

The Risks and Opportunities of the EU Corporate Sustainability Due Diligence for SMEs

Lean Checklist and Guideline for first mitigation measures

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Abstract

The Risks and Opportunities of the EU Corporate Sustainability Due Diligence for SMEs

Lean Checklist and Guideline for first mitigation measures

The presented master thesis of the study subject International Management and Leadership at the University of Applied Science Vorarlberg in Dornbirn handles the potential future influence of the EU Corporate Sustainability Due diligence on SMEs.

First this thesis introduces the most important regulations that might come into place with this **Due Diligence Act** and gives a theoretical input when and how it will come into place, and also who it will affect directly and who will be affected indirectly.

The empirical data resulted of several **qualitative expert interviews** and a following quantitative research. The expert interviews are split in two different groups, first the topic experts from institutions like chamber of commerce or chamber of labour and second experts from highly successful Austrian companies which are already handling the topic and the future challenges. Expected outcome of the qualitative interviews was a better view on the actual situation especially the impact on small and medium enterprises. On the basis of this results the quantitative survey was produced.

In the **quantitative survey** the goal was to see, how much entrepreneurs and companies in the small and medium sector already are aware of the upcoming legal challenges throughout the supply chain.

With all this collected data the practical outcome of this thesis is the **Checklist**, which helps entrepreneurs to find out if and how much they will be affected by the Act.

And finally, the most important part is the **Guideline**, which introduces first risk assessment tools, that will help companies to prepare for future legislation and bring undoubtedly a certain advantage for the upcoming challenges.

Keywords in English: Sustainability, EU Due Diligence, SME, Mitigation Measures, Risk Assessment

Kurzreferat

Die Risiken und Möglichkeiten der EU-Lieferkettenrichtlinie für KMUs

Einfache Checkliste und Leitfaden für erste Minderungsmaßnahmen

Die hier vorgestellte Masterarbeit des Studienfachs International Management and Leadership an der Fachhochschule Vorarlberg in Dornbirn befasst sich mit dem potenziellen zukünftigen Einfluss der EU-Lieferkettenrichtlinie auf KMUs.

Diese Arbeit stellt zunächst die wichtigsten Regelungen vor, die mit diesem **Sorgfaltspflichtengesetz** in Kraft treten werden und gibt einen theoretischen Input, wann und wie es in Kraft treten wird, sowie wen es direkt und wen indirekt betrifft.

Die empirischen Daten resultieren aus mehreren **qualitativen Experteninterviews** und einer anschließenden quantitativen Recherche. Die Experteninterviews sind in 2 Gruppen geteilt, einmal die Experten aus den Institutionen, wie zum Beispiel, der Wirtschaftskammer oder der Arbeiterkammer, und zweitens Experten aus hochangesehenen Unternehmen in Österreich, welche das Thema schon vorbereiten und sich für die zukünftigen Herausforderungen wappnen. Das erwartete Ergebnis der qualitativen Interviews war eine bessere Sicht auf die tatsächliche Situation, insbesondere die Auswirkungen auf kleine und mittlere Unternehmen. Auf Basis dieser Ergebnisse wurde die quantitative Erhebung erstellt.

Ziel der **quantitativen Erhebung** war es herauszufinden, inwieweit sich Unternehmer und Unternehmen im Mittelstand bereits der bevorstehenden rechtlichen Herausforderungen in der Lieferkette bewusst sind.

Mit all diesen gesammelten Daten ist das praktische Ergebnis dieser Arbeit die **Checkliste**, die Unternehmern hilft, herauszufinden, ob und wie stark sie vom Gesetz betroffen sein werden.

Und schließlich ist der wichtigste Teil der **Leitfaden**, der erste Riskmanagement Tools vorstellt, die Unternehmen helfen, sich auf zukünftige Gesetzgebungen vorzubereiten und zweifellos einen gewissen Vorteil für die kommenden Herausforderungen bringen.

Keywords in German: Sorgfaltspflichtengesetz, EU-Lieferkettenrichtlinie, KMU, Minderungsmaßnahmen, Risikoanalyse

Preface/Acknowledgement

As an import company with a lot of industrial customers, which are directly impacted by this regulation I consider it as a professional and personal duty to inform myself about this topic and how it will or will not impact my future business.

From other examples as the data protection law I learned, that a lot of companies in the SME sector tend to react to laws and regulations in the moment when they occur instead of being prepared in advance.

Especially in the field of supply chain, where processes and changes happen over longer time lines, caused by production time or delivery time or distance and not minor often also because of cultural and substantial differences, the importance of reacting in advance is even more essential than in other parts of business.

So, I made myself the promise to react before these regulations come in to place, and this way I might even be able to help other SMEs from missing out the opportunity to prepare early enough.

Table of Contents

List of Figures	8
List of Tables	10
List of Abbreviations	11
1 Chapter of Introduction	12
1.1 Importance	12
1.2 Problem	13
1.3 Research Question	14
1.4 Objective	14
2 Research Approach	15
2.1 Qualitative Expert Interviews	16
2.1.1 Interviewees	16
2.1.2 Interview Structure	17
2.1.3 Coding of the Results	17
2.2 Quantitative Survey	18
2.2.1 Questionnaire Structure	18
2.2.2 Sample Size and Data Collection Approach	19
2.2.3 Reliability and Validity	20
2.3 Data Analysis	20
3 Theoretical Framework	21
3.1 EU decision-making process	21
3.2 The EU CSDD and the EU CSRD	22
3.3 Corporate Sustainability Due Diligence Directive	24
3.3.1 Who is directly affected?	24
3.3.2 Benefits of these new rules	26
3.3.3 Main points of the EU Corporate Sustainability Due Diligence Directive	27
3.3.4 Issue with transfer of responsibility	27
3.3.5 How is the EU planning to protect SMEs?	28
3.3.6 Which importance has contractual regulation?	29
3.4 Corporate Sustainability Reporting Directive	30
3.4.1 Who is directly affected?	30
3.4.2 Main points of the EU Corporate Sustainability Reporting Directive	31

3.5	Risk Assessment and Management tools for SMEs	32
3.5.1	Risk Mapping	32
3.5.2	Due Diligence Questionnaires	34
3.5.3	Supplier Audits	34
3.5.4	Certification Schemes	35
4	State of the Art	36
4.1	Opinions and Improvements	36
4.2	Politics	37
5	Collected results of expert interviews	40
5.1	Quantitative Content Analysis	40
5.2	Qualitative Content Analysis	41
5.3	The German Supply Chain Act in Austria	42
5.4	Blind Signing	43
5.5	Which main risks will the SMEs be facing?	43
5.5.1	Competitive Disadvantage	44
5.5.2	Compliance Costs	45
5.5.3	Reduced Access to Finance	46
5.5.4	Liability Risks	46
5.6	Which opportunities could SMEs gain through the directive?	47
5.6.1	Competitive Advantage	48
5.6.2	Stability and Image	48
5.6.3	Access to Finance	49
5.6.4	Improvement and Risk Reduction	49
5.7	Porter's Value Chain and why it should get a make-over	50
5.8	Steps to be considered before the act comes into place?	52
5.8.1	How are the big players in Vorarlberg handling the challenge?	54
5.8.2	Ecovadis and other solutions	55
5.9	Conclusion of the qualitative Data	56
6	Collected results of quantitative survey	57
6.1	Research Design	57
6.2	Detailed Results of the Questionnaire	58
6.2.1	Size of the participant's company	58

6.2.2	Industry	59
6.2.3	Purchase and import quota	60
6.2.4	Amount of big customers	60
6.2.5	Awareness of the CSDD	62
6.2.6	View on the future	62
6.2.7	Relevance of different CSDD topics	62
6.3	Conclusion of the quantitative Data	67
7	Summarized Checklist	68
7.1	EU and Non-EU companies considering turnover and employees	69
7.2	High impact sectors	69
7.3	Which SMEs are affected? And why?	70
8	Lean Guideline for a simplified CSDD Risk Management System	71
8.1	Identify high volume/value products	71
8.2	Identify high impact products	72
8.3	Identify high volume and high-risk suppliers	73
8.4	Identify and name the risks most likely to occur	73
8.5	Send out questionnaires to collect data	74
8.6	Define a risk score and risk rating for suppliers	78
8.7	Communicate open with suppliers	78
9	Conclusion	79
10	Limitations and Further Research	80
11	Summary	81
	References	84
	Appendix	92
	Statement of Affirmation	105

List of Figures

Figure 1: Research Timeline	15
Figure 2: Research Onion by Saunders.....	16
Figure 3: Qualitative Coding in MAXQDA	17
Figure 4: Quantitative Questionnaire	19
Figure 5: How the CSDD and CSRD Interact	23
Figure 6: Stakeholders for Sustainability Measures	32
Figure 7: Risk Map	33
Figure 8: Organizational governance.....	35
Figure 9: Interest Groups	36
Figure 10: Mentioning of key words	41
Figure 11: Grouping of key words.....	42
Figure 12: Traditional Value Chain Model.....	51
Figure 13: Frequency of Yearly Turnover	59
Figure 14: Percentage in purchase.....	60
Figure 15: Percentage in import.....	60
Figure 16: Relevance of the Environment.....	62
Figure 17: Relevance of Social Commitment.....	63
Figure 18: Relevance of fair working conditions	63
Figure 19: Relevance of Sustainability.....	64
Figure 20: Relevance of Equality	64
Figure 21: Relevance of Fair Wages	65
Figure 22: Relevance of Purchasing regional	65
Figure 23: Relevance of Environmentally friendly production.....	66
Figure 24: Relevance of Long-term supplier relationships	66
Figure 25: Relevance of CO2 Balance	67
Figure 26: Checklist CSDD Requirements (A3 Format in the Appendix)	68

Figure 27: Comparative summary of the positions of the Commission, the Council and the Parliament	69
Figure 28: Life Cycle Impact of a Product.....	72
Figure 29: Risk Map 2.....	74
Figure 30: Supplier Sustainability Questionnaire – Page 1 (available in the Appendix).....	75
Figure 31: Supplier Sustainability Questionnaire – Page 2 (available in the Appendix).....	76
Figure 32: Supplier Sustainability Questionnaire – Page 3 (available in the Appendix).....	77
Figure 33: Sustainability Rating	78

List of Tables

Table 1: Quantitative Analysis of Interview Codes	41
Table 2: Amount of employees	58
Table 3: Turnover	58
Table 4: Industry	59
Table 5: Customers with more than 3000 employees	61
Table 6: Customers with more than 1000 employees	61
Table 7: Topic	62
Table 8: Product volume	71
Table 9: Supplier Labelling.....	73
Table 10: Risk register	73

List of Abbreviations

CSD - Corporate Sustainability Due Diligence

CSDD/D – Corporate Sustainability Due Diligence / Directive

CSRD – Corporate Sustainability Reporting Directive

CSR – Corporate Social Responsibility

DDQ – Due Diligence Questionnaires

DIHK – Deutsche Industrie- und Handelskammer

ESRS – European Sustainability Reporting Standards

KPI – Key Performance Indicators

NFRD - Non-Financial Reporting Directive

SCM – Supply Chain Management

SME – Small and Medium Sized Enterprise

SSCM – Sustainable Supply Chain Management

LCA – Life Cycle Analysis

ESG – Environmental, Social, Governance

OECD - Organisation for Economic Co-operation and Development

Q+EHS – Quality + Environmental, Health & Safety

SCDDA – Supply Chain Due Diligence Act

1 Chapter of Introduction

Our generation of unlimited consumerism, unfortunately feeds the constant need of more and cheaper products, this development caused huge disbalance in the global supply chains around the world, especially when it comes to social influence, environmental pollution and human rights. According to these issues, the European Commission started in 2011 with the idea of an EU supply chain act.

The CSDD, the European Corporate Sustainability Due Diligence Directive or more or less the proposal of it, which was published in its most recent version in February 2022 aims to establish mandatory requirements for businesses operating within the European Union. Major goal is to identify and prevent potential negative impacts on human rights, nature and the governance. Although these points should and will impact a better quality of life in the EU but also and even more in all the developing countries in the long run, there are serious concerns about its impact on our local economy especially on SMEs in the next years. SMEs might face unexpected challenges to meet the new requirements to stay in bigger supply chains or even to access capital in the future.¹

This thesis analyses the risks which SMEs might face in the next years, and in addition will examine the opportunities SMEs could gain by their commitment to sustainability and addressing their impact as a role model by implementing a risk management system to prevent and foresee risks in their supply chain before they occur.

1.1 Importance

Research in the field of the EU CSDD is crucial, first, research can and should help to increase the awareness among companies and entrepreneurs, also if they are not affected immediately. It should increase their knowledge around the topic in particular when it comes to potential impacts of the regulation on their future business. Research therefore can help to identify and name the potential risks and challenges and furthermore increase the awareness, that there are also positive sides of this new regulations and that especially in the field of reputation, sustainability will play a constantly increasing role in the perspective of customers today and in the future.

The concluded findings from the expert interviews and the theoretical literature review help to inform businesses not just around the recent state of regulations it also shows best practice examples and strategies for compliance and risk mitigation measures. Final result is an easy checklist to understand which companies are affected yet or in the future and a guideline to implement first mitigation measures to comply with the regulations, the earlier the better.

¹ 'Corporate Sustainability Due Diligence', accessed 1 May 2023, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

Preparation is the key to a successful implementation and a decrease of future potential risks, supply chain risks and an increase of resilience in supply chains around the world.

1.2 Problem

“Although SMEs are not included in the scope of this Directive, they could be impacted by its provisions as contractors or subcontractors to the companies which are in the scope.”

(Lara WOLTERS, ‘REPORT on the Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937 | A9-0184/2023 | European Parliament’, accessed 21 June 2023, https://www.europarl.europa.eu/doceo/document/A-9-2023-0184_EN.html. Page 11/Recital 47)

„Around 99 % of all companies in the Union, are excluded from the due diligence duty“

(‘Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937’ (2022), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071>. Page 14)

99,6% of the Austrian companies are Small and Medium sized companies, this means in detail, they have less than 250 employees, less than 50 million revenue and less than 43 million total assets². This Thesis focuses on the risk considering the future EU directives for these smaller enterprises which are officially not considered to be affected by this due diligence act in a direct way, at least not for the first years of implementation.

