask indirect suppliers questions about sustainability, manufacturers are often not experts and may not understand the requirements or need additional resources to answer such questions. Language barriers may also be an issue, especially in the more rural areas and with subcontractors who often do not need to speak English well as no direct contact with lead firms is established. Interviewee C (19.07.2023) makes this quite clear in the following statement: "I don't know the technology, I'm a garment producer. What can I be responsible for the water use of the [yarn] factory? Because the factory produces 1 million liters every month, and I buy 10,000 liters per year. Well, how can I control the rest of the production?" Furthermore, at least for the Turkish respondent, it is often not possible to plan their capacities and those of their subcontractors efficiently due to the purchasing practices of the brands. There is a certain desperation in the following statement: "But if the brands will not give me continuous orders, how can I sustain this organization?"(ibid)

An attempt was also made to find out how the situation is for the workers themselves - from the employers' perspective. A big challenge for Interviewee C is overtime, which must not be excessive in order to meet the expectations of the brands. On the other hand, workers are happy with overtime because it allows them to supplement their wages: "Employees are happy with overtime because they earn more. But there are limitations with the brands. They think you can't work that much overtime." (Interview C, 19.07.2023) The crux of the matter, however, is that brands' purchasing practices contribute to factory workers working overtime: "But they caused it! […] They come to us and say, okay, I want this price and this delivery. If you can't make this delivery, I can't give you the orders, then you have to work hard to get the orders and work overtime. But then you have nothing for two weeks.” (ibid) It is also a fact for interviewee B that his workers are happier with more working hours: "Yeah, worker will be happy with 10 hours, 8 hours they will get less, so they are not happy 8 hours." (Interview B, 16.08.2023) For the third interviewee, the duty of care of brands also seems to be of little relevance for workers. He sees the benefit for the environment as more important, while the workers are primarily interested in the salary and whether they can provide for their family with it. "of course, it's meaningful for the environment. But the workers, if you talk about due diligence to them, they don't actually care because at the end of the day, they are just only thinking about how to keep their household running, how to earn more money […]". (Interview A, 18.08.2023) He also emphasizes that there is no possibility for employers to pay less than the prescribed minimum wage due to several audits per month and national regulations. "In Bangladesh, no factory has the option of paying workers lower wages." (ibid)

The interviewee was then asked how he felt about living wages as opposed to minimum wages. However, the answer does not quite match the actual minimum wages in Bangladesh: "we have found out that normally, if the minimum wage is suppose it's $600 or $700, our workers, they are getting around $1,000. So, they are actually more or less quite content. […] I think in December, the minimum wages is going to go up again to meet the inflation." (ibid) Minimum wages were indeed raised in December 2023 - but from 75 dollars to 113 dollars, and to compensate for inflation they would have to be above 200 dollars (VOA News 2023). There may be various reasons why there is a discrepancy between facts and statements. On the one hand, the interviewee may not have memorized the conversion of the currency and estimated what the minimum wage of 12,500 takas is in dollars; on the other hand, he may have deliberately used false information to avoid provoking critical questions. Another, very likely, possibility is that the interviewee is not aware of the difference between a living wage and a minimum wage and actually assumes that his workers are satisfied with the wages. However, given that many textile workers took to the streets in November to protest, it is likely that some of his workers were among them. As it was reported by Reuters, many factory managers have since fired workers that participated in the protests (Paul and Ghosh 2023).

All these statements evoke different reactions. On the one hand, it could be argued that the standards which are (partly) pursued by European companies and the OECD MNE Guidelines represent a Eurocentric point of view which cannot be implemented to the same extent in countries of the Global South, as workers are, according to their employers, happy to work overtime in order to increase their salary. This assumption is also repeatedly confirmed by FWF in audits and factory visits. However, overtime should not be the solution to earning a living wage, as excessive overtime also increases the likelihood of accidents and reduces the value of rest periods, which can have a long-term impact on health. The FWF has produced a guide for brands and suppliers and identified the main causes of excessive overtime. The 24 reasons listed include inadequate supplier assessment, a lack of joint planning with supply chain partners, inefficient factory processes and organization, unrealistic delivery requests and penalties, and overbooking of manufacturers' capacity. The reasons for overtime therefore do not lie solely with the brands. Close, targeted and collaborative cooperation between brands and suppliers would therefore have the potential to make a difference (Janssen and Hohenegger 2020).

In addition, it could also be argued that higher salaries, which correspond to or at least come closer to a living wage, are less likely to cause workers to want to work overtime as they would have to worry less about covering their living costs with such a wage. At this point, further knowledge building is probably needed on all sides involved. Manufacturers should understand the difference between minimum wages and livable wages and strive for this as payment for their employees. Brands, on the other hand, should try to structure their purchasing practices in such a way that it is even possible for manufacturers to pay workers a livable wage. It is also up to the brands (e.g. in cooperation with NGOs) to build up knowledge and understanding among the manufacturers and to explain the reasons behind this.

In summary, it can be said that many complex challenges have been mentioned in this context, but the benefits, while present, remain manageable. At a high level, the challenges can be attributed to the asymmetrical power relationships between brands and suppliers that are typical of captive value chains. On the one hand, this results in price pressure on suppliers, which in turn makes itself felt in global competition. The victims at this point are not only the suppliers or the factory managers, but also and especially those who produce the clothing, i.e. the workers. The brands themselves may also have their difficulties in the current economic climate, but they are still operating from a stronger position.

The non-sustainable purchasing practices of companies should therefore not be viewed in isolation from the asymmetrical relationship, which on the one hand strive for a certain degree of sustainability without neglecting costs and lead times, so that new items of clothing can be found in fast fashion stores every week. The large number of third-party audits and the various standards and certifications also contribute to the perceived challenges of the interviewees, even if this has allowed a certain routine to become established and sustainability issues to penetrate the consciousness of the manufacturers. However, it is not only the relationships with brands but also the wider global context of the economy, geopolitics and trade agreements that have a direct impact on manufacturers' business and can push sustainability efforts into the background.

With regard to the advantages, despite the difficulties in terms of competition, a certain competitive advantage can be achieved if sustainability efforts are adhered to, as most brands are now paying close attention to this. Of course, this also goes hand in hand with the level of compliance that is achieved. All three interviewees also gave intrinsic reasons why they consider the value of sustainability efforts in their company and see an improved working atmosphere on the one hand and the permanent options for further optimization on the other. In addition, they also emphasized that not only their fellow human beings but also the country in general benefits from improved sustainability.