Impacted by the fact, that several European countries already implemented their individual legislative, the European institutions came to the conclusion, that only a European solution could be the way to reach the common goals of the European Green Deal, the sustainability program and prevent the European member states to compete to each other in the internal market through to the different national legislation.³

In February 2022 the European Commission published their proposal for a directive on corporate sustainability due diligence and amending directive. In December 2022 all member states agreed on this directive, next step is the final approval of the European Parliament and the council, once adopted, member states have two years’ time to turn the directive into national law and communicate it to the public.⁴

² ‘KMU in Österreich’, Bundesministerium für Arbeit und Wirtschaft, accessed 11 April 2023, <https://www.bmaw.gv.at/Services/Zahlen-Daten-Fakten/KMU-in-Österreich.html>.

³ ‘The European Supply Chain Act – the Important Topics’, Rödl & Partner, accessed 1 May 2023, <https://www.roedl.com/insights/commission-draft-european-supply-chain-act>.

⁴ ‘Corporate Sustainability Due Diligence’, 23 February 2022, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

The EU Corporate Sustainability Due Diligence Directive, aims to increase corporate responsibility and sustainability by making due diligence mandatory for large companies and their suppliers.⁵ While the directive is intended to improve environmental and social sustainability, it may also present some risks for Small and Medium-sized Enterprises (SMEs).

1.3 Research Question

What impact will the EU Corporate Sustainability Due Diligence have on SMEs?

- Which risks are SMEs facing with the new regulations?
 - Information collected through recent literature.
 - Should be additionally answered by the experts in the qualitative interviews.
- How do Austrian companies handle or recognize the mentioned risks at the moment?
 - Should be answered by the interviewees in group 2, the companies.
- How could a lean management mitigation approach for SMEs look like?
 - After exploring the actual risks combining risk management tools into a lean guideline for SMEs instead of handing down responsibilities.

1.4 Objective

Analyse the actual awareness of the topic through out the not directly, but indirectly influenced SMEs was the aim of this thesis. The lack of preparation and awareness considering the potential risks that they could be facing soon should be confirmed.

Additionally, it should be a tool for especially unprepared businesses to start with a first and simple risk assessment in their supply chains.

Of course, this collection of research and theoretical input can never replace professional consultations, but it can be a start to get a first impression of the topic and see how much it affects daily business in a company.

The focus of this work and research is on Austria in particular Vorarlberg.

The addressed companies are SMEs.

⁵ 'Just and Sustainable Economy', Text, European Commission - European Commission, accessed 16 June 2023, https://ec.europa.eu/commission/presscorner/detail/en/IP_22_1145.

2 Research Approach

After the theoretical introduction of the EU Corporate Sustainability Due Diligence, there will be a summary of mitigation measures and risk assessment tools.

Followed by the analysis of the qualitative expert interviews.



Figure 1: Research Timeline

Source: Own Illustration produced with miro

With the help of this first theoretical and practical collection of knowledge, the quantitative survey was constructed with an inductive approach towards the final result of the thesis, the practical guideline.

Additional result of the theoretical research will be the Checklist as a practical tool.

Due to the circumstance, that there is as well a qualitative approach as also a quantitative approach, the thesis is placed in the paradigm of pragmatism and worked out with mixed methods.

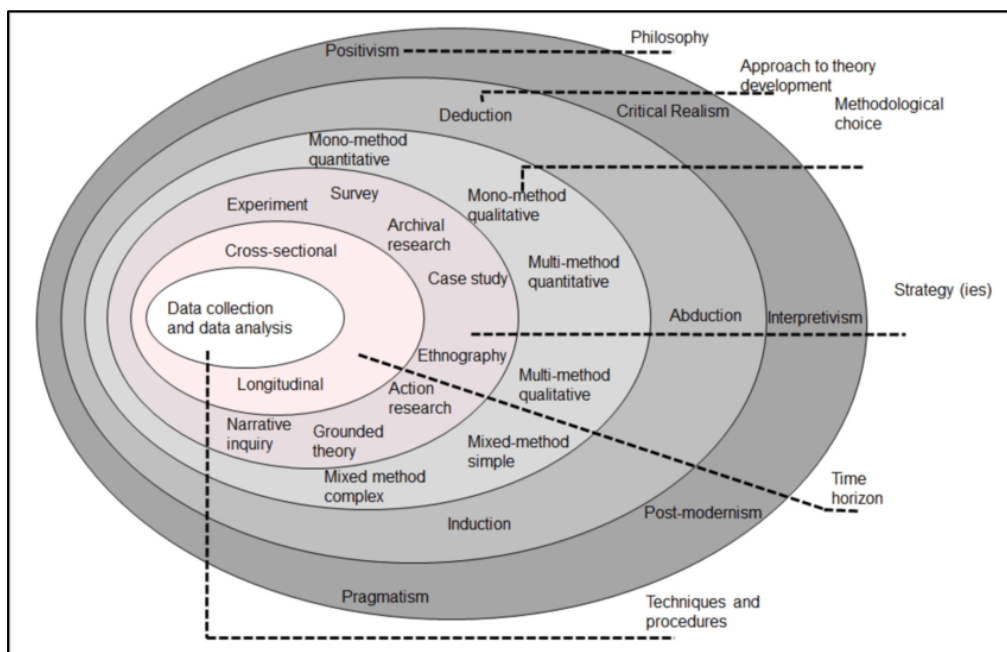


Figure 2: Research Onion by Saunders

Source: M. N. K. Saunders, Philip Lewis, and Adrian Thornhill, *Research Methods for Business Students*, Eighth Edition (New York: Pearson, 2019). p. 108

2.1 Qualitative Expert Interviews

The interviewees were contacted via email and after the first few interviews the others followed by recommendation.

2.1.1 Interviewees

Prof. Dr. Elisabeth Fröhlich-Glantschnig

Professor at the Cologne Business School for Strategic Procurement Management, she has been President of the university since 2013

Univ. Prof. Dr. Martin Winner

University professor for corporate law at the Vienna University of Economics and Business

Mag. Laura Sanjath, BA, LL.M.

Trained lawyer and English/American linguist and works in the field of commercial law at the Austrian Chamber of Commerce in Vienna

Mag. Sarah Bruckner

Consultant for European law in the EU & Chamber of Labour in Vienna

Philipp Hörmann

Business Consultant for Sustainability - www.weitblick-partner.eu

Mario Wintschnig, MSc. Betr. Oec.

Management Corporate Responsibility Strategy & Transformation at Zumtobel Group

Laura Loeffler

Sustainability and Resource Management at Julius Blum in Hoechst

Andrea Sutterlüty – Haberkorn GmbH

Sustainability Responsible at Haberkorn GmbH in Wolfurt

2.1.2 Interview Structure

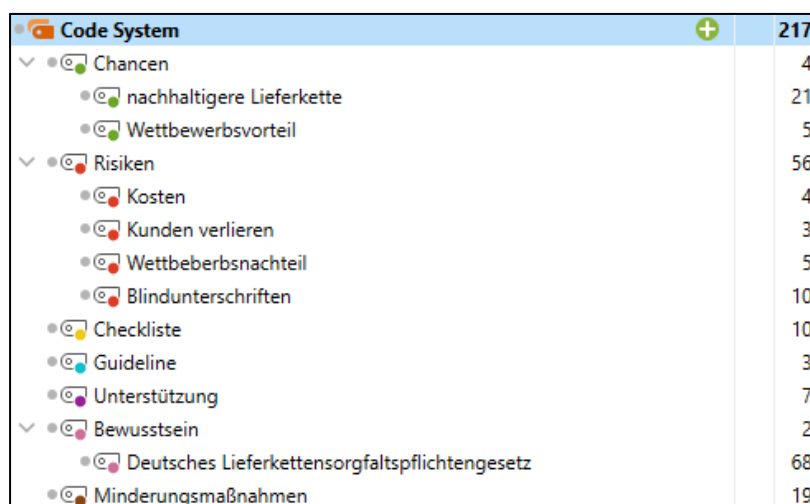
The chosen interview form was the semi structured interview. The interviews were held in German.

These five Main questions should guide threth the conversation:

1. Which risks regarding SMEs do you expect from the future Supply Chain Directive?
2. How do you see the contractual transfer of responsibility from large companies to SMEs?
3. In what form do you see a need for action for our medium-sized companies in relation to control mechanisms and risk assessment?
4. The supply chain directive has been in force in Germany since the beginning of this year. Do you think Austria was prepared accordingly? Since Germany is our largest export country, the influence should be noticeable.
5. What would you recommend to an SME with many large customers?

2.1.3 Coding of the Results

Owed by the circumstances, that the interviews were held in German, of course also the coding had to happen in German, the following figure shows the coding in MAXQDA.



Code System	Count
Code System	217
Chancen	4
nachhaltigere Lieferkette	21
Wettbewerbsvorteil	5
Risiken	56
Kosten	4
Kunden verlieren	3
Wettbeberbsnachteil	5
Blindunterschriften	10
Checkliste	10
Guideline	3
Unterstützung	7
Bewusstsein	2
Deutsches Lieferkettensorgfaltspflichtengesetz	68
Minderungsmaßnahmen	19

Figure 3: Qualitative Coding in MAXQDA

Source: Excerpt out of MAXQDA

2.2 Quantitative Survey

2.2.1 Questionnaire Structure

Start

To introduce the participant to the topic, the survey starts with a short introduction to the CSDDD and explains, that the main goal of the questionnaire is to detect the awareness around SMEs in the region when it comes to the directive.

Questions about the participant's company

The questionnaire starts with 3 general questions about the participant's company. First the number of employees, second the yearly turnover and third the industry in which it is operating.

Questions about the supply chain

Next part is the specification of the supply chain. First, the percentage of the sales volume that are purchased goods, second the percentage of the purchased good that are bought outside of the EU.

Questions about the customer of the participant

With two questions, we check how many very big customers the participant has. First, customers over 3.000 employees, second customers over 1.000 employees.

Questions about Supply Chain Act

Here the survey splits into 2 parts – one part are the participants that already had touchpoints with certain supply chain regulations, the other are the ones, that haven't even thought about it yet.

Questions about the touchpoints

If they already had thought about the topic the next questions are, how have they thought about it and why? Are there already some risk assessment tools in place? And last but not least, are there already some mitigation measures in place?

No touchpoints yet

In case the participant has not yet had any touchpoints, the questions are were, do you plan to get in touch with the topic in the near future? Do you consider to approach professional help to do so? Do you think the topic Sustainable Supply Chain will be affect your company in the next years? Here the questionnaire splits again into "yes it will affect me" and "no it will not affect me".

Why will it affect you in the next years?

Why will it not affect you in the next years?

Closure

To conclude some Information about the participant the survey closes with measurement of their environmental and social awareness.

Bitte markieren Sie die folgenden Schwerpunkte nach ihrer Relevanz in Ihrem Unternehmen.				
1 = unrelevant 2 = mäßig relevant 3 = relevant 4 = sehr relevant				
	unrelevant	mäßig relevant	relevant	sehr relevant
Umwelt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Soziales Engagement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faire Arbeitsbedingungen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Nachhaltigkeit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gleichberechtigung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faire Entlohnung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regionale Beschaffung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Umweltfreundliche Produktion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Langfristige Lieferantenbeziehungen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CO2 Bilanz	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Figure 4: Quantitative Questionnaire

Source: Own Survey – produced with Tivian

2.2.2 Sample Size and Data Collection Approach

According to the chamber of commerce of Austria, Vorarlberg has about 11.900 small and medium sized enterprises (SMEs)⁶.

There is no legally binding definition of SMEs, but in general the definition of the EU commission is used which means companies with less than 250 employees and under 50 Mio. Turnover a year and assets below 43 Mio.⁷ Because of a lack of information the author of this thesis only considered the number of employees, just like the chamber of commerce does too.

The survey was sent to more than 190 Ecoprofit companies in Vorarlberg. And additionally, to about 3954 newsletter contacts (mainly Vorarlberg) of the tip kommunikations GmbH in Dornbirn.

The data collection period was from the first 03.04.2023 to the 30.04.2023. 229 persons opened the link, 74 out of them started the questionnaire but only 28 also finished the survey.

Considering the unfortunately low response the results of the survey did not reach the approached and hoped sample size for reliability and validity. The needed sample size for a confidence level of 70% would be at 108, so far from the resulted 28.

⁶ WKÖ Statistik, Original Source: Dachverband der Sozialversicherungsträger, accessed 19 June 2023, https://wko.at/statistik/bundesland/Arbeitgeber.pdf?_gl=1*_1sgoh37*_ga*NDA-wODUwMDIwLjE2NjY5NzU2MDE.*_ga_4YHGVSNS5S4*MTY4NTQ0NzczOS4xNC4xLjE2ODU0NDkzODcuNTMuMC4w&_ga=2.109480269.954274459.1685447740-400850020.1666975601

⁷ Mag Thomas MITTERLECHNER Wirtschaftskammer Vorarlberg, 'Klein- und Mittelbetriebe (KMU): Definition', accessed 19 June 2023, <https://www.wko.at/service/zahlen-daten-fakten/KMU-definition.html>.

2.2.3 Reliability and Validity

Reliability and validity are two critical measures of survey quality in research. Reliability is the degree to which the survey produces consistent results over time, while validity refers to the extent to which the survey measures what it intends to measure.

When survey response rates are too low, it can impact both reliability and validity of the survey. According to a study by Groves et al. (2009), low response rates can result in nonresponse bias, where the responses of the sample differ from those of the population. This can lead to inaccurate estimates and reduced reliability.

Additionally, low response rates can impact the validity of the survey by reducing the representativeness of the sample. A low response rate can result in a sample that is not representative of the population, which can make it difficult to generalize the results to the broader population. Therefore, it is important for researchers to strive for high response rates to ensure the reliability and validity of their surveys.⁸

2.3 Data Analysis

Qualitative analysis was supported by MAXQDA was used as a software support. After transcription, the interviews were imported and coded to proceed with analysis.

The used software tool for the quantitative part, to analyse the data of this research was SPSS by IBM Statistics. After exporting the data from Tivian, the data sheet was imported into SPSS.

Although the sample size was not representative, the author of this research decided to proceed to analyse the collected data and compare to the collected information of the expert interviews.

Not participating in a survey can also be a statement in itself, and this is particularly true in qualitative research. Researchers must consider the reasons why someone might choose not to participate, as this can provide valuable insights into the research topic. For example, a person may not participate in a survey because they don't feel confident in answering specific questions or feel that they lack the necessary knowledge. In this case, researchers may need to adjust their methods to ensure that their questions are more accessible.⁹

This last statement proves in a way, that the qualitative approach might not be the correct research approach for this topic. Still the author wanted to include also this finding in the paper.

⁸ Robert M. Groves, ed., *Survey Methodology*, Wiley Series in Survey Methodology (Hoboken, NJ: J. Wiley, 2004).

⁹ Greg Guest, Emily E. Namey, and Marilyn L. Mitchell, *Collecting Qualitative Data: A Field Manual for Applied Research* (Thousand Oaks: SAGE Publications, 2013).

3 Theoretical Framework

To understand the importance of this thesis, a certain theoretical background is needed. The following chapters explain what the Corporate Sustainability Due Diligence Directive and the Corporate Sustainability Reporting Directive are about and who they are affecting and how companies could prepare for these upcoming challenges. Also, the benefits of these regulations are concluded.

The regulations cannot be explained in detail, because the legislation is not in place yet, the European Parliament agreed on a draft in November 2022 and the European Committees responded with their opinion in May 2023. So, the final version is still not existing yet (June 2023).

3.1 EU decision-making process

“In February 2022, the EU Commission presented a Proposal for a Directive on corporate sustainability due diligence (CSDDD).”

(‘Corporate Sustainability Due Diligence Directive Ahead of Key Vote in EU Parliament: Victims of Human Rights Abuse Need Justice’, AKEUROPA, accessed 21 June 2023, <https://www.akeuropa.eu/en/corporate-sustainability-due-diligence-directive-ahead-key-vote-eu-parliament-victims-human-rights>.)

The legislative procedure for EU policies varies depending on the area of policy. In most cases, it involves the European Parliament, which is representing the EU citizens and the Council of the European Union, which consists of government ministers from each member state. The process typically starts with the European Commission presenting a proposal, which in this case happened in February 2022¹⁰, which is then examined and debated by both the Parliament and the Council. Throughout this process, the Parliament and the Council engage in negotiations to reach an agreement on the final legislation.¹¹

The European Parliament has the power to accept, amend, or reject legislative proposals. Its members review and discuss the proposals in parliamentary committees, and amendments can be proposed to modify the text. The Parliament then votes on the final text, and if it is approved, it is sent to the Council for further consideration.¹²

The Council, representing the member states, discusses the proposal and aims to reach a consensus among the governments. The discussions take place in various Council

¹⁰ Lara WOLTERS, ‘REPORT on the Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937 | A9-0184/2023 | European Parliament’, accessed 21 June 2023, https://www.europarl.europa.eu/doceo/document/A-9-2023-0184_EN.html.

¹¹ ‘Policy, Law – Decision-Making Process | European Union’, accessed 21 June 2023, https://european-union.europa.eu/institutions-law-budget/law/how-eu-policy-decided_en.

¹² *ibid*

configurations, depending on the specific policy area being addressed. Once the Council reaches an agreement, it adopts a common position, which is then sent back to the European Parliament.¹³ The council defined their position on the directive in December 2022 with clear majority (19/3 – 3 abstentions) and stated a more stringent way by including smaller companies from 250 employees and a net turnover of 40 million, and also considering the whole value chain not just the “established business relationships”.¹⁴

The Parliament and the Council engage in a process known as the "ordinary legislative procedure" or "co-decision," where they negotiate to find common ground on the proposed legislation. This process involves multiple readings and iterations of the text, with both institutions having the opportunity to propose amendments and negotiate compromises.¹⁵

On the first June of 2023 the Parliament adopted its position for negotiations with 366 votes in favour, 225 against and 38 abstentions.¹⁶

To reach a final agreement, the Parliament and the Council must reconcile their positions and adopt the legislative text in the trilogue. Once agreed upon, the legislation is signed by the Presidents of the Parliament and the Council, and it becomes law for all EU member states.¹⁷

As soon as the negotiations between the council, the commission and the parliament are successfully over and the directive is formally adopted, which is not expected before 2024, each member state will have two years to implement the Corporate Sustainability Due Diligence Directive into their national legislation.¹⁸

3.2 The EU CSDD and the EU CSRD

The EU Corporate Sustainability Due Diligence Directive (CSDD) and the EU Corporate Sustainability Reporting Directive (CSRD) are two distinct measures proposed by the European Union to promote corporate sustainability and accountability.

¹³ 'Policy, Law – Decision-Making Process | European Union', accessed 21 June 2023, https://european-union.europa.eu/institutions-law-budget/law/how-eu-policy-decided_en.

¹⁴ 'Corporate Sustainability Due Diligence Directive Ahead of Key Vote in EU Parliament: Victims of Human Rights Abuse Need Justice', AKEUROPA, accessed 21 June 2023, <https://www.akeuropa.eu/en/corporate-sustainability-due-diligence-directive-ahead-key-vote-eu-parliament-victims-human-rights>.

¹⁵ 'Policy, Law – Decision-Making Process | European Union', accessed 21 June 2023, https://european-union.europa.eu/institutions-law-budget/law/how-eu-policy-decided_en.

¹⁶ 'MEPs Push Companies to Mitigate Their Negative Social and Environmental Impact | News | European Parliament', 1 June 2023, <https://www.europarl.europa.eu/news/en/press-room/20230524IPR91907/meps-push-companies-to-mitigate-their-negative-social-and-environmental-impact>.

¹⁷ 'Policy, Law – Decision-Making Process | European Union', accessed 21 June 2023, https://european-union.europa.eu/institutions-law-budget/law/how-eu-policy-decided_en.

¹⁸ Loyens & Loeff, 'The Corporate Sustainability Due Diligence Directive (CSDDD): The Position of the European Parliament and Potential Impact', accessed 21 June 2023, <https://www.loyensloeff.com/insights/news--events/news/the-corporate-sustainability-due-diligence-directive-csddd-the-position-of-the-european-parliament-and-the-impact/>.

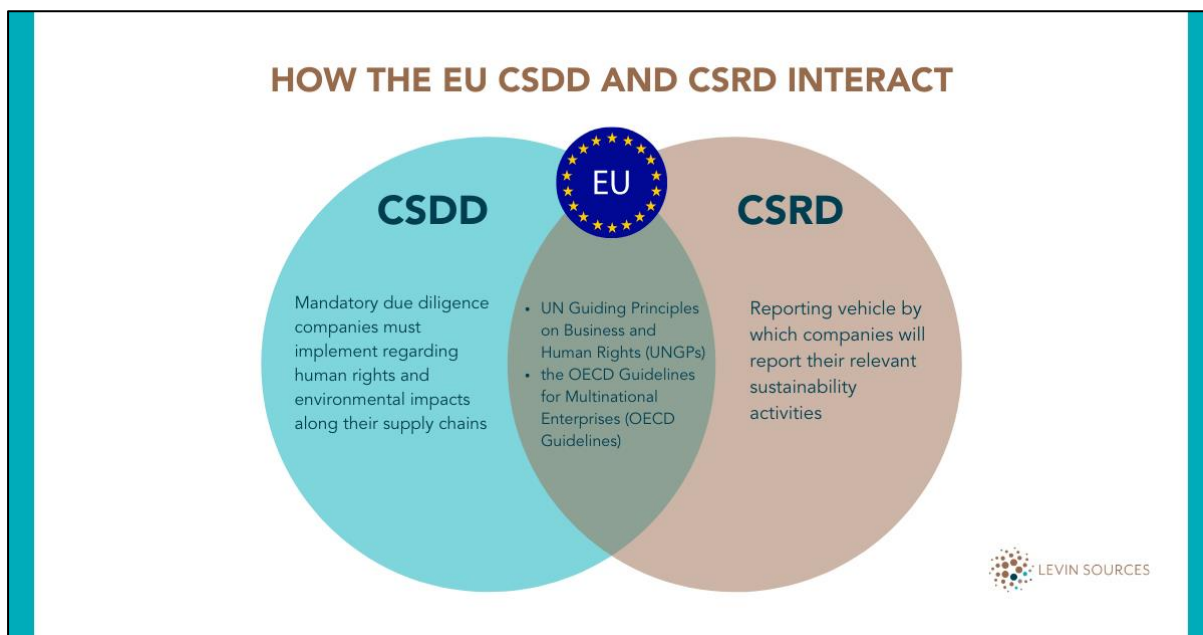


Figure 5: How the CSDD and CSRD Interact

Source: Levin Sources. 'Everything You Need to Know about the EU CSDD & EU CSRD'. Accessed 27 June 2023. <https://www.levinsources.com/knowledge-centre/insights/eu-csdd-eu-csrd-mining>.

The EU CSDD aims to introduce mandatory due diligence requirements for companies operating within the EU, to identify and prevent potential negative impacts on human rights, the environment, and governance.¹⁹ The CSDD proposal, published in April 2021, outlines a framework for companies to identify, mitigate and remedy any adverse impacts arising from their operations or value chains, with a focus on high-risk sectors such as mining, agriculture, and textiles. The EU CSDD proposal also includes provisions for civil liability and remedies for victims of harm.²⁰

On the other hand, the EU CSRD, adopted in June 2021, expands on the existing EU Non-Financial Reporting Directive (NFRD) by requiring large companies to provide more detailed and standardized sustainability information in their annual reports.²¹ The CSRD aims to improve the comparability, consistency and relevance of sustainability reporting, while also addressing the growing demand for sustainability information from stakeholders.²² The new

¹⁹ 'Just and Sustainable Economy', Text, European Commission - European Commission, accessed 16 June 2023, https://ec.europa.eu/commission/presscorner/detail/en/IP_22_1145.

²⁰ 'Corporate Due Diligence and Corporate Accountability - Wednesday, 10 March 2021', accessed 16 June 2023, https://www.europarl.europa.eu/doceo/document/TA-9-2021-0073_EN.html.

²¹ 'Corporate Sustainability Reporting', accessed 16 June 2023, https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.

²² European Parliament, 'Corporate Sustainability Reporting Directive (CSRD) | Legislative Train Schedule', European Parliament, accessed 16 June 2023, <https://www.europarl.europa.eu/legislative-train/theme-a-european-green-deal/file-review-of-the-non-financial-reporting-directive>.

requirements will apply to companies with more than 500 employees and listed on EU regulated markets, with the first reports due in 2024.²³

In summary, the EU CSDD focuses on the identification and prevention of negative impacts, while the EU CSRD aims to improve the quality and quantity of sustainability reporting by companies. Both measures seek to enhance corporate sustainability and accountability, but through different mechanisms.

3.3 Corporate Sustainability Due Diligence Directive

The EU Corporate Sustainability Due Diligence (CSD) Directive is a proposed EU regulation aimed at improving the sustainability practices of companies operating within the EU. The directive would require companies to identify and address sustainability risks in their operations and supply chains, as well as provide transparency on their sustainability performance.²⁴

The proposed directive would apply to companies with a presence in the EU, regardless of where they are headquartered. The companies would be required to conduct due diligence, which involves identifying and assessing potential sustainability risks and taking appropriate measures to address them. The due diligence process would cover issues such as human rights, labour rights, environmental protection, and anti-corruption measures.²⁵

The proposed directive also includes provisions aimed at improving access to remedy for those affected by corporate activities, such as workers, local communities, and environmental groups. It also includes measures to ensure that companies take responsibility for the sustainability performance of their suppliers and subcontractors.²⁶

3.3.1 Who is directly affected?

Definition of the European Commission:

Group 1: EU companies of substantial size and economic power (with 500+ employees and EUR 150 million+ in net turnover worldwide).

Group 2: Other EU companies operating in defined high impact sectors, which do not meet both Group 1 thresholds, but have more than 250 employees and a net turnover of EUR 40 million worldwide and if more than 50% of turnover is generated in high impact sectors.

²³ 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

²⁴ 'Corporate Sustainability Due Diligence', 23 February 2022, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

²⁵ 'Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937' (2022), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071>.

²⁶ Ibid

Non-EU companies:

Group 1: Non-EU companies with a net turnover in the EU of EUR 150 million.

Group 2: Non-EU companies operating in the defined high impact sectors with a net turnover of EUR 40 million, if more than 50% is generated in high impact sectors.²⁷

Small and medium enterprises (SMEs) are not directly in the scope of this proposal.²⁸

European Parliament's Position:

Group 1: EU companies with more than 250 employees and over EUR 40 million net turnover worldwide.

Group 2: Non-EU companies with more than EUR 150 million turnover when more than EUR 40 million were generated in the EU (including EU royalties).

Group 3: EU parent companies of a group when more than 500 employees and a net turnover of EUR 150 million worldwide – non-EU parent companies when at least EUR 40 million were generated in the EU.²⁹

Although SMEs should not be directly impacted by this proposal, the fact, that the transfer of responsibility is not finally clear, means, that there could potentially be an impact indirectly threw out supply chains also towards SMEs.

The EU Corporate Sustainability Due Diligence (CSDD) Directive, if adopted, would directly affect companies with a presence in the EU, regardless of where they are headquartered. The directive would apply to large companies, that meet the above-mentioned size thresholds or engage in high-risk activities.³⁰

The CSD Directive would require companies to conduct due diligence to identify and address sustainability risks in their operations and supply chains. This includes issues such as human rights, labour rights, environmental protection, and anti-corruption measures.³¹ Companies

²⁷ Van Damme, Isabelle, Tetyana Payosova, and Antigoni Matthaïou. 'Corporate Sustainability Due Diligence Directive – Key Issues under Discussion'. Accessed 25 June 2023. https://www.vbb.com/media/Insights_Articles/6-6-23.pdf.

²⁸ European Commission. (2022). Corporate Sustainability Due Diligence: Just and sustainable economy: Commission lays down rules for companies to respect human rights and environment in global value chains. https://ec.europa.eu/commission/presscorner/detail/en/ip_22_1145.

²⁹ Van Damme, Isabelle, Tetyana Payosova, and Antigoni Matthaïou. 'Corporate Sustainability Due Diligence Directive – Key Issues under Discussion'. Accessed 25 June 2023. https://www.vbb.com/media/Insights_Articles/6-6-23.pdf.