7.2 Contextualization of the Results with the Directive and the Theory

Sustainability and human rights due diligence has long been a voluntary effort by brands – for some due to ethical reasons, for others due to lowering potential reputational risks and enhancing marketing efforts. The voluntary nature will, and this is more of an assumption, be partly linked to the widespread ideology of free trade, a free market and neoliberal language extolling the benefits of the market economy, even if these are directly linked to the overemphasis on efficiency at the expense of issues of fairness or power (Levy 2008). Also, the current discussions by opposition actors that may ultimately derail the directive shortly before finalization convey a certain nature versus business understanding, as if a lucrative business and economy were not compatible with respect for the environment and human rights.

The OECD MNE Guidelines basically provide very clear instructions on how to operate sustainably, taking into account working conditions for people in the value chain, but they are only to be implemented on a voluntary basis and therefore have no monitoring mechanism. A directive that has to be adopted into national law would at least encourage European companies to carry out risk-based due diligence and also offers those affected in the value chain greater potential to obtain compensation through the prescribed complaints mechanism.

At this point, the challenges and benefits currently perceived by the manufacturers surveyed are compared with the requirements of the directive (as of March 2024) in order to work out the potential of the CSDDD for manufacturers by applying the theoretical viewpoints.

The non-sustainable purchasing practices of lead firms are a challenge that has been addressed many times: low predictability of orders in advance makes capacity planning difficult for manufacturers, expectations regarding the quality of the materials used, sustainability efforts and lead times are increasing, while the willingness to reflect this in the purchase price is described as low. This, in combination with external factors such as rising energy costs, rising labor costs and pronounced inflation, does not result in an optimal situation for manufacturers. It should be emphasized that the situation of workers in factories and, more broadly, in upstream value chains depends on the profitability of the employer. If this employer is itself in a dependent governance relationship with the client (the lead firm) due to the captive value chain set up, the lead firm itself has a considerable influence on how working conditions can improve or not.

In many ways, the interviews confirm the theoretical findings in relation to Global Value Chains and Global Production Networks. According to the interviewees, the factory owners have very little say in the conditions of the business relationship. As a result, as described theoretically by Flecker (2021, pp. 150–151), the demands are passed on to the employees, who are then confronted with low wages and excessive working hours. This in turn makes any social advancement basically impossible from the outset, be it in a country like Türkiye or Bangladesh. As was the case in Bangladesh in December 2023, the workers then take to the streets at some point to negotiate their poverty wages upwards - still a long way from a livable wage that would be necessary for a social upgrade. The suppliers themselves are somehow stuck in the middle. On the one hand, they try to act economically and satisfy their customers, the brands, by achieving the lead times and agreeing to the prices demanded. On the other hand, they run the risk of unrest and dissatisfaction among their workers - which is not helpful for the economic success of a company. It might therefore also be up to the suppliers themselves to support each other more strongly and to make joint demands on the lead firms so that they can exploit their position of power less and also play suppliers off against each other less. This would be consistent with the aforementioned findings of Nathan and Kalpana (2007), namely that it is unlikely that the ability of workers to participate in improving working conditions alone is sufficient to increase the quality of employment. According to them, in this context it is always necessary for producers to be able to increase their own contribution by building a stronger bargaining position in the chain. As the ILO (2016, p. 4) notes, social upgrading in combination with economic upgrading is always a consequence of deliberately introduced policies and programs. The CSDDD would have the potential to promote upgrading in both respects, based on the demands regarding purchasing practices, financial support and respect for human and labor rights. However, the CSDDD alone will probably not be able - and would not be its purpose - to improve the entire global economy, including inflation, rising energy prices and increasing employee costs. It would therefore be somewhat naïve to believe that the CSDDD alone has the potential to ensure social upgrading in the value chains. The external factors that are better emphasized in the GPN framework than in the GVC framework should not be underestimated in this respect. Geopolitics, wars, economic failures and the policies of other countries also play a role here and can either support or destroy any upgrading potential.

The GPN concept of power (Park et al. 2013, pp. 88-89) should not be neglected here. The CSDDD would, in a sense, impose the "power" on companies to develop careful strategies and approaches in dealing with due diligence, labor rights and supplier relations. Ideally, this could result in a rapprochement between brands and suppliers in terms of the governance relationship, as companies would be called upon to restructure exploitative relationships to reduce their impact on human rights and the environment. It would also, to some extent, create collective power for workers in the Global South, as grievance mechanisms – or “notification mechanisms” as the Draft Agreement names it -would be given greater prominence (European Parliament and the council of the European Union 2024). At present, workers' grievances can be given a larger platform mainly through NGOs, and possibly through strikes where workers often risk their jobs. With the mandatory “notification” mechanism, however, lead firms might be more interested in resolving these quickly or preventing them from getting that far in the first place, as these companies would then be publicly identified on the website of the respective authority for five years. Institutional power could be interpreted in two ways with regard to the CSDDD. On the one hand, institutional power emanates from the EU CSDD Directive as such. On the other hand, some EU member states such as Germany or Italy were exercising their institutional power to possibly prevent the Directive. The consequences of overturning the Directive would not only have been visible at national level if the countries did not have to translate the Directive into national law. Global production networks and their actors, which do not themselves fall within the scope of the CSDDD, would also have been affected, as this would have meant that the countries of the lead firms would continue to have fragmented regulations regarding due diligence obligations and a large proportion would continue to carry out their due diligence obligations only on a voluntary basis.

Regarding purchasing practices, these are addressed in a number of paragraphs in the CSDDD. For example, as clarified in Recital 28, the necessary Code of Conduct should also be applied to purchasing practices (as well as other relevant corporate functions). This code of conduct aims to outline the guidelines and standards that have been implemented to incorporate due diligence and that all employees of the firm, including its subsidiaries and, where relevant, its direct and indirect business partners, are required to abide by (European Parliament and the council of the European Union 2024, p. 62). However, it is not specified in this context what information should be included in the Code of Conduct or whether there are any minimum expectations. Interestingly, businesses covered by the CSDDD should, as mentioned in Recital 30, also detect and evaluate the negative effects of a business partner's business model and strategies, such as trade, procurement, and pricing practices. Therefore, it would also be in the interest of credibility for companies to first evaluate their own procurement practices (European Parliament and the council of the European Union 2024, p. 72). Article 34 of the CSDDD gets a little more specific here about what companies should look for in their strategies and operational plans (including purchasing practices), namely that they should "contribute to living wages and incomes for their suppliers, and […] do not encourage potential adverse impacts on human rights or the environment." Also Article 25b) requires companies to use their influence to ensure an adequate standard of living throughout the supply chain. This means an adequate salary or income, though no further definition of this term is given (Council of the European Union 3/15/2024).