³⁰ 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

³¹ Ibid

would also be required to provide transparency on their sustainability performance, including through public reporting.³²

While the CSD Directive would primarily affect companies, it could also have implications for other stakeholders, such as investors and civil society groups, who have an interest in corporate sustainability practices and transparency.³³

3.3.2 Benefits of these new rules

Environmental and social benefits: It is expected, that the directive leads to urgently needed improvements in environmental and social conditions in supply chains, which should be benefitting people and the planet accordingly. By forcing companies to identify and mitigate environmental and social risks all over their supply chains, the directive can help to reduce environmental distress, promote labour rights, and protect the vulnerable part of the society.³⁴

Economic benefits: By engaging companies to increase their sustainability and responsible business practices, the directive can also guide to economic advantages for companies. Companies that are able to demonstrate their commitment and authenticity considering sustainability will be more attractive for investors, customers, and other stakeholders such as employees in the future, which will help to improve their reputation in the long term.³⁵

Legal benefits: If the standards of the regulation are established properly into the company's due diligence provides legal benefits and prevents the unexpected occurrence of many risks along the supply chain. By defining clear standards, high risk suppliers can be excluded right from the start. This way not just environmental and social harm is prevented, also legal risks and consequences can be reduced.³⁶

Level playing field: This framework also ensures, that all companies operating in the European Union adhere to the same standards, which creates a legal certainty and a level playing field. This can help to prevent "greenwashing" and ensure that companies are not able to gain a competitive advantage by disregarding environmental and social risks.³⁷

³² 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

³³ European Parliament, 'Corporate Sustainability Reporting Directive (CSRD) | Legislative Train Schedule', European Parliament, accessed 16 June 2023, <https://www.europarl.europa.eu/legislative-train/theme-a-european-green-deal/file-review-of-the-non-financial-reporting-directive>.

³⁴ 'Corporate Sustainability Due Diligence', 23 February 2022, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

³⁵ 'Corporate Due Diligence and Corporate Accountability - Wednesday, 10 March 2021', accessed 16 June 2023, https://www.europarl.europa.eu/doceo/document/TA-9-2021-0073_EN.html.

³⁶ 'Benefits of Performing Vendor Due Diligence - Vendor Centric'. Accessed 24 June 2023. <https://vendorcentric.com/single-post/benefits-of-vendor-due-diligence/>.

³⁷ Handelsblatt Live. 'Wird die CSRD das Greenwashing beenden?', 14 March 2023. <https://live.han-delnsblatt.com/wird-die-csrd-das-greenwashing-beenden/>.

3.3.3 Main points of the EU Corporate Sustainability Due Diligence Directive

Some main points of the EU Corporate Sustainability Due Diligence Directive are as follows:

Due Diligence: Companies would be required to conduct due diligence to identify and address sustainability risks in their operations and supply chains. This includes control and if needed improvements in sectors like human rights, labour rights, environment and corruption.³⁸

Mitigate Risks: If grievances are identified, organisations have to take steps to mitigate them as soon as possible. Possible procedures could be improvement, training and engagement with suppliers.³⁹

Transparency: Companies would be required to provide transparency on their sustainability performance and provide transparency over their whole supply chain.⁴⁰

Access to Remedy: The CSDD Directive includes provisions aimed at improving access to remedy for those affected by corporate activities, such as workers, local communities, and environmental groups.⁴¹

To include these points in a risk assessment, companies would need to identify and assess potential sustainability risks in their operations and supply chains. They would also need to take steps to address any identified risks. Finally, they would need to ensure that affected stakeholders have access to remedy for any harm caused by their activities.

3.3.4 Issue with transfer of responsibility

Transfer of responsibility within the EU Corporate Sustainability Due Diligence refers to the process of allocating responsibility for ensuring sustainability in supply chains among various actors, such as companies, governments, and civil society organizations. However, this transfer of responsibility can create several issues that undermine the effectiveness of corporate sustainability due diligence in the EU.

One of the main issues with transfer of responsibility is the lack of clear accountability. Without clear lines of accountability, it can be difficult to determine who is responsible for addressing sustainability risks in supply chains. This can lead to a situation where companies are unsure of their responsibilities, and governments and civil society organizations are unable to hold

³⁸ Union (EBU), European Broadcasting. Sustainability Rulebook: The Corporate Sustainability Due Diligence Directive (CSDDD), 2023. <https://www.ebu.ch/case-studies/open/legal-policy/the-future-of-eu-sustainability-regulation-ii-the-corporate-sustainability-due-diligence-directive-csddd>.

³⁹ Johannes, Cherele. 'What You Need to Know About the EU Corporate Sustainability Due Diligence Directive (CSDD)', 21 March 2023. <https://www.navex.com/blog/article/what-you-need-to-know-about-the-eu-corporate-sustainability-due-diligence-directive-csdd/>.

⁴⁰ Union (EBU), European Broadcasting. Sustainability Rulebook: The Corporate Sustainability Due Diligence Directive (CSDDD), 2023. <https://www.ebu.ch/case-studies/open/legal-policy/the-future-of-eu-sustainability-regulation-ii-the-corporate-sustainability-due-diligence-directive-csddd>.

⁴¹ European Parliament. (2021). Corporate due diligence and corporate accountability. <https://www.europarl.europa.eu/legislative-train/theme-a-stronger-europe-in-the-world/file-corporate-due-diligence-and-corporate-accountability>.

them accountable for their actions. As a result, sustainability risks may go unaddressed, and companies may continue to engage in unsustainable practices.⁴²

Another issue is the potential for a race to the bottom. If responsibility is shifted entirely onto companies, they may seek to minimize their costs by relying on suppliers with the lowest prices, regardless of their sustainability practices. This can lead to a situation where suppliers engage in unsustainable practices in order to meet the demands of their clients, resulting in negative environmental and social impacts.⁴³

A third issue is the lack of coordination and cooperation between actors. In order for sustainability due diligence to be effective, there must be coordination and cooperation between companies, governments, and civil society organizations. However, if responsibility is fragmented among these actors, they may not be incentivized to work together to address sustainability risks in supply chains. This can result in a patchwork of efforts that are less effective than a coordinated approach.⁴⁴

3.3.5 How is the EU planning to protect SMEs?

The EU is planning to protect small and medium-sized enterprises (SMEs) under the Corporate Sustainability Due Diligence Directive (CSDD) framework by taking into account their specific needs and capacities, providing support, and ensuring proportionality in their obligations.

The European Commission has acknowledged that smaller companies may face difficulties in conducting due diligence and complying with the reporting requirements, and therefore, it has proposed to apply lighter requirements for SMEs.⁴⁵

Another approach is to provide support to SMEs in meeting the due diligence requirements. The EU has proposed to establish a new EU-wide advisory hub, which will provide technical assistance to SMEs to help them identify and manage sustainability risks.⁴⁶

The EU also aims to promote responsible business conduct among SMEs by increasing awareness and providing guidance on sustainability issues. The European Commission has

⁴² 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

⁴³ OECD. (2020). Due diligence guidance for responsible business conduct. Retrieved from <https://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

⁴⁴ European Union Agency for Fundamental Rights. Business and Human Rights: Access to Remedy. LU: Publications Office, 2020. <https://data.europa.eu/doi/10.2811/54662>.

⁴⁵ Accountancy Europe. 'SME Update', 25 February 2022. <https://www.accountancyeurope.eu/professional-matters/sme-update-220224/>.

⁴⁶ Solidaridad Network. '10 Changes Needed for the EU's CSDD to Have an Impact on the Ground'. Accessed 24 June 2023. <https://www.solidaridadnetwork.org/news/10-changes-needed-for-the-eus-csdd-to-have-an-impact-on-the-ground/>.

proposed to launch an EU-wide awareness-raising campaign on responsible business conduct, with a focus on SMEs.⁴⁷

3.3.6 Which importance has contractual regulation?

Contractual regulation plays an important role in ensuring that the EU Corporate Sustainability Due Diligence Directive (CSDD) requirements are met throughout supply chains. By including sustainability provisions in contracts, companies can ensure that their suppliers and business partners comply with sustainability standards and are held accountable for any violations.

Contractual regulation is particularly important for ensuring compliance with the due diligence requirements in the EU's proposed CSDD legislation. The legislation requires companies to identify and address sustainability risks in their supply chains, and contractual regulation can help ensure that these obligations are met.

One of the key ways that contractual regulation can support CSDD compliance is by incorporating sustainability standards and requirements into contracts with suppliers and business partners. This can include requirements for suppliers to conduct due diligence and report on their sustainability practices, as well as clauses that allow for termination of the contract if sustainability standards are not met.⁴⁸

But there is a huge downside, one of the drivers for this thesis was the unpremeditated signing of code of conducts and supplier regulations that happens every day especially in SMEs. So, without further communication, control or even external auditing, this contractual regulation is worth nothing. Also, the EU Corporate Sustainability Due Diligence is not satisfied with only signed documents, as soon as the company actually falls into the scope, they have to prove the compliance with the regulations with professional auditing.

Another important aspect of contractual regulation is the enforcement of sustainability provisions. Companies can include mechanisms for monitoring and enforcing sustainability provisions, such as audit rights, in their contracts with suppliers and business partners. These mechanisms can help ensure that suppliers are complying with sustainability requirements and that any violations are addressed promptly.⁴⁹

⁴⁷ 'Awareness Raising Campaigns for Stakeholders' Behavioural Change — English'. Accessed 24 June 2023. <https://climate-adapt.eea.europa.eu/en/metadata/adaptation-options/awareness-campaigns-for-behavioural-change>.

⁴⁸ 'The Proposed Directive on Corporate Sustainability Due Diligence – a Step Change in ESG Litigation Risk'. Accessed 24 June 2023. <https://cms-lawnow.com/en/ealerts/2022/04/the-proposed-directive-on-corporate-sustainability-due-diligence-a-step-change-in-esg-litigation-risk>.

⁴⁹ Johannes, Cherele. 'What You Need to Know About the EU Corporate Sustainability Due Diligence Directive (CSDD)', 21 March 2023. <https://www.navex.com/blog/article/what-you-need-to-know-about-the-eu-corporate-sustainability-due-diligence-directive-csdd/>.

3.4 Corporate Sustainability Reporting Directive

The EU Corporate Sustainability Reporting Directive (CSRD) is a proposed EU regulation that would update and expand the scope of the already existing Non-Financial Reporting Directive (NFRD). The difference is, that the EU Corporate Sustainability Due Diligence requires the companies to implement a risk management and document all the necessary information through their supply chain, this directive requires companies to provide more detailed and consistent information on their sustainability performance and impact and include this information in their yearly reporting.⁵⁰

The CSRD requires companies to report on a range of sustainability topics, including environmental, social, and governance (ESG) issues, and would specify the key performance indicators (KPIs) that companies should report on.⁵¹ The directive would also require companies to provide more detailed information on their supply chains, including information on human rights, environmental impact, and anti-corruption measures.⁵²

The directive also introduces new reporting requirements for financial institutions, such as banks and insurance companies, to disclose the sustainability risks associated with their investments.⁵³

The CSRD is part of the European Union's broader efforts to promote sustainable finance and transition to a low-carbon economy. Goal of this directive is to provide investors and other stakeholders with better information and transparency on the sustainability performance of companies, and to encourage companies to integrate sustainability considerations into their decision-making processes.⁵⁴

3.4.1 Who is directly affected?

The EU Corporate Sustainability Reporting Directive (CSRD) is designed to directly affect public-interest companies with more than 500 employees and a balance sheet total of over € 20 million or net turnover of over €40 million.⁵⁵ These companies are addressed to disclose

⁵⁰'Corporate Sustainability Reporting'. Accessed 24 June 2023. https://finance.ec.europa.eu/capital-markets-union-and-financial-markets/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.

⁵¹ Ibid

⁵² Ibid

⁵³ 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

⁵⁴ 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

⁵⁵ 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

certain sustainability information in their annual reports, including information on environmental, social, and governance (ESG) factors.

Additionally, the CSRD also addresses companies listed on EU regulated markets, regardless of size, and certain other companies designated by member states.⁵⁶

The CSRD has the goal to improve the transparency and comparability of sustainability reporting by establishing common sustainability reporting standards for companies operating in the EU. This would provide investors, stakeholders, and the public with better information to assess a company's sustainability performance.

3.4.2 Main points of the EU Corporate Sustainability Reporting Directive

The EU Corporate Sustainability Reporting Directive (CSRD) should improve the transparency and comparability of sustainability reporting by establishing common standards for companies operating in the EU. The main points of the CSRD are as follows:

European Sustainability Reporting Standards (ESRS): The CSRD aims to establish common sustainability reporting standards for companies operating in the EU. The reporting requirements cover a wide range of environmental, social, and governance (ESG) issues, including climate change, biodiversity, human rights, and anti-corruption measures.⁵⁷

Assurance and external Auditing: The CSRD requires these companies to obtain assurance on their sustainability reporting from an independent third party, such as an auditor or a sustainability expert, this is one of the big differences to the NFRD.⁵⁸

To include the main points of the CSRD in a risk assessment, companies need to identify the ESG risks and opportunities that are relevant to their business and stakeholders. They also need to assess the quality and completeness of their sustainability reporting, and ensure that they are complying with the reporting requirements of the CSRD. Finally, they need to obtain assurance on their sustainability reporting from an independent third party, as required by the directive.

⁵⁶ 'Sustainable Economy: Parliament Adopts New Reporting Rules for Multinationals | News | European Parliament', 10 November 2022, <https://www.europarl.europa.eu/news/en/press-room/20221107IPR49611/sustainable-economy-parliament-adopts-new-reporting-rules-for-multinationals>.

⁵⁷ 'What Is the Corporate Sustainability Reporting Directive (CSRD)?' Accessed 30 June 2023. <https://greenly.earth/en-us/blog/company-guide/what-is-the-corporate-sustainability-reporting-directive-csrd>.

⁵⁸ Envizi. 'The EU's Corporate Sustainability Reporting Directive Explained'. IBM Blog (blog), 21 April 2023. <https://www.ibm.com/blog/eu-csrd-explained/>.

3.5 Risk Assessment and Management tools for SMEs

Small and medium-sized enterprises (SMEs) can use a range of risk assessment and management tools to ensure compliance with the EU Corporate Sustainability due diligence requirements.

There are several additional drivers beside governmental force to implement a sustainability risk assessment tool. These can be internal such as the goal to reduce costs and risks, but also external, such as customers, suppliers, potential employees, authorities and investors.

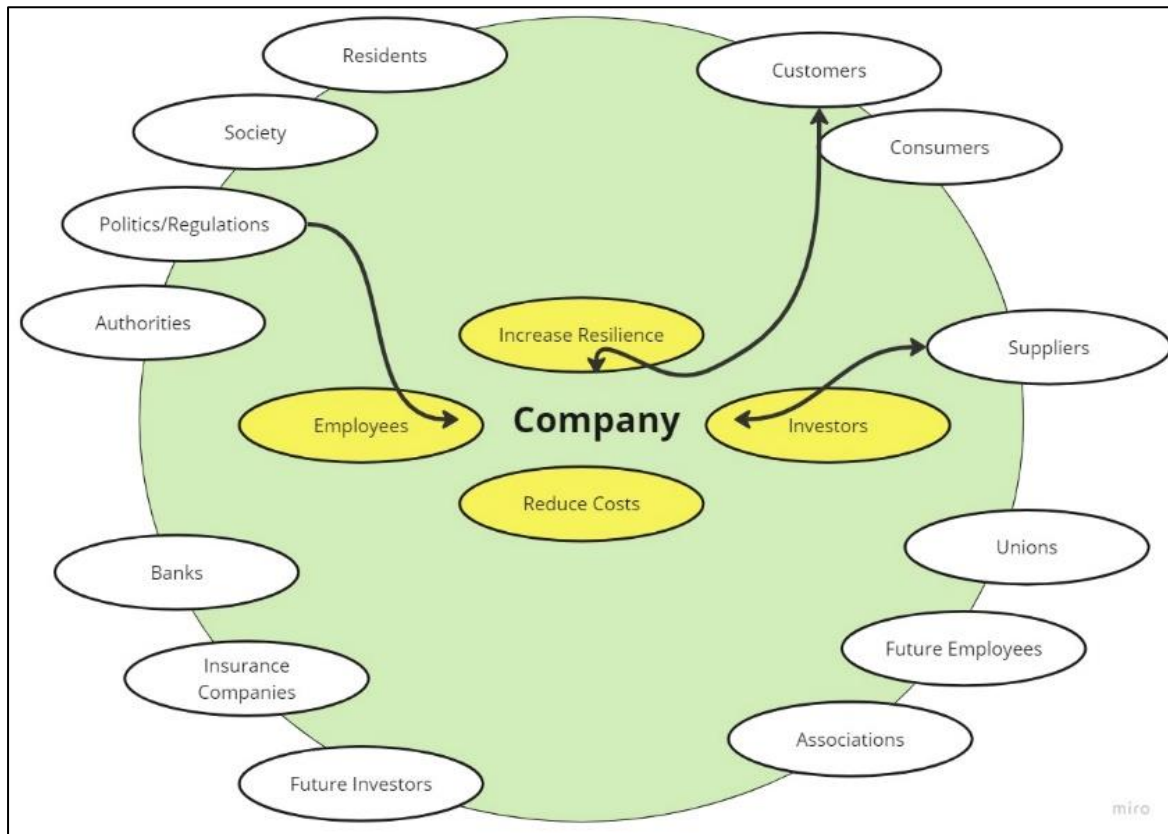


Figure 6: Stakeholders for Sustainability Measures

Source: Own Illustration produced with miro

In the following are some of the most common tools to implement a working risk assessment.

3.5.1 Risk Mapping

SMEs can map out their supply chains to identify potential risks, such as environmental or labour violations, and prioritize their due diligence efforts accordingly. This can help SMEs focus their limited resources on the areas of greatest risk and ensure that they are addressing the most critical sustainability concerns.⁵⁹

⁵⁹ 'SME-Sustainability_Accountancy-Europe-2020.Pdf'. Accessed 24 June 2023. https://www.accountancyeurope.eu/wp-content/uploads/SME-sustainability_Accountancy-Europe-2020.pdf.

Risk mapping in the context of a sustainable supply chain involves identifying and assessing potential risks associated with social and environmental issues throughout the supply chain, from the sourcing of raw materials to the delivery of finished products.⁶⁰ The goal is to map out and understand the risks and impacts of the supply chain so that companies can take proactive steps to mitigate those risks and improve sustainability performance.⁶¹

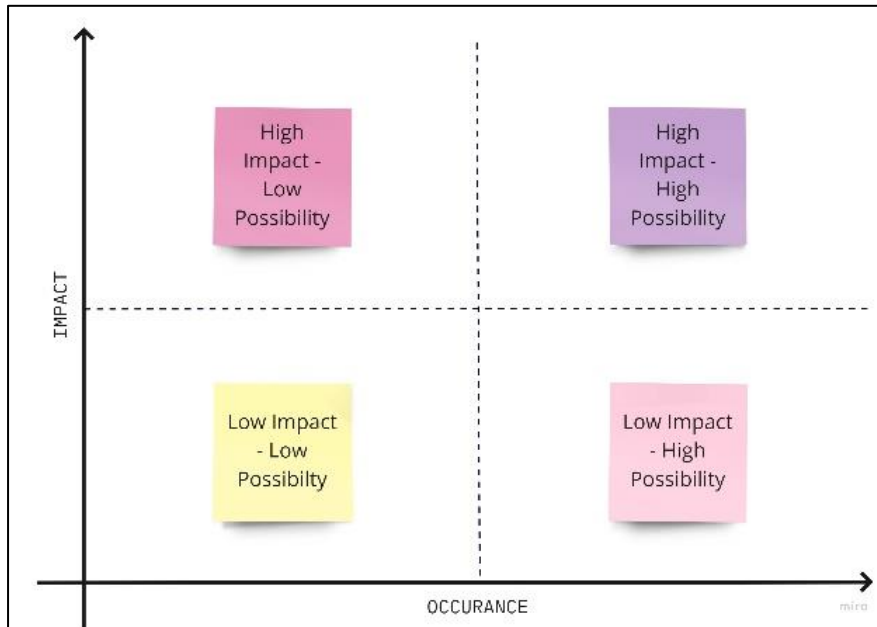


Figure 7: Risk Map

Source: Own Illustration produced with miro

The following are the key steps involved in risk mapping in the context of a sustainable supply chain:

Identify the supply chain: Companies need to identify and map out their supply chain, including all the suppliers and sub-suppliers involved in the production of goods and services.⁶²

Identify the sustainability risks: Companies need to identify the potential social and environmental risks associated with their supply chain, such as human rights violations, environmental pollution, or labour violations.⁶³

⁶⁰ 'A Practical Approach to Supply-Chain Risk Management | McKinsey'. Accessed 24 June 2023. <https://www.mckinsey.com/capabilities/operations/our-insights/a-practical-approach-to-supply-chain-risk-management>.

⁶¹ 'Why Sustainable Risk Assessment Is Crucial for Enterprises to Thrive'. Accessed 24 June 2023. <https://blog.worldfavor.com/why-sustainable-risk-assessment-is-crucial-for-enterprises-to-thrive>.

⁶² 'Why Sustainable Risk Assessment Is Crucial for Enterprises to Thrive'. Accessed 24 June 2023. <https://blog.worldfavor.com/why-sustainable-risk-assessment-is-crucial-for-enterprises-to-thrive>.

⁶³ 'Unlock Power of Supply Chain'. Accessed 23 June 2023. <https://www.cdp.net/en/supply-chain>.

Prioritize the risks: Companies need to prioritize the risks based on their potential impact on the company and the severity of the risk. This will help companies to allocate resources to mitigate the most significant risks first.⁶⁴

Develop an action plan: Companies need to develop an action plan to mitigate the identified risks, which may involve working with suppliers to improve sustainability practices, developing new sourcing strategies, or implementing monitoring systems to ensure compliance with sustainability standards.⁶⁵

3.5.2 Due Diligence Questionnaires

Small and Medium sized companies could use questionnaires to assess the sustainability practices of their suppliers and business partners. These questionnaires are usually used before a merger or before a business relationship even starts, it can include questions about the supplier's labour practices, environmental impact, and social responsibility. By gathering information from their suppliers and even other stakeholders, SMEs can identify potential risks and take action to mitigate them. These questionnaires can be repeated in certain time frames to ensure, that business practices are hold on the agreed level.⁶⁶

3.5.3 Supplier Audits

SMEs can conduct audits of their suppliers to ensure that they are complying with sustainability standards. These audits can be conducted inhouse or by third-party auditors, and can include site visits, document reviews, and interviews with workers. Audits can help SMEs identify areas of non-compliance and work with their suppliers to address these issues.⁶⁷

Of course, audits are time and cost intensive, but as a first step they could be combined with supplier visits or plant checks. As soon as the organisation is directly affected by the European Corporate Sustainability Due Diligence, internal audits are not relevant anymore, therefor external auditors have to be hired.

Security in supplier networks has become a central key to competitiveness. Supplier audits are an important building block in the supply chain management. The audits support the implementation of a specific code of conduct and create transparency along the entire supply

⁶⁴ 'Supply Chain Sustainability: A Practical Guide for Continuous Improvement, Second Edition | UN Global Compact'. Accessed 24 June 2023. <https://unglobalcompact.org/library/205>.

⁶⁵ Leeman, Geert. 'How to Embed Sustainability in Your Business – and Bottom Line'. The Future of Commerce, 25 March 2022. <https://www.the-future-of-commerce.com/2022/03/25/how-to-embed-sustainability-in-your-business/>.

⁶⁶ SecurityScorecard. 'What Is a Due Diligence Questionnaire? 6 DDQ Examples'. Accessed 23 June 2023. <https://securityscorecard.com/blog/what-is-due-diligence-questionnaire/>.

⁶⁷ 'Supply Chain Sustainability: A Practical Guide for Continuous Improvement, Second Edition | UN Global Compact'. Accessed 24 June 2023. <https://unglobalcompact.org/library/205>.

chain. Stabilisation of the internal processes and sustainably improve the future viability and resilience of the supply chain, these are two very important key tasks to reach.⁶⁸

3.5.4 Certification Schemes

SMEs could also participate in certification schemes, a very good example here is the ISO 26000 which is also strongly connected to the OECD Guidelines for Multinational Enterprises and the United Nations 2030 Agenda⁶⁹, to demonstrate that they are sourcing sustainable products and complying with due diligence requirements, although one issue of these voluntary certificates was and always will be, is that they are voluntary, and they didn't convince enough companies to join. Still, certification schemes provide a way for SMEs to differentiate themselves from competitors and demonstrate their commitment to sustainability to customers and stakeholders, another very famous example is Fairtrade.⁷⁰

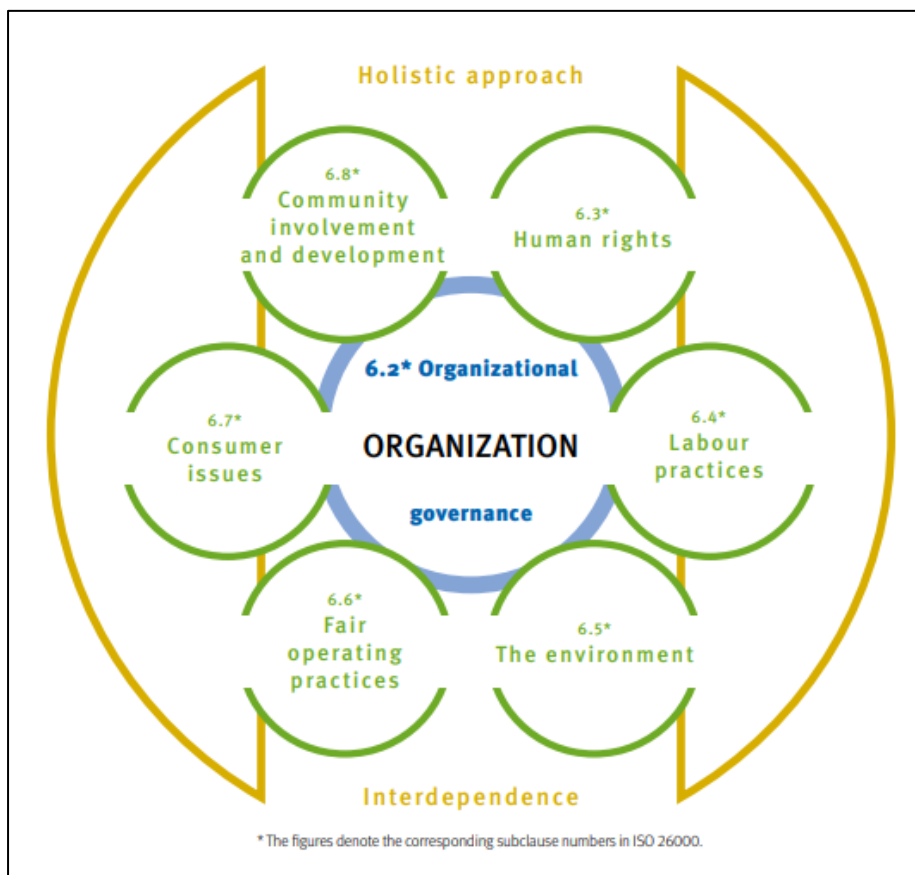


Figure 8: Organizational governance

Source: 'ISO 26000 and OECD Guidelines - Practical Overview of the Linkages' <https://www.iso.org/files/live/sites/isoorg/files/store/en/PUB100401.pdf>

⁶⁸ DQS, 'Lieferantenaudit: Qualität in der Lieferkette | DQS', accessed 22 June 2023, <https://www.dqsglobal.com/de-de/zertifizieren/lieferantenaudit>.

⁶⁹ ISO. 'ISO - ISO 26000 — Social Responsibility', 15 October 2021. <https://www.iso.org/iso-26000-social-responsibility.html>.

⁷⁰ Fairtrade International. (n.d.). What is Fairtrade? Retrieved from <https://www.fairtrade.net/about-fairtrade/what-is-fairtrade.html>

4 State of the Art

To understand the recent literature about this topic, one has to understand who the recent Interest Groups are.

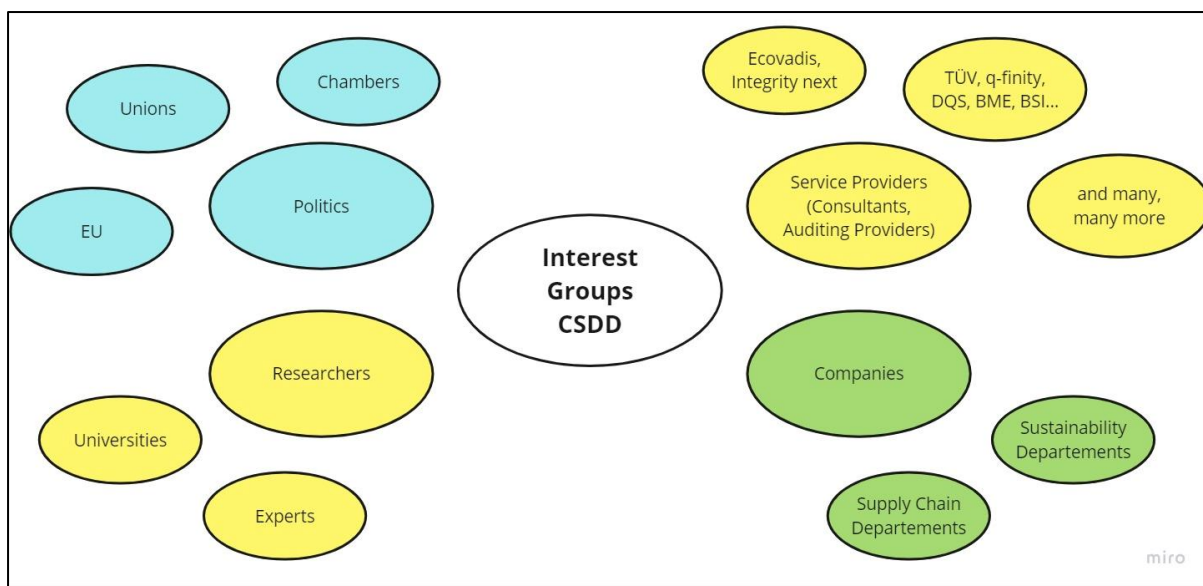


Figure 9: Interest Groups

Source: Own Illustration produced with miro

Beside the official statements of the European Union, most of the literature is based on assumptions, opinions or positions.