This defines the expectations with regard to purchasing practices, as well as the fact that these enable a livable wage for suppliers and their employees. In connection with the statements of the interviewees, this would mean that prices would have to be raised accordingly so that the increasing costs for suppliers are covered and enough can still be earned to pay these wages. However, this also raises the question of how a living wage should be defined, as there are different methods that can produce very different results, and a living wage has not been calculated for every region while some calculations are outdated (e.g. the Asia Floor Wage Alliance and the Global Living Wage Coalition) (Asia Floor Wage Alliance 2024; ADBI 2016; Global Living Wage Coalition 2024). Monitoring by companies to ensure that suppliers actually pay workers a livable wage - which, as in the two examples of Türkiye and Bangladesh, is far higher than the minimum wage - is not explicitly required.

Specifically for SMEs as business partners, the CSDDD requires companies to support these SMEs accordingly, whether by "offering or supporting access to capacity building, training, or upgrading management processes [...]." (European Parliament and the council of the European Union 2024, p. 85) Elsewhere, it is noted that a contract with an SME must be fair, reasonable and non-discriminatory in terms of its provisions (ibid, p.252). When a SME's survival would be compromised by adhering to the code of conduct or the preventative strategy, targeted and appropriate financial support—such as direct financing or low-interest loans—must be given by the company proportionate financial support, such as direct financing, low-interest loans [...]. Financial support can help in the case of short-term investments such as switching to green electricity or new OHS equipment. For long-term support of SMEs but also larger business partners, a fair purchase price and long-term plannable capacity through order guarantees would probably be more sustainable. In summary, when the CSDDD comes into force, certain steps would be taken to ensure that lead firms adapt their purchasing practices accordingly in order to ensure fair and reasonable working conditions with their business partners. Nevertheless, as is so often the case with legal texts, there is a certain amount of room for interpretation here, which can influence the effectiveness accordingly.

Another key point that was still included in Article 8 of the European Parliament's draft, but was deleted in the final Draft Agreement, concerns the assumption of responsibility by companies: "The contractual provisions provided for [...] shall not result in the transfer of responsibility for compliance with the due diligence obligations provided for in this Directive and liability for non-compliance with those obligations." (ibid, p.270) Instead, Article 45 now points out that the Directive aims to facilitate "a clear allocation of responsibilities between the contracting parties and continuous cooperation". It should, as mentioned in the Draft Agreement, be prevented to transfer the responsibilities under the CSDDD to a business partner and having the contract automatically become void in the case of a breach (ibid, p. 131). Despite this passage, which appears to be less strictly worded than the deleted article in the draft by the European Parliament, an opportunity has been missed here to impressively position the responsibility with the lead companies. The responsibility for the task assignments mentioned lies with the lead firm and the passage can be interpreted in many ways and implemented accordingly, which has the potential to again promote an asymmetrical balance of power.

Another point mentioned in the interviews is the large number of audits and certifications. With regard to certifications for materials, the CSDDD will probably not be able to provide much relief, as most certifications have a different focus in each case (e.g. chemicals, recycling, sustainable down or leather, etc.) and are still voluntary. In terms of audits, there will probably still be different companies with different quality characteristics and methods. However, the CSDDD explicitly states that companies may exchange resources and information with other legal organizations in order to make due diligence more effective and minimize the burden on companies (European Parliament and the council of the European Union 2024, p. 26). The lead firms would therefore have the opportunity to exchange audit reports or corrective action plans with other companies producing at the factory, for example, in order to benefit from the exchange of information on the one hand and, of course, to relieve the burden on the factory itself to a certain extent, as this would presumably result in fewer audits per year.

8 CONCLUSION AND OUTLOOK

After initially evaluating the theoretical foundations such as Gereffi's concept of Global Value Chains and Global Production Networks based on literature from Coe and Young on supply chains and putting them in context with the current conditions in the European textile industry (and the associated global suppliers), the requirements for supply chains were considered from the perspective of soft and hard law developments. The approach of empirical epistemology and the critical paradigm was chosen for the research. With the help of semi-structured interviews with affected entrepreneurs in the field of textile production in the global south, the possible challenges and opportunities that could arise from the Corporate Sustainability Due Diligence Directive passed in 2024 were examined.

With regard to the research questions *what challenges do SMEs in the Global South as part of global value chain networks face from the new supply chain regulations in the EU* and *what benefits can these regulations offer?* the recent development of the directive has been exciting to follow. It is a rarity that a proposal is still on the back burner after agreement has been reached in the trilogue. However, the agreement on a compromise was reached at the last minute. If this compromise had failed, the CSDDD would probably have been put on hold for the time being and taken up again - if at all - after the European elections in summer 2024. Despite political abstentions and criticism, the large number of demands from NGOs and statements from companies have made it clear that a uniform EU regulation is desired. The increased scope of application has an impact on the companies directly affected in the EU, as naturally fewer companies fall legally within the scope of liability. However, smaller companies within Europe also will need to indirectly adapt to the Directive if they are direct or indirect suppliers of a company that falls within the scope of the CSDDD. The same applies to companies and SMEs in the global South as they will be affected by the Directive when exporting to Europe or are simply part of value chains that are linked with Europe.

The very concept of GPNs is defined as reducing profit margins at every stage of the supply chain and increasing pressure to reduce overall production costs. This is accompanied by disadvantageous wages and working conditions for people in the value chains (Alamgir and Banerjee 2019). The reference point with which GPNs are considered often starts with the lead firm and works its way out from there (Coe and Yeung 2019, p.778). Value chains, activity chains or networks, whatever you want to call them, are complex, hierarchical, and sometimes interwoven with colonial structures (e.g. the exploitation of raw materials such as rare earths). The CSDDD - as far as it has been implemented and will soon be in force - will probably not alone lead to the inequalities and exploitative characteristics of many value chains and the textile industry in particular disappearing completely. At the very least, however, it would invite European lead firms to rethink their practices and expect them to take a closer look at their value chains as a whole and to better understand the risks behind them and to mitigate or even prevent them in a targeted manner.

Practical implementation will undoubtedly be a challenge for companies, especially for those that have so far paid little attention to the traceability of their products. It will be necessary to work from one supply chain tier to the next. However, there are already many companies offering solutions, be it based on blockchain technology or with the help of Artificial Intelligence, which screens satellite images and media reports worldwide for risks. Of course, it will not be possible to know value chains down to the smallest detail and to be aware of working conditions in production or raw material facilities at all times. Nevertheless, the risk-based approach will highlight for companies where they should focus their attention. Country and sector risks can already be a good first point of reference here.

It cannot be ruled out that the structure of supply chains will change. However, this is already happening anyway due to other political and regulatory developments. The last few years, which have been characterized by wars and pandemics, have shown how problematic excessive dependencies in supply chains can be, both at product level and in terms of energy supply. The fact that many companies want or need to make their production more resilient and sustainable in an environmental sense and are striving for circular production has also had an impact. This automatically affects supply chains, as the demand for raw materials will decrease and new partners will be needed to focus on the processing of existing materials and products. The CSDDD is just one of many driving forces to restructure supply chains in the long term. Regulation, if used by companies appropriately for their own purposes, can certainly help companies to support efforts towards fairer working conditions, as a legal justification for tracking and due diligence purposes is more important than if a company does so for purely intrinsic reasons. Particularly in sectors and countries where working conditions are particularly poor, regulation that must be adhered to by lead firms can achieve greater effects than soft law such as the OECD MNE Guidelines alone ever could.

Opponents of the CSDDD repeatedly emphasize that Europe's economic location is endangered by this regulation. However, the importance of European lead firms should not be underestimated, despite high competition from countries such as the People’s

Republic of China and the United States. European lead firms that want to reduce their risk may even be more motivated to bring a higher proportion of their production back to Europe and thus create jobs. It should also not be underestimated how many companies are already carrying out due diligence in their supply chains or at least in the first tiers. It is therefore nothing new for companies that want to supply European lead companies to have to provide relevant information on sustainability standards. The intensity of due diligence will increase slightly, as will there be a greater need for dialogue with suppliers, which, if used correctly, can also lead to better relationships between supplier and lead firm. The main point, however, to get back to the actual research question, is that companies are encouraged to rethink their purchasing practices and not simply pass on the implementation of the requirements of supply chain regulation to the next supplier. This will be absolutely necessary in order not to present supplier companies in the global south and especially SMEs with insurmountable challenges. Lead firms will not be able to do their due diligence if they pursue this practice because SMEs simply do not have the financial, time and knowledge resources to implement the requirements that actually affect large companies. SMEs in Europe are deliberately subject to less stringent requirements than large companies. This not only affects the CSDDD, which does not directly affect SMEs, but also other regulations such as reporting according to CSRD (listed SMEs have to report at a later date, others can report on a voluntary basis) or the deforestation regulation for SME traders less strict rules also apply. It would therefore be foolish for lead firms to believe that SMEs in the global south would then have the opportunity to carry out the expected due diligence and risk analysis for them. The financial support for SMEs that is written down in the CSDDD will most likely be a supportive force in this matter.

Based on the current practices of lead firms described by the production facilities interviewed, there is still a need for improvement. The main levers will be an improved dialogue between buyers and suppliers, developing a mutual understanding of the respective challenges and needs, as well as appropriate incentives for sustainability efforts and improvements in working conditions at suppliers. This also means that manufacturers can plan orders in the long term, as the corresponding investments for the improvements mentioned otherwise remain a pure cost factor for the manufacturers. Leading companies in Europe should be clear about what leverage they have here - if used well - to actually improve working conditions in the long term and thus not only comply with regulations and thus protect themselves legally, but also increase the trust of European consumers. Problematic working conditions in many industries are now simply known to the general population and the aim is not to support them by purchasing products manufactured under these conditions.

It cannot be answered clearly whether the CSDDD presents more challenges or opportunities for SMEs in the global south in the textile sector. This depends heavily on the implementation measures that the lead firms in Europe will take. Opportunities will arise if we rely on responsible purchasing practices and a dialogue on equal terms. Suppliers then have an honest chance to implement the requirements of lead firms well and can therefore build and plan their own business in the long term and thus have a significantly higher motivation to pass on the advantages to employees. They also qualify to work for other European lead firms, as they can then implement the requirements more easily thanks to their experience. This always assumes that the mapping of supply chains and the monitoring of working conditions at sub-suppliers and suppliers in lower tiers is not just the task of the suppliers, but rather that lead firms think about a suitable method to carry out the due diligence themselves or at least provide suppliers with the necessary resources. In an ideal world, working conditions would of course not be a problem in the first place and every buyer, manufacturer and every supplier would have their own responsibility for supplier management. However, in the current set-up of (textile) supply chains, hierarchies are clearly pronounced with an asymmetrical power differential in favor of the lead firms. Therefore, it is difficult to argue that lead firms should not take primary responsibility for their products. Especially since the lead firms earn proportionally the most from the product and their company name is ultimately shown on the product. The challenges described by the interviewees are clear and show where lead firms still have room for improvement. If a supplier strives to go beyond minimum requirements in terms of environmental efforts and working conditions, this should be incentivized accordingly. In the long term, the cheapest price can no longer be the decisive factor if conditions in supply chains are to be improved in the long term and companies want to meet their requirements from the CSDDD. Due to price pressure among suppliers, which is reinforced by the play of the lead firms, working conditions can never be the focus and are therefore only improved in a rudimentary manner. Consumers are willing to pay a little more for a product that was manufactured under fair conditions, or it is of course also an option for companies to rethink their own profit margins. The quality of a product is more likely to improve through long-term and sustainable supplier management, especially since workers can produce better products if they do not do excessive overtime and are of course more motivated if they are adequately compensated for their work as well as having certain safeguards with regard to occupational health and safety measures in the factory, working contracts and association rights.