Due to the circumstance, that the final legislation is still in negotiation, most groups comment on the possible outcome or position themselves.

Also of course there is already a lot of consulting input to be found, every provider wants to be first. Not surprising, all these new regulations also cause a huge wave of services that promise an easier way for implementation.

4.1 Opinions and Improvements

The European Enterprise Alliance advocates for the inclusion of several specific measures to support SMEs in implementing the demands of the proposal. These are, dedicated websites and platforms, financial and capacity-building support, fair and reasonable requirements. Additionally, they stated the wish for following improvement in the directive, obligation of means – which means focuses on the actions, rather than the actual results or outcomes achieved – proportionate measures – so measures should be rated by the likelihood of adverse impact as well as the size, resources and capacities of the company and also the scope of application should be considered and recognized, that SMEs could fall into the scope as contractors or

subcontractors. Finally, they demand the EU to provide already existing tools, offer an observatory for value chains and facilitate stakeholder initiatives.⁷¹

Deputy Chief Executive Officer, IZWAN ZARIK BIN MOHAMMAD SAPARI stated, that the **Malaysian Rubber Council** welcomes the proposal of the European Commission and is looking forward to a regulative for another step towards sustainability. Of course, he also recognizes the challenges that the industry has to face considering the fulfilment of the regulations.⁷²

The Erfurt Global Justice Clinic published 4 key recommendations, adopting a right-holder approach, revise the definition of stakeholders in Art.3 – include a new stand-alone provision on stakeholder engagement and last but not least - make engagement mandatory in all phases of the due diligence process.⁷³

„Nevertheless, recognising the complexities and limits of statutory measures as well as the capacity for companies to exert influence, is crucial.“ (Bitkom Position Paper, 23 May 2022)⁷⁴

4.2 Politics

During the literature research and also in the qualitative interviews an unexpected discrepancy between the opinion of economical representatives of Austrian and German businesses and representatives of labour displayed.

“The exploitation of workers and the destruction of the environment in global supply chains must finally come to an end. I expect you to say yes to the EU supply chain law!” (Renate Anderl/AK Wien to Martin Kocher/Federal Minister for Labour,)⁷⁵

⁷¹ Direk, Seyide. 'Position Paper on the Effects Corporate Sustainability Due Diligence on SMEs'. European Enterprise Alliance (blog), 30 May 2023. <https://enterprisealliance.eu/position-paper-on-the-effects-corporate-sustainability-due-diligence-on-smes/>.

⁷² BERNAMA. 'MALAYSIAN RUBBER COUNCIL TO PRESENT POSITION PAPER ON SUSTAINABILITY IN BELGIUM', 16 June 2023. <https://www.bernama.com/en/news.php?id=2198851>.

⁷³ Erfurt, Universität. 'Global Justice Clinic'. Accessed 26 June 2023. <https://www.uni-erfurt.de/staatswissenschaftliche-fakultaet/fachrichtung/rechtswissenschaft/internationales-verwaltungsrecht-und-voelkerrecht/global-justice-clinic>.

⁷⁴ 'EU Corporate Sustainability Due Diligence Proposal (CSDD) Bitkom Position Paper'. Accessed 26 June 2023. https://www.bitkom.org/sites/main/files/2022-06/20220523_Bitkom_Position_Paper_CSDD.pdf.

⁷⁵ Translated from German: „Die Ausbeutung von Arbeitnehmer:innen und die Zerstörung der Umwelt in globalen Lieferketten muss endlich ein Ende haben. Ich erwarte mir von Ihnen ein klares Ja zum EU-Lieferkettengesetz!“ OTS.at. 'AK-Anderl zu Kocher: „Stimmen Sie für ein gerechtes EU-Lieferkettengesetz!“'. Accessed 24 June 2023. https://www.ots.at/presseaussendung/OTS_20221130_OTS0144/ak-anderl-zu-kocher-stimmen-sie-fuer-ein-gerechtes-eu-lieferkettengesetz.

The companies and their representatives support the position, that the directive is way too strict and that the bureaucracy is just not proportionate to its advantage and the labour representatives appreciate, that finally the companies are going to be hold responsible for their actions.

"And we have to make sure that the large companies affected in the supply chain do not shift responsibility to SMEs." (Angelika Winzig/OeVP and Member of the European Parliament)⁷⁶

Of course, the discussion is not just between the entrepreneurs and the labour – it's also a political discussion between the more environmental parties on the left and the more capitalistic parties in the middle and right spectrum of European politics. In general, it has to be mentioned, that there are two main potential issues, too much bureaucracy, and the issue with liability. Both of these issues could cause competitive disadvantages on the global market.

"It is a strong signal from the EU Parliament that the recent attempts to soften up by corporate lobbyists are clearly rejected" (Bettina Rosenberger/Netzwerk Soziale Verantwortung)⁷⁷

Back in February 2020 a study from the European Commission discovered, that about 70% of the questioned European companies would welcome a EU-wide legislation considering due diligence, still just one out of three companies already had due diligence measures in place.⁷⁸ This is just one obvious scenario, which shows, that our society is aware of the necessity of further legislation when it comes to social and environmental improvement, still we are fighting it as soon as we have to invest time or money or even have to cut back on some of our privileges.

Even small companies should be subject to due diligence if they are active in risky sectors. The scope should extend to the entire value chain and not just "direct business relationships", as the Commission had proposed. The environmental and climate obligations are strengthened. This landmark

⁷⁶ Translated from German: „Und wir müssen sicherstellen, dass betroffene Großunternehmen in der Lieferkette nicht die Verantwortung auf KMU weiterschieben.“ Nachrichten, Salzburger. 'EU-Staaten einigen sich bei Lieferkettengesetz'. Salzburger Nachrichten, 1 December 2022. <https://www.sn.at/wirtschaft/oesterreich/eu-staaten-einigen-sich-bei-lieferkettengesetz-130598626>.

⁷⁷ Translated from German: „Es ist ein starkes Zeichen des EU-Parlaments, das den jüngsten Aufweichversuchen von Konzernlobbyist:innen eine klare Absage erteilt“ Südwind. 'Breites zivilgesellschaftliches Bündnis begrüßt Mehrheit für EU-Lieferkettengesetz'. Accessed 24 June 2023. <https://www.suedwind.at/presseaussendungen/2023/breites-zivilgesellschaftliches-buendnis-begruesst-mehrheit-fuer-eu-lieferkettengesetz/>.

⁷⁸ British Institute of International and Comparative Law, Civic Consulting, Generaldirektion Justiz und Verbraucher (Europäische Kommission), LSE, Francisca Torres-Cortés, Camille Salinier, Hanna Deringer, et al. Study on Due Diligence Requirements through the Supply Chain: Final Report. LU: Amt für Veröffentlichungen der Europäischen Union, 2020. <https://data.europa.eu/doi/10.2838/39830>.

compromise sends a strong signal to the Legal Affairs Committee, where negotiations are now entering the crucial phase. This law can become a real game changer in order to make globalization sustainable.” (Anna Cavazzini/ The Greens and Member of the European Parliament)⁷⁹

Still, protecting the environment is never easy and improving working conditions does cost, and yes, it will be a lot of documentation on the way, but if we are not willing to change something, the next generations on this planet will have to worry about way more severe issues than bureaucracy.

"The supply chain law burdens companies with a new and incalculable risk of liability: they are expected to exercise control that is beyond their own control." (Peter Adrian/ DIHK-Präsident)⁸⁰

⁷⁹ Translated from German: „auch kleine Unternehmen sollen den Sorgfaltspflichten unterliegen, insofern sie in Risikosektoren aktiv sind. Der Geltungsbereich soll sich auf die gesamte Wertschöpfungskette erstrecken und nicht nur "direkte Geschäftsbeziehungen" betreffen, so wie die Kommission das vorgeschlagen hatte. Die Umwelt- und Klimapflichten werden gestärkt. Dieser richtungsweisende Kompromiss sendet ein starkes Signal an den Rechtsausschuss, in dem die Verhandlungen nun in die entscheidende Phase gehen. Dieses Gesetz kann ein echter Gamechanger werden, um die Globalisierung nachhaltig zu gestalten.“ Anna. 'Pressemitteilung: EU Handelsausschuss stimmt für ambitioniertes EU-Lieferkettengesetz'. Anna Cavazzini (blog), 24 January 2023. <https://www.annacavazzini.eu/pressemitteilung-eu-handelsausschuss-stimmt-fuer-ambitioniertes-eu-lieferkettengesetz/>.

⁸⁰ Translated from German: „Das Lieferkettengesetz bürdet den Unternehmen ein neues und unkalkulierbares Haftungsrisiko auf: Von ihnen wird eine Kontrolle erwartet, die außerhalb ihrer eigenen Einflussmöglichkeiten liegt“ BR24. "Absoluter Tiefpunkt"? Scharfe Kritik am EU-Lieferkettengesetz', 1 June 2023. <https://www.br.de/nachrichten/deutschland-welt/absoluter-tiefpunkt-scharfe-kritik-am-eu-lieferkettengesetz.TfuvmXg>.

5 Collected results of expert interviews

The primary data source of this research were qualitative interviews with experts from the field of legal and supply chain science. Additionally, to that a quantitative survey around SMEs has been conducted and a literature review to grasp the theoretical parts especially in the field of the recent legal papers and the risk management possibilities for SMEs.

The collective opinion in all of the interviews is, that there is a need for a common regulatory.

One company knows their supply chains so well and the other company may not know it because they don't look very closely, but in principle if you want to avoid imbalances and competitive disadvantages, then it's best to have an EU-wide legislation that simply applies to everyone. We are also very happy that this is backed by many companies. And it is not just this broad front that is actually against it, how some want to picture it.

(interview Sarah Bruckner, item 38)⁸¹

The first group of experts consisted of 5 professionals in the field of legal and economics. 2 were legal representatives of Austrian national chambers, the other 3 were representatives of universities and business consultants with insights into the topic.

The other 3 experts were supply chain and sustainability professionals from corporate companies in Vorarlberg. They were able to share their collected experience from their daily work in implementing many of the needed regulatory and also implementing regulations often earlier than legally needed, to be ahead of the game or even play a benchmark role for others.

5.1 Quantitative Content Analysis

For a first impression of the importance of certain key words, the author of this research proceeded with a quantitative content analysis of the absolved interviews with the experts to have a first glance which topics should be looked at in more detail.

Considering that 8 interviews have been absolved, the average amount of mentioning's has been calculated too.

Quantitative Analysis		per Interview
German supply chain act	68	8.5
risks	56	7.0
sustainable supply chain	21	2.6

⁸¹ Translated from German: „Quasi die Lieferketten so gut kennt das Unternehmen und der andere das vielleicht nicht, weil die gar nicht so genau hinschauen, aber im Prinzip, wenn man es vermeiden möchte, dass es da Ungleichgewichte gibt und Wettbewerbsnachteile gibt, dann ist es am besten eine EU weite Rechtsvorschrift zu haben, die einfach für alle gilt und dass sie schon noch viele Unternehmen zu unter sind wir auch sehr froh, dass da quasi auch das Backup kommt von vielen Unternehmen. Und da nicht nur eigentlich diese breite Front dagegen ist“ (Interview-SarahBruckner, Pos. 38)

mitigation measures	19	2.4
blind signing	10	1.3
checklist	10	1.3
support	7	0.9
competitive advantage	5	0.6
competitive disadvantage	5	0.6
chances	4	0.5
costs	4	0.5
losing customers	3	0.4
guideline	3	0.4
awareness	2	0.3

Table 1: Quantitative Analysis of Interview Codes

Source: Own table – Data out of MAXQDA

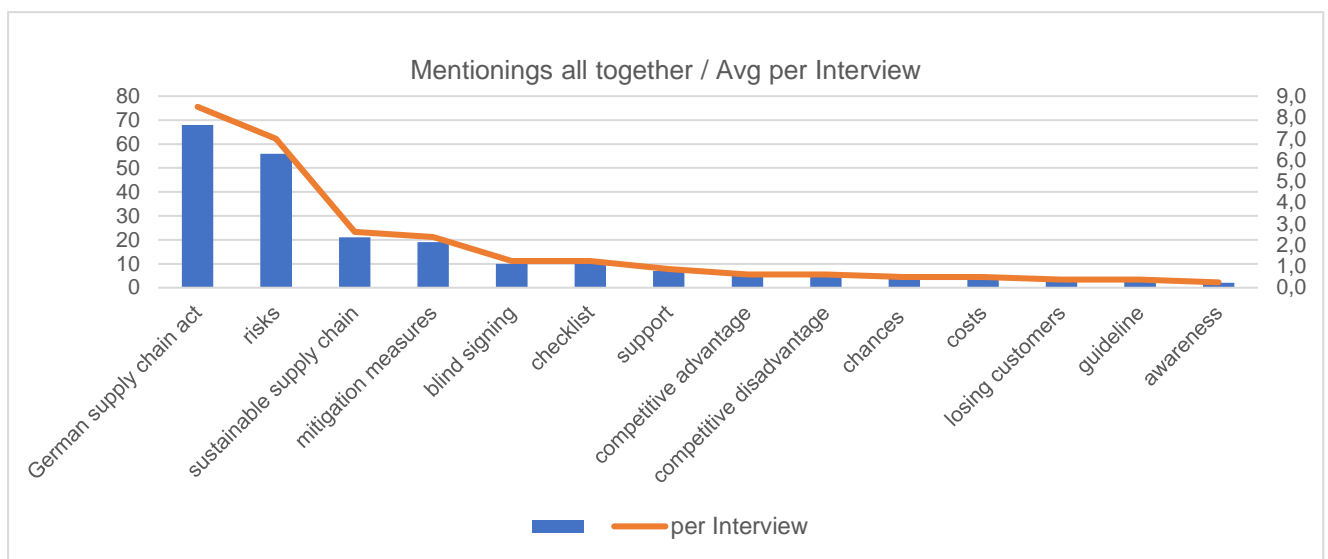


Figure 10: Mentioning of key words

Source: Own Illustration produced with Excel

5.2 Qualitative Content Analysis

After visualizing the quantitative analysis, the author chose to group the key words into groups and concentrate on the following:

- The **awareness** of the German Supply Chain Act
- The **risks** of the CSDDD
- The **opportunities** of the CSDDD
- **Steps** to be considered before the act comes into place

Additionally, the following parts seemed to be very interesting so these were added into the summary of results, although not mentioned too often but part of the collected information.

- **Porter's Value Chain** and why it should be reconsidered

- **Blind Signing**

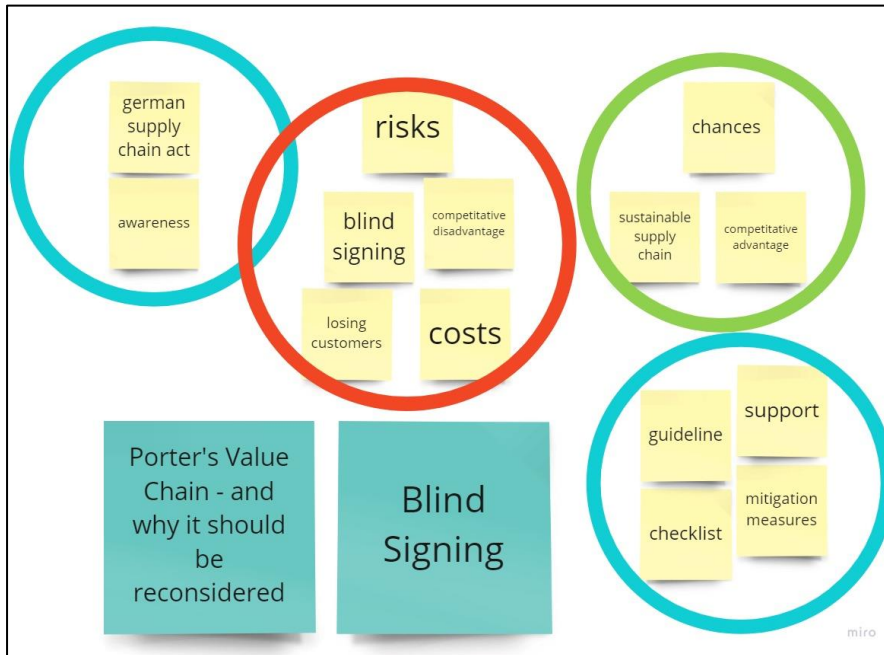


Figure 11: Grouping of key words

Source: Own Illustration produced with miro

5.3 The German Supply Chain Act in Austria

The big difference between the German Supply Chain Act and the European Corporate Due Diligence Directive is the Scope. The German Supply Chain Act only targets the companies with more than 3000 employees and it also just considers the direct suppliers, which makes it a very superficial legislation. This means that only suppliers to major German companies are in the scope.

This also explains, why there is not too much communication and inquiries at the chambers yet – both of the chamber representatives in the interviews mentioned, that the response from the market yet is very minor.⁸²

Of course, it can never be ruled out, yes, that certain rights will be violated in Austria or something like that, yes, but in general many companies will probably ask themselves OK, so if I now do a risk analysis in relation to my direct Austrian supplier and ask the question, „is there child labour?“, „is there forced labour?“ and so on and so on - this checklist is ticked off relatively quickly. (Interview Sarah Bruckner, item 22)⁸³

⁸² Sarah Bruckner 17+22 / Laura Sanjath 26

⁸³ Translated from German: „Es ist natürlich nie ausgeschlossen ja, dass in Österreich da bestimmte Rechte verletzt werden oder so ja, aber wo wahrscheinlich im Großen und Ganzen dann viele Unternehmen sich fragen werden OK also wenn ich jetzt eine Risikoanalyse in Bezug auf

5.4 Blind Signing

One of the major reasons to start this research topic, was the touch point in daily business. Who doesn't know these code of conducts or supplier agreements that sit on the desk for weeks and then are randomly signed and sent back without even reading because they are so horrendously extensive, that no one actually has the time to read them neither to check if they are followed in the company.

Exactly this and the combination with the responsibility transfer is one of the big risks for SMEs, if the European Union does not manage to regulate these issues properly in the directive, the big companies will be setting up huge supplier agreements for their vendors and will hand down the responsibility in the first step. Of course, the directive also expects an auditing system, but until then, the paper war will be horrendous and SMEs which decide not to sign these agreements might lose customers and market share.

Then the consequence would be the concentration of the market see chapter 4.5.1.

*95% sign it blindly. Is that a fire assessment, is it a code of conduct, I was Q+EHS manager at ***? Yes, and of course there was always the whole issue of supplier management, supply chain, and of course we always sent everything out, right? These are our internal requirements. Our requirements with our partners and suppliers and please sign and send back and comply with everything and then at the end of the day, if at all, then a supplier audit is carried out everything looks mostly quite different
(Interview_PhilippHörmann, item 12) ⁸⁴*

One possible solution here could be the open communication with suppliers. Inviting them for a meeting or visiting them for an unofficial audit might help to collect data and discover if there are any issues or not way better than any senseless signage on a code of conduct.

5.5 Which main risks will the SMEs be facing?

There is no clear one biggest risk for SMEs, however, according to an opinion piece by the European Environmental Bureau, the proposal could potentially impose a disproportionate compliance burden on smaller companies, particularly in terms of the due diligence requirements. Additionally, the proposal may lead to increased costs for SMEs if they need to invest

meinen direkten österreichischen Zulieferbetrieb mache und mir die Frage stellen gibt es Kinderarbeit, gibt es Zwangsarbeit und so weiter und so weiter, dass diese Checkliste quasi relativ schnell abgehakt. (Interview-SarahBruckner, Pos. 22)

⁸⁴ Translated from German: „95% unterschreiben das blind. Ob das eine Brandbewertung ist, ein Code of Conduct ist ja, ich war ja Q+S Leiter bei *** Ja, und da hat man natürlich auch immer das ganze Thema Lieferanten Management - Supply Chain und da hat man natürlich immer alles rausgeschickt, oder? Das sind unsere internen Anforderungen. Unsere Anforderungen mit unseren Partnern und Lieferanten und bitte unterschreiben und zurück senden und alles einhalten und dann ja am Ende des Tages, wenn überhaupt, dann ein Lieferanten Audit gemacht wird, sieht das ganze meist ganz anders aus“ (Interview_PhilippHörmann, Pos. 12)

in new technologies or processes to meet the sustainability requirements. It is important to note that the proposal aims to foster sustainable and responsible corporate behaviour throughout global value chains, and companies of all sizes will need to adapt to meet the sustainability standards required by the directive.

5.5.1 Competitive Disadvantage

The question then is how far do your suppliers cooperate in the whole story? Do they sign at all or are they even forbidden to sign something like that? How far can you rely on it? And then in a way, it's not just about a paper being signed. It is also about the fact that the directive in particular will also require investigations into whether this is actually happening. And of course, that will be a huge problem again. How do you do that? With your Chinese supplier? (Interview_MartinWinner, item 30)⁸⁵

The due diligence requirements may create a competitive disadvantage for SMEs that cannot afford to comply with the same level of standards as larger companies. This may lead to market distortions that favour larger companies, potentially reducing competition in certain sectors and concentrating the market on the big players.⁸⁶

That can have a concentration effect, which is particularly bad for Europe, because Europe naturally has a large number of SMEs.

That can be one result and the second result can be, as I said, of course, reinforcing a tendency that we otherwise have anyway, namely that the supply chains are brought back in-house. Insofar as something like this is even possible? But because in the long term it can be something that contributes. There are many reasons, the resilience considerations et cetera, which are also aimed in the same direction, but I think that could also accelerate it. (Interview_MartinWinner, Pos. 34-35)⁸⁷

⁸⁵ Translated from German: „Die Frage ist wie weit kooperieren dann ihre Zulieferer bei der ganzen Geschichte? Unterschreiben die überhaupt oder wird denen gar verboten, sowas zu unterschreiben? Wie weit können Sie sich darauf verlassen? Und dann müssen sie ja in gewisser Weise geht es nicht nur darum, dass ein Papier unterschrieben wird. Sondern es geht ja auch darum, dass insbesondere die Richtlinie auch verlangen wird, dass man auch untersucht, ob das tatsächlich passiert. Und das wird natürlich noch einmal ein Riesenproblem werden. Wie machen Sie das? Mit ihrem chinesischen Lieferanten?“ (Interview_MartinWinner, Pos. 30)

⁸⁷ Translated from German: „Das kann schon ein Konzentrationseffekt haben, der für Europa besonders schlecht ist, weil Europa natürlich weitgehend KMU Betriebe hat. Das kann ein Resultat sein und das zweite Resultat kann sein, wie gesagt natürlich eine Tendenz verstärken, die wir ohnehin sonst haben, nämlich dass die Lieferketten wieder zurück ins Haus geholt werden. Insoweit so etwas denn überhaupt möglich ist? Aber weil langfristig kann das schon etwas sein, wozu das beiträgt. Da gibt es viele Gründe, die Resilienz Überlegungen et cetera, die ja auch in dieselbe Richtung abzielen, aber ich denke das könnte das auch beschleunigen.“ (Interview_MartinWinner, Pos. 34-35)

Financial Resources: SMEs often have limited financial resources compared to larger corporations. Implementing sustainability measures and conducting due diligence can require significant investments in technology, training, and supplier engagement. SMEs may find it difficult to allocate sufficient funds for these purposes, potentially putting them at a disadvantage in terms of compliance.

Administrative Burden: Compliance with the CSD framework entails additional administrative tasks, such as data collection, monitoring, reporting, and disclosure. SMEs typically have fewer resources and personnel, making it more challenging to manage these requirements effectively. The administrative burden can divert their attention and resources away from core business activities, potentially affecting their competitiveness.

Supply Chain Complexity: SMEs often have complex and diverse supply chains. Conducting due diligence across multiple suppliers and tiers can be demanding and time-consuming, especially without established systems and resources. Larger companies may have dedicated departments or greater leverage to streamline their supply chain management processes, which can put SMEs at a competitive disadvantage.

Access to Information: Obtaining detailed information about suppliers' sustainability practices and potential risks in the supply chain can be more challenging for SMEs. They may have limited bargaining power or face reluctance from suppliers to provide the necessary data. This lack of transparency can hinder SMEs' ability to assess and mitigate risks effectively, potentially affecting their compliance efforts and competitiveness.

5.5.2 Compliance Costs

SMEs may face significant compliance costs associated with meeting the due diligence requirements. The directive may require SMEs to conduct assessments of their own operations and supply chains if they operate in certain high-risk industries, such as the garment industry, electronics, and agriculture to identify and address potential environmental and social risks, which may be difficult and expensive for smaller companies with limited resources. For all the other SMEs until affected directly there will be definitely approaches from customers that are affected as they will check and audit their whole supply chain too.⁸⁸

These costs will include assessments of existing suppliers, monitoring and reporting their environmental and social impacts and risks, training their staff and their suppliers if needed, and additionally there might be legal or consulting fees to handle the requirements, especially in the beginnings.

Therefore, the directive mentions, that large companies which expect these SMEs to fulfil certain regulations have to support these measures, either with resources or financially or both.

⁸⁸ 'Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937' (2022), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52022PC0071>.

Additionally, to these supporting measures there is also a certain government supportive system planned which every EU country has to implement according to their support system.

Administrative Costs: SMEs may incur administrative expenses related to implementing and managing the due diligence process. This can include staff time dedicated to collecting and analysing data, documenting procedures, and preparing reports or disclosures. Compliance software or tools may also be required, which could involve upfront costs or ongoing subscription fees.

Data Collection and Monitoring: Conducting due diligence requires gathering extensive information about suppliers, including their environmental and social practices. SMEs might need to invest in data collection mechanisms, such as surveys, audits, or third-party certifications, to assess compliance across their supply chains. Regular monitoring to ensure ongoing compliance can also add to the costs.

Training and Capacity Building: SMEs may need to invest in training programs to enhance employees' understanding of sustainability and due diligence requirements. Building internal capacity to effectively implement and manage sustainability practices can be crucial but can also result in additional expenses.

Supplier Engagement and Audits: Engaging with suppliers to ensure compliance and conducting audits can involve costs for SMEs. This may include site visits, supplier questionnaires, or engaging third-party auditors to verify compliance. The expenses associated with such activities can vary depending on the number and location of suppliers, as well as the complexity of the supply chains.

Reporting and Disclosure: The EU CSD framework emphasizes transparency and requires companies to disclose relevant information regarding their due diligence efforts. SMEs may need to invest in developing standardized reporting procedures, preparing sustainability reports, or integrating sustainability data into existing financial reports.

5.5.3 Reduced Access to Finance

The due diligence requirements could also affect access to finance, as investors and finance institutes may require companies to demonstrate compliance with sustainability standards before provide funding. This may put SMEs at a disadvantage compared to larger companies that have more resources to fulfil the needed requirements.

5.5.4 Liability Risks

SMEs may face increased liability risks if they fail to meet the due diligence requirements or if their suppliers engage in unsustainable practices. This could result in legal action, reputational

damage, and financial penalties, which may be particularly challenging for smaller companies with limited resources.⁸⁹

Legal Non-Compliance: SMEs failing to meet the due diligence requirements of the CSD framework may face legal consequences. If an SME is found to have violated applicable regulations, they may be subject to penalties, fines, or other legal actions. Non-compliance with sustainability standards can expose SMEs to legal liability and potential financial losses.

Supply Chain Liability: The CSD framework places responsibility on companies to identify and address sustainability risks within their supply chains. SMEs may be held liable for any violations or damages caused by their suppliers, even if they were unaware of the risks. This can include issues such as labour violations, environmental harm, or human rights abuses. SMEs could face legal action, financial claims, or reputational damage as a result.