However, if the requirements of the CSDDD are not implemented responsibly by lead firms and purchasing practices continue to be implemented in an exploitative style and the responsibility for due diligence is passed on to the suppliers, then for the most part no new challenges would arise for suppliers. The hurdles that already exist would remain: high competitive pressure due to prices, no long-term capacity planning and an existing asymmetrical power imbalance in which there is no incentive for the implementation of sustainability measures and improvements in working conditions. Nevertheless, the lead firms might then have to pay penalties and sooner or later would have to think about more suitable measures. Yet, no improvement would have been achieved for the workers in the value chains by then and the CSDDD would have missed its ambitious goal. The opportunities that European lead firms have to take advantage of lax working conditions in their outsourcing countries are nevertheless limited. The large pool of suppliers that lead firms now have could become a growing challenge under the CSDDD. In the future, companies could therefore concentrate on fewer suppliers where they can be sure that certain minimum standards are met, thereby reducing the risk of litigation for themselves due to the CSDDD. This can certainly have a positive effect for suppliers and impact the governance structure. The predominantly captive governance model in the textile sector could therefore undergo a change and the power imbalance could become less pronounced. By focusing on fewer suppliers, it may then be more fruitful or desirable for lead firms to support investments to improve working conditions in the production facilities - which can benefit a social upgrading for the workers. It could also be further investigated to what extent a social upgrading, if successful, can also promote an upgrading at the product level: better wages and working hours as well as a safer working environment can potentially contribute to the quality of the product and thus automatically justify higher sales prices.

In addition to a likely change in supply chain set-ups, the business model of certain textile companies may not provide long-term added value for the companies under the CSDDD. Fast fashion is simply based on getting as many new collections as possible into stores and online shops in as short a time as possible, which means that certain working conditions in the factories are almost inevitable. So, it remains to be seen whether fast fashion companies will find a way to continue their fast-moving business practices or whether they will have to realign themselves accordingly. However, the image should not arise at this point that lead firms alone can bring about a systematic change in supply chains and the working conditions within them. The national laws in the respective production countries as well as the cooperation of all actors (factory owners, dealers and raw material suppliers) also play a role here. Still, due to their position of power in the governance structures, the lead firms certainly have the opportunity to initiate and support corresponding change. Of course, all of this also depends heavily on external factors. In terms of GPNs, there are other actors in addition to lead firms and suppliers. One actor already mentioned is the consumer who wants to buy products that do not involve child labor, forced labor or other fatal working conditions. Another factor, however, are the audit bodies, which monitor the lead firms' measures with regard to due diligence and risk assessment and also ensure that negative incidents are remedied appropriately. These testing bodies will play an essential role as the effectiveness of the CSDDD would otherwise be massively limited. The transparent disclosure by the CSRD will further contribute to ensuring that companies will strive to meet regulatory requirements and not face any reputational or litigation risks.

The full extent that can be made possible by the CSDDD cannot be clearly defined at the current point of view. This is a natural difficulty in research that focuses on developments that do not yet involve a historical long-term perspective. The CSDDD itself is in its infancy and it was unclear during the research itself what conditions the directive would come with - or whether it would be adopted at all. The suppliers interviewed also have many years of experience with the sustainability requirements of lead firms but can only look back on the era of soft law and guidelines. The implementation of the German Supply Chain Due Diligence Act is itself still quite recent and its scope differs greatly from the CSDDD. So, it only offers a starting point for further analysis. Nevertheless, certain conclusions can be drawn from the analyzes of the legal text, the information from the interviews and the theoretical foundations. It is now important to closely monitor the implementation of the CSDDD and to offer companies (lead firms as well as supplier companies, especially in the SME sector) support with the implementation. This can be in the form of the software tools mentioned, which are probably unavoidable, especially in large, extensive supply chains, but also in the form of written guidelines and the sharing of best practices. Learning from each other has a well-known impact and will also be a helpful means to this end in this particular case.

As shown in Figure 2 in Chapter 4.2, value chains naturally go further than the direct suppliers of lead firms examined here. Further research should also examine the effects of the CSDDD for tier 2 and beyond suppliers. Informal workers also play a relevant role in supply chains, but unfortunately too often disappear under the radar. Once the directive has been in use for a few years, more meaningful results will certainly be possible regarding the impact on suppliers and workers in supply chains. It also remains to be seen how the structure of supply chains will change as a result of greater regulation and whether, for example, there will be more vertically integrated supply chains in the future or whether smaller participants will join together in supply networks for a collective sharing of knowledge, financial resources and resources and thereby increase their own power positions. However, this would be a change of a systemic nature and could probably only be observed after several years and possibly only in certain sectors. The other resolutions and developments of the EU Green Deal will also have an influence here. It will therefore also be crucial whether the Green Deal will be further strengthened after the European elections in summer 2024 or whether there will even be a downward trend due to possible upswings by right-wing parties.

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APPENDIX

APPENDIX I DECLARATIONS OF CONSENT FOR INTERVIEWEES

Interviewee A

Declaration of Consent Interview

I hereby give my consent to the use of personal data collected during the following interview:

- *Date: 18.08.2023*

Name of the interviewer: Benthe Sondag

- *Brief description of the research project: Perceived challenges and benefits for apparel manufacturers from sustainability requirements by European brands*

- *University conducting the project: University of Vienna*

Data will be collected during an oral online interview recorded with a recording device. For the purpose of data analysis, the orally collected data will be written down (transcription), whereby the data will be anonymized. Identification of the interviewee is thus ruled out.
For documentation reasons, contact data that would enable the interviewed person to be identified at a later date will only be made available to the reviewers of the scientific paper in a separate document. After completion of the project, this data will be deleted.
The interviewee can object to the storage of personal data for documentation purposes at any time. Participation in the interview is voluntary. The interview can be terminated at any time. Consent to the recording and further use of the data can be revoked at any time.

First name and last name in block capitals

[redacted]

Signature

[redacted]

Date, place

19/8/23, GAZIPUR, DHAKA

Interviewee B

Declaration of Consent Interview

I hereby give my consent to the use of personal data collected during the following interview:

- *Date: 16.08.2023*

Name of the interviewer: Benthe Sondag

- *Brief description of the research project: Perceived challenges and benefits for apparel manufacturers from sustainability requirements by European brands*

- *University conducting the project: University of Vienna*

Data will be collected during an oral online interview recorded with a recording device. For the purpose of data analysis, the orally collected data will be written down (transcription), whereby the data will be anonymized. Identification of the interviewee is thus ruled out.
For documentation reasons, contact data that would enable the interviewed person to be identified at a later date will only be made available to the reviewers of the scientific paper in a separate document. After completion of the project, this data will be deleted.
The interviewee can object to the storage of personal data for documentation purposes at any time. Participation in the interview is voluntary. The interview can be terminated at any time. Consent to the recording and further use of the data can be revoked at any time.

First name and last name in block capitals

[redacted]

Signature

[redacted]

Date, place

09/8/23, Cr.

Interviewee C

Declaration of Consent Interview

I hereby give my consent to the use of personal data collected during the following interview:

- *Date: 19.07.2023*
- *Name of the interviewer: Benthe Sondag*
- *Brief description of the research project: Perceived challenges and benefits for apparel manufacturers from sustainability requirements by European brands*
- *University conducting the project: University of Vienna*

Data will be collected during an oral online interview recorded with a recording device. For the purpose of data analysis, the orally collected data will be written down (transcription), whereby the data will be anonymized. Identification of the interviewee is thus ruled out.

For documentation reasons, contact data that would enable the interviewed person to be identified at a later date will only be made available to the reviewers of the scientific paper in a separate document. After completion of the project, this data will be deleted.

The interviewee can object to the storage of personal data for documentation purposes at any time. Participation in the interview is voluntary. The interview can be terminated at any time. Consent to the recording and further use of the data can be revoked at any time.

[redacted]

First name and last name in block capitals

[redacted]

Signature

Date, place

19.07.2023 ISTANBUL

APPENDIX II INTERVIEW GUIDELINE

Guideline for Interviews on the subject „Emerging challenges and potential benefits for SMEs in the global South from the Corporate Sustainability Due Diligence Directive“	
A. Salutation 5 Min.	
Salutation:	● Thank you for your willingness to participate in this conversation. ● I am very pleased that you are taking about 60 minutes to help me with my research.
Introduction:	● I am studying International Development at the University of Vienna. ● As part of my master's thesis, I am conducting research at the University of Vienna in which I would like to learn more about the challenges and advantages for textile companies resulting from sustainability requirements. ● Short description of the CSDDD and its context
Data security:	● In our interview, I'm interested in your perspective, your own opinion and what you personally think. So there are no right or wrong answers! The interview will be recorded without your name. Everything will remain confidential, will be treated anonymously and will only be used for the purpose of this study. This means that no one will know or find out that you participated or what things you said.
Explanation of the method:	● You might notice that in some places I keep asking why you see or do something this way or that way. This may seem strange to you. But only by asking intensively do I get meaningful results.
Introduction of the participants:	● After I have already introduced myself, it would be nice if you briefly introduce yourself and tell a little bit about your role within the company and the company in general.

B. Questions regarding the topic 40-50 min.	
B.1 Experience with sustainability	
Due Diligence	To what extent are you affected by due diligence measures taken by European companies?
	What changes have been made in your business as a result of these measures?
	Do you rate them positively or negatively and why?
Sustainability development at the factory	Could you tell how sustainability is (further) implemented at the factory?
	When did your factory start addressing sustainability issues?
	What were the reasons for implementing sustainability at your factory?
	How did you experience the process of implementing sustainability?

B.2 Challenges	
Challenges in the beginning	What challenges did you face when starting to implement sustainability at your factory?
	• Asking follow-up questions if there are any ambiguities
Remaining challenges	Which topics of sustainability still pose a challenge to you?
	What are the reasons for that?
	• Asking follow-up questions if any of the following areas posed a challenge as well (if not mentioned yet): finances, resources, know-how, power relationships, audit fatigue
B.3 Benefits	
Experienced benefits	What benefits have you experienced so far as a result of implementing sustainability issues?
	• Asking follow-up questions if any of the following benefits have been experienced (if not mentioned yet): better workforce commitment and productivity, competitiveness, lower workforce turnover, better buyer-supplier relationships
B.4 Due Diligence Regulations	
Responsibility	Who do you think is responsible for due diligence in a supply chain?
	Do you see the due diligence carried out by European companies as meaningful?
Purpose	Do you consider laws regulating due diligence to be useful in general?
	What do you see as the advantages and disadvantages of a legal due diligence for European companies?
Support	Do you think European companies support you in your efforts to comply with these due diligence measures?
	What are the consequences for your company if you do not comply with these measures?
Opinion	Do you have any further opinions about such regulation?

APPENDIX III CODING GUIDELINE

Category	Sub-category	Sub-sub-category	Definition	Examples	Source
Challenges for manufacturers	Captive value chain set up	Asymmetric distribution of responsibility	Text passages in which it is clear that responsibility is passed on from lead firms to manufacturers	Germany made the first move. The problem with this is they have Import rules for which we have to be responsible. [...] That is very difficult for companies like us because we can't force the suppliers to tell us from which farmers you have taken the cotton from.	Interview A 00:13:35
	Captive value chain set up	Asymmetric power relations	Text passages highlighting the asymmetric power relations within a captive value chain set-up	the main problem is the Bangladesh manufacturing Industry. It's very saturated compared to the other countries. So what happens is that brands have A lot of suppliers and they don't care about the relationship with the factories because they have a lot of suppliers. They tell us like this order, I'm giving you this price. If you want to take it, you take it. If you don't want to take it I have another supplier.	Interview A 00:30:01
	Captive value chain set up	Meeting brands' requirements	Text passages indicating the challenges related to meeting brands' requirements with regard to CSR	Well, we don't like to work with immigrants because it is so hard with the internal system of…yes it gets hard in some cases because you don't know the people. You don't know how they will act, if there will be a problem or not. It's a very difficult case in Türkiye right now. And with the brands as there is so many legal requirements, it's very difficult as well. But they are saying that we should do and we should give this chance to the immigrants.	Interview C 00:22:07
	Unethical buying practices	Market competition: price	Text passages in which it is clear that price drives competition among one another	Then we lost a lot of customers to Far East because of price points. And it's still a big challenge for all countries to keep the prices and to reach out to customers targets in order to do business.	Interview C 00:10:20
	Unethical buying practices	Prices do not cover costs	Text passages in which it is clear that lead firms offer prices that do not cover the expenditures or sustainable practices by manufacturers	The brands want a price reduction of 5%. So on average, we're taking a 35% loss. It's not sustainable for any company to Run under a 35% loss every year, right? 35% in 2023. In 2024, it's going to go up To 40% or 45%	Interview A 00:20:54
	Unethical buying practices	Capacity planning difficult	Text passages in which it is clear that manufacturers cannot plan accordingly due to the buying practices of lead firms	Countries like ours with the fluctual orders - today we have no orders, tomorrow we have many orders. The biggest challenge that we have to do overtime and workers are happy with overtime because they earn more. But we have limitations with the brands. They think that you cannot do this much overtime. [...]	Interview C 00:46:43
	Unethical buying practices	Price considerations more important than CSR	Text passages making clear how price is the key driver before anything else	They are asking everything like good standard, everything. When you ask for the money, they always try to squeeze.	Interview B 00:14:48

	Audits	Audit and Standard Fatigue	Text passages in which it is clear that manufacturers face multiple audit and standard expectations by lead firms	One thing that they couldn't come up together as brands , they don't have one single system to follow. Every brand is following a different system or external audit mechanism for their follow-up. Therefore, it's difficult for companies because we have to get audit from this company, pay and another audit for another brand and also pay. So it's a big headache.	Interview C 00:15:30
	Audits	Auditing costs	Text passages in which it becomes clear that the audit costs pose a challenge to the manufacturer		
	External economic factors	Rising costs and inflation	Text passages in which it is clear that the inflation and rising costs (wages, water, shipping, etc.) pose a challenge to the manufacturer	[…] the oil price has gone up by almost I think in Bangladesh righ now 60% more, electricity price has gone up. […]	Interview A 00:18:07
	External economic factors	Shifting markets	Text passages that refer to shifting markets due to cheaper prices, trade tariffs, market segmentation, etc. May also refer to passages where the interviewee makes clear that he has to shift to other segments to survive.	But after 2005, the business shifted so much to Far East because of the quotas where free trading comes into the game.	Interview C 00:07:16
	External economic factors	Factory closures	Text passages referring to factory closures due to external influences such as the pandemic, inflation, etc.	I think it's *(editor's note: the CSDDD)* going to be a disadvantage because of what you see now with the German law and what's happening to some of our colleagues in the business.	Interview A 00:32:39
Perceived benefits for manufacturers from sustainability measures	Competitive advantage	Advanced CSR experience	Text passages in which it is clear that the manufacturer benefits from advanced CSR experience	If I work like five brands then every month if one is checking like every month, then every week one brand is checking. So it's regular process.	Interview B 00:29:29
	Competitive advantage	Environmentally-friendly factory	Text passages in which it is clear that the greening of a factory leads to a benefit for the manufacturer	We want to set up like solar panel in top of the building. Then we want to make lot of power from solar instead of the government power like power. And also the produce in the garment factory need the steam for the ironic you know, the steam steam come normally from like gas burning the gas or oil. Or electricity or coal but in our Factory we are using all wastage we have incineration boiler not like normal boiler which is in our cutting wastage. We burn it and we produce steam and we use the iron. So no energy losses here from the nature or from the government, nothing and we're saving money as well as saving the country.	Interview B 00:06:56
	Competitive advantage	Potential cost savings	Text passages referring to potential cost savings due to CSR measures (e.g. green tax)	Well, it's cost wise, it gives you some advantages, because when we are doing…when we are producing our own energy, we don't pay any electricity costs. Okay, it costs all together, but longterm we benefit from it.	Interview C 00:52:39
	Competitive advantage	Market competition: compliance	Text passages highlighting the benefit for companies when they have advanced CSR schemes in place	Bangladesh is the only country in the world where all the factories is 100% compliant. If you talk about structure, if you talk about fire safety, if you talk about electrical safety, if you talk about worker salary, minimum wage, everything is being regulated in Bangladesh. [...]	Interview A 00:13:35

	Compliance	Adhering to legislation	Test passages that highlight how adhering to legislation is a benefit	[...] This is not the case in any other part of the world. If you go tu Türkiye, if you go to China till now, there are some human rights violation, there are some working condition not good like that. But Bangladesh is the only contry where it is 100% compliant. It's a good thing for our country.	Interview A 00:13:35
	Intrinsic Motivation	Positive work environment	Text passages referring to a positive work environment created with CSR measures out of own motivation	So here we expand more to making the height to get the good breathing for our employees. Then we used more like glasses to get the lighting. See, now I am working with mostly daylight. No one tube light is running here.	Interview B 00:06:56
	Intrinsic Motivation	Philanthropy	Text passages referring to the philanthropic measures by manufacturers done out of intrinsic motivation	In near future, how can we make more helping way to all of our employee to give the food, like ll kinds of food, or like washing materials or everything by fair price - no need to profit by company only.[…] Whenever we can afford, we can do whatever we can do.	Interview B 00:21:41
	Intrinsic Motivation	Continuous improvement of CSR	Text passages in which it is clear that the manufacturer has its own motivation to continuously improve within the area of CSR	We are now in the third generation of the family members are in the factory, in the company working so we will want to continue it. And if we can do everything for it, not only brands are doing, but also we believe that it is the mindset and we will keep on doing this.	Interview C 00:33:07
	Development for production country	Beneficial for economic development	Text passages indicating that HRDD benefits the economic development of the production country	It *(editor's note: the Rana Plaza collapse)* was a warning for us because this is our livelihood. If we can't protect our livelihood, then we won't be able to sustain in the long run.	Interview A 00:12:18
	Development for production country	Beneficial for the people	Text passages indicating that HRDD benefits the people of the production country (social upgrading)	I was getting more motivation from European brands and I think also this is good for country and also our people then I think it's very positive.	Interview B 00:17:39
Perception of the CSDDD	Key events for stricter due diligence	USA: child labor and sweat shops	Text passages in which it is clear that CSR was picked up by the US after incidents of child labor and sweat shops	We got our first audits in 1998, at the time we were 15, 16 years working for the European brands. Nobody asked us anything about this. Nobody was interested in where we do the production, how we do the production or how the fabric is made, of what do we do with our workers. It startet with the health and safety issues and the child labor. The first audit requests from American companies because they had a level of issue, because they used to do a lot of business with the parties. And the well-known brands at that time had issues with child labor [...]	Interview C 00:17:20
	Key events for stricter due diligence	Europe: Rana Plaza collapse	Text passages in which it is clear that CSR in Europe was picked up after the Rana Plaza collapse	When we started the business in 2002, there was no concern about sustainability or corporate social responsibility or anything like that. After there was an incident in Bangladesh regarding a factory, the Rana Plaza. After that, the Accord Alliance. Before that, we had corporate social responsiblity but in a limited amount.	Interview A 00:09:42
	Key events for stricter due diligence	Public pressure	Text passages in which it is clear that public pressure (media, NGOs, customers,..) influenced the increase in CSR	Because the brands who have bigger volume and are known to the public and are more international, they're taking care of this sustainability issue more than the others. Also, they are contacted with different government issues and nonprofit organizations. [..] if you are big like Nike or other brands, then they chase you more so in otder to protect their brand value and the social knowledge to the people, they are trying carefully to work out this issue.	Interview C 00:06:45

	Sensibility of the Directive	Standardization of sustainable practices	Text passages in which it is clear that a law/directive would lead to standardized sustainability requirements	So it's not easy to handle more of the time, but it gives you osme benefits as well. The thing is, that's when especially for Europeans when the legislations are in place and are more strict, they will come together and try to find one way.	Interview C 00:18:30
	Sensibility of the Directive	Conflict of values	Text passages in which it is clear that the European CSDDD could stand in conflict with national values/laws	Actually, there is a misunderstanding. Western countries to Europe and America that they think the freedom of association that They have in their country is the same. It's actually not In Bangladesh, we are a very small country with a huge population. The freedom of association [...] in Bangladesh, it's nothing like that [...]	Interview A 00:35:06
	Sensibility of the Directive	Perceived alignment between regulations	Text passages indicating that suppliers perceive no difference between national law and European regulations	They are not making the rules, which is not according to our country, normally is following the local country also. So it's not conlficted I should say.	Interview B 00:12:28
	Sensibility of the Directive	Change in supply chain set-ups	Text passages indicating that supply chain set-ups will change due to HRDD legislations	And now Türkiye is losing the basic business. We will mostly survive in 5-10 years with the premium brands at the premium quality garments where they used to buy in Italy right now. So that will be a history of this because we cannot cover these costs. An in Italy they cannot cover their costs right now, even though there are doing premium brands and now more premium brands are coming to Türkiye for production.	Interview C 00:50:39
	Sensibility of the Directive	Responsibility down-passing	Text passages in which it becomes clear that lead firms pass the due diligence responsibility down to suppliers	They have given us the responsibility so they are asking us to fulfill those responsibilities for the total supply chain, and they push us to control every step of the production. Even down to the farms that produce wools. How can I do that? I am only buying the fabric.	Interview C 01:05:21
	Effectiveness of the Directive	Value creation for brands	Text passages in which it is clear that the CSDDD will benefit the lead firm mainly	Actually not for the manufacturers. For the brands and the retailers because they are going to advertise to their endcustomers that we are purchasing all our garments ethically. So I think you also have a responsibility to pay a higher price. Ultimately, this advantage is going to the brands and not the manufacturers.	Interview A 00:31:56
	Effectiveness of the Directive	Lack of incentives for CSR	Text passages in which it is clear that the manufacturers does not receive enough incentives by lead firms to implement better CSR	They want to have like water reduction, recycling, everything…but they don't want to pay fair price. This is the problem.	Interview B 00:17:02
	Effectiveness of the Directive	Sustainability indicator for non-in-scope of CSDDD firms	Text passages in which it is indicated that firms not falling in the scope of the CSDDD may take it as a sustainability indicator without performing own due diligence	What I think, like, the other countries, when they see a number of rules and regulations by the European countries, they are like, okay, this company does it and we don't need to check more, so they can lay back and be like, okay the Europeans check.	Interview A 00:48:59
	Effectiveness of the Directive	CSR requirements already common	Text passages making clear that CSR/HRDD is no new concept to suppliers	But the big brands have this sustainability for a long time. I can say, H&M is one of them. And lately, Inditex Group is really keen on this.	Interview C 01:17:02
	Effectiveness of the Directive	No social benefit for workers	Text passages indicating that no social benefit is expected for workers from HRDD legislations	of course it's meaningful for the environment. But the workers, if you talk about due diligence to them, they don't actually Care because at the end of the day, they are just only thinking about How to keep their household running, how To earn more money So they actually don't care about from where the cotton is coming from. Because when you talk about due diligence And if you want to talk about Their wages, they know what wages they're getting.	Interview A 00:23:44

	Effectiveness of the Directive	More brands will follow with CSR	Text passages indicating that more brands/boutiques/retailers will follow with CSR requirements	We see that other than brand's requirements, the legislations will be higher for more brands. So that will start to try to adapt all their requirements to the legal legislations.	Interview C 00:11:10
	Effectiveness of the Directive	No HRDD performed by smaller businesses	Text passages highlighting the non-existing HRDD by companies not falling under regulations	[...] but the others, they even don't have this kind of people to follow the regulations. So they will have problems. Not we as producers, but the brands in Europe. Because there are boutiques, not only the brands but the boutiques. There is one Italian going to France showing some boutiques the garments and they said, okay I need 40 of this, I need 50 of this. So they get it, but they don't know where it's produced,	Interview C 00:52:39
	Effectiveness of the Directive	National law takes precedence	Text passages making clear that national law is more relevant to manufacturers	All the Social Security requirements are different because of the country regulations. So we have to follow our own country's regulations and they have to follow their country regulations. We have said, okay, €500 for workers, but they pay €100 for.	Interview C 00:33:07
Governance factors for successful HRDD	Support needed by brands	Knowledge building: sustainability	Text passages in relation to knowledge support by brands concerning sustainability measures	They come up with sometimes knowledge input if we do not understand.	Interview B 00:14:13
	Support needed by brands	Long-term capacity planning	Text passages reflecting on the positive influence of long-term capacity planning	And we manufacturers under pressure because since I have a factory, I have to keep my factory running. If I don't have orders, I cannot Keep my factory running.	Interview A 00:18:07
	Support needed by brands	Prices reflecting actual costs/effort	Text passages highlighting the importance of prices paid by brands that reflect the actual producing costs and efforts	I think, since this is concern of Due diligence, I think brands should be of more consensus to the manufacturers also, because if we are incurring cost. Since for us, the brands are our End customer, they are increasing the price in the market, the brands are increasing the price in The store from the end customer. So why can't they share that, some Amount of that of the cost that we are incurring? Because at the end of the day If all the factories closes down, then How are they going to procure the garments?	Interview A 00:21:50
	Support needed by brands	Appreciation of more than minimum sustainability requirements	Text passages highlighting how it would benefit if more than the minimum CSR requirements are appreciated by lead firms	When you do more, you don't get more. They look for the minimum requirements, okay minimum requirements. So they work with any of these factories. They don't look for different levels. They say that they are going to give more orders for the companies who have higher level of sustainability because it is politics and rights. But so far we didn't see this to its sustainability is one thing.	Interview C 00:25:17
	State influence	Government regulations	Text passages indicating how government regulations have influenced CSR	But right now, since there is going to be another circular in Bangladesh, I think in December, the minimum wages is Going to go up again to meet the inflation. Whereas if you think about China or India, in China they did not increase The minimum wage, I think in the Last eight years or ten years. In India, I think they have not increased the minimum wage in the last five, seven years. But in Bangladesh, almost like our minimum wage increased four years before. Now the minimum wage is again increasing.	Interview A 00:24:59