Reputational Damage: Failing to meet sustainability standards or being associated with unethical practices within the supply chain can lead to reputational damage for SMEs. Negative publicity and public scrutiny can harm a company's brand, customer trust, and long-term viability. Rebuilding a damaged reputation can be costly and time-consuming.

Contractual Liability: SMEs engaging in business relationships or contracts that require compliance with sustainability standards can face contractual liability. If they fail to meet the agreed-upon sustainability obligations, they may be subject to contractual penalties, termination of contracts, or legal disputes. Breaching contractual obligations can result in financial and legal consequences for SMEs.

5.6 Which opportunities could SMEs gain through the directive?

Small and Medium Enterprises (SMEs) could benefit from the EU Corporate Sustainability Due Diligence Directive in several ways. Firstly, the directive would help SMEs to enter the sustainable market by ensuring a level playing field and by setting minimum standards for environmental and social issues.⁹⁰

Secondly, SMEs could benefit from long-term stability through compliance with the directive, leading to more secure supply chains and reducing the risk of reputational damage.⁹¹ Additionally, compliance with the directive could help SMEs access finance and improve their credit

⁸⁹ 'Legal and Regulatory Updates: In Planning for 2023, a 2022 Review | DLA Piper', accessed 18 June 2023, <https://www.dlapiper.com/en-us/insights/publications/2023/02/legal-and-regulatory-updates-in-planning-for-2023-a-2022-review>.

⁹⁰ Solidaridad Network. '10 Changes Needed for the EU's CSDD to Have an Impact on the Ground'. Accessed 24 June 2023. <https://www.solidaridadnetwork.org/news/10-changes-needed-for-the-eus-csdd-to-have-an-impact-on-the-ground/>.

⁹¹ Johannes, Cherele. 'What You Need to Know About the EU Corporate Sustainability Due Diligence Directive (CSDD)', 21 March 2023. <https://www.navex.com/blog/article/what-you-need-to-know-about-the-eu-corporate-sustainability-due-diligence-directive-csdd/>.

ratings, as investors increasingly consider environmental, social, and governance (ESG) factors when making investment decisions.⁹²

Finally, the directive could help SMEs to identify potential risks and opportunities within their value chains, leading to improved efficiency and cost savings.⁹³

5.6.1 Competitive Advantage

By proactively integrating due diligence into their policies and value chains, SMEs can identify and mitigate potential environmental and human rights risks, which can help reduce costs associated with negative impacts on communities and the environment. Additionally, adopting sustainable practices can help SMEs gain a competitive advantage⁹⁴, attract new customers and investors who prioritize ethical and sustainable business practices, and improve brand reputation.

Moreover, implementing sustainability measures can also lead to increased efficiency and cost savings in the long term. For instance, investing in renewable energy and efficient technologies can help reduce energy consumption and costs.

Overall, early adoption of the EU Corporate Sustainability Due Diligence Directive can help SMEs build a more sustainable and resilient business model, as well as comply with legal requirements. This can lead to long-term benefits for both the business and society as a whole by promoting sustainable development and reducing negative environmental and social impacts.

5.6.2 Stability and Image

According to the EU Corporate Sustainability Due Diligence Directive, early adoption of the directive can benefit SMEs in terms of supply chain stability and reputation. By adopting the directive early, SMEs can identify and mitigate potential risks in their supply chains, which can increase supply chain stability and reduce disruptions.⁹⁵

This statement mirrors the opinion of all the interview partners and also the authors. Additionally, it has to be mentioned, that the adoption of the directive doesn't mean, that immediately all of the suppliers have to be fully controlled and audited. For a start it would already be

⁹² 'Environmental Social and Governance (ESG) Investing - OECD', accessed 18 June 2023, <https://www.oecd.org/daf/fin/financial-markets/esg-investing.htm>.

⁹³ 'The Corporate Sustainability Due Diligence Directive (CSDD)'. Accessed 25 June 2023. <https://greenly.earth/en-us/blog/company-guide/the-corporate-sustainability-due-diligence-directive-csdd>.

⁹⁴ The Regenerative CFO & INTEGRATE Conference. 'European Council Advances Corporate Sustainability Due Diligence Directive'. Accessed 25 June 2023. <https://www.esgfinance.org/insights/european-council-advances-corporate-sustainability-due-diligence-directive>.

⁹⁵ 'Directive of the European Parliament and of the Council', accessed 21 June 2023, https://eur-lex.europa.eu/resource.html?uri=cellar:bc4dcea4-9584-11ec-b4e4-01aa75ed71a1.0001.02/DOC_1&format=PDF.

enough to analyse the biggest risk in every individual supply chain and document which measures have been taken to reduce this.

Only this simple documentation of risks can already add to the stability of the supply chain itself. According to a study of the EEC Koeln together with the Creditreform concluded for the “B2BEST Barometer”, more than 90% of the questioned wholesaler and production companies in Germany still had interferences in their supply chains in 2021 and later, 50% still had issues with their supply chains in March 2022.⁹⁶

Being an early adopter can also improve their reputation as responsible and sustainable businesses, which can increase customer loyalty and attract new customers who prioritize sustainability.

In addition, the directive can promote efficiency and cost savings, leading to a more sustainable and resilient business model that promotes sustainable development and reduces negative environmental and social impacts.

Overall, early adoption of the EU Corporate Sustainability Due Diligence Directive can help SMEs to build a more sustainable and responsible business that benefits both the business and society as a whole.

5.6.3 Access to Finance

Embracing corporate sustainability and implementing CDD practices can improve SMEs' access to capital. Many investors and financial institutions are increasingly integrating environmental, social, and governance (ESG) criteria into their investment decisions. By proactively adopting sustainable practices and demonstrating their commitment to responsible business conduct, SMEs can attract a broader range of investors, including those with a strong focus on sustainability. This expanded investor base increases the potential for securing funding and accessing capital markets.

5.6.4 Improvement and Risk Reduction

The CDD framework helps SMEs identify and address potential sustainability risks in their operations, supply chains, and business relationships. By conducting thorough due diligence, companies can identify and rectify any adverse environmental or social impacts associated with their activities.

Addressing these risks in advance can minimize the likelihood of costly legal disputes, reputational damage, and operational disruptions in the future. Such risk mitigation measures make

⁹⁶ 'Problemen in den Ketten begegnen - PROGNOSEN Studie Supply Chain Management (SCM) | Fachartikel | LOGISTIK HEUTE - Das deutsche Logistikmagazin', 18 September 2023, <https://logistik-heute.de/fachmagazin/fachartikel/prognosen-studie-problemen-den-ketten-begegnen-36588.html>.

SMEs more attractive to lenders and investors, who value companies with proactive approaches to sustainability.

5.7 Porter's Value Chain and why it should get a make-over

*“And that's the next big issue I see no company understands that these issues can only be solved if you have a sensible purchasing department. Then I can hang it a bit higher. And I'm now completely questioning the Porter Value Chain. Because that's not how the world works anymore Porter says import logistics, production, output logistics, sales, selling - that's the world, yes, - **but the world is HR, IT and purchasing**” (Interview-Elisabeth Fröhlich-Glantschnig, Pos. 33)⁹⁷*

Porter's Value Chain model focuses on the internal activities of a company and how they add value to its products or services. As you can see in the following traditional Value Chain Model, the primary activities are inbound, production, outbound, sales and customer service. In the interview with the purchase expert Elisabeth Fröhlich-Glantschnig she mentioned, that the traditional model should not always be seen as best practice nowadays.

Especially with the dynamics in the workforce, the constant development in the digital sphere and the tremendously increased importance of purchasing we should consider this value chain model as outdated sometimes. Porter calls these activities “support activities” although in times of supply chain risks, worldwide pandemics and the “War for Talents”⁹⁸, they are more and more existential.

⁹⁷ Translated from German: „und das ist das nächste riesen Thema was ich sehe kein Unternehmen versteht, dass diese Themen nur gelöst werden können, wenn du einen vernünftigen Einkauf hast. Dann kann ich das auch ein Stück weit höher hängen. Und ich stelle mittlerweile die Porter Value Chain völlig in Frage. Weil so funktioniert die Welt nicht mehr Porter sagt Importlogistik, Produktion, Outputlogistik, Vertrieb, verkaufen das ist die Welt, ja, die Welt ist aber HR, IT und Einkauf (Interview-ElisabethFröhlich, Pos. 33)

⁹⁸ Agentur Junges Herz. ‘War for Talents - Kampf um die besten Nachwuchskräfte’. Accessed 26 June 2023. <https://www.agentur-jungesherz.de/hr-glossar/war-for-talents/>.

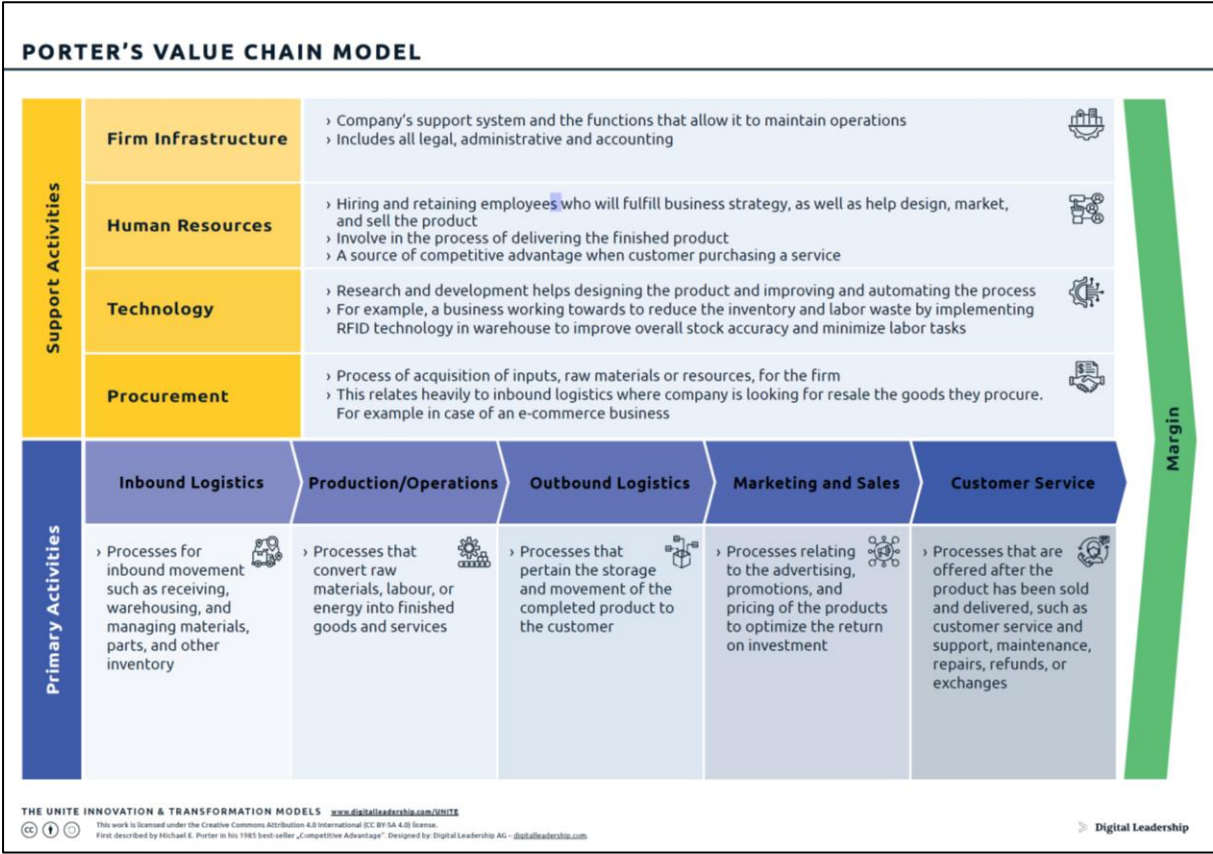


Figure 12: Traditional Value Chain Model

Source: 'Porter's Value Chain Model, Definition, Examples, and Use Cases'. Accessed 26 June 2023. <https://digitalleadership.com/unite-articles/porters-value-chain/>.

Additionally, companies need to consider the broader societal and environmental impacts of their business operations. This includes the impact on local communities, the use of natural resources, and the contribution to climate change. To account for these factors, the Value Chain model needs to be expanded to include a broader societal perspective that considers the external impacts of a company's activities.

In conclusion, while Porter's Value Chain model is a useful tool for analysing a company's internal activities, it needs to be expanded to account for the external factors that impact a company's sustainability performance, especially in regards to the EU Corporate Sustainability Due Diligence. Companies need to consider the sustainability of their value chains and the broader societal and environmental impacts of their business operations to ensure that they are operating in a sustainable and responsible manner.

Just like the TROI (True Return on Investment) is an alternative view on the Return on Investment – include environmental impact into the ROI, input from a business game called The

Triple Connection⁹⁹, there should be an alternative model of the value chain considering the modern developments of labour and environment.

5.8 Steps to be considered before the act comes into place?

I do not expect an agreement in the triologue before summer. When fall comes, time will already be somewhat limited to find a balanced approach. However, the political pressure to finalize this file is very high. It is, and I think this is a big problem with the topic, definitely desired to pass some type of supply chain law within this legislative session. But no one agrees on exactly how to do it. My personal perception is, that the priority is to pass any supply chain law, and not necessarily the exact content of the directive. Whether the implementation is effective or actually efficient seems to be of secondary importance. It is quite a complex issue to regulate this.
(Interview Laura Sanjath, pos. 30)¹⁰⁰

As we can read out of the statement above, the act might not come into place soon, also if the EU finally agrees on a directive, the member states still have 2 years to implement it into their national law. So expected consequences would be earliest in 2026 if not later.

But when the European Corporate Sustainability Due Diligence (CDD) framework finally comes into place, there are several steps that businesses, including SMEs, can consider to prepare themselves for its implementation. Here are some key steps to consider.

Familiarize with the CDD Framework: Stay updated on the latest developments and information regarding the CDD framework. Review any available documentation, guidelines, and publications provided by regulatory bodies and industry associations. Understand the key principles, objectives, and requirements of the framework to align the preparations accordingly.

Conduct a Sustainability Assessment: Evaluate the current sustainability performance and identify areas for improvement. Assess the environmental impact, social practices, and governance structures of the organisation. Identify any potential gaps between the current practices and the expected requirements of the CDD framework. This assessment will help to prioritize actions and develop a roadmap for implementing sustainable practices.

⁹⁹ Inchainge. 'The Triple Connection: Sustainability Business Game Simulation'. Inchainge (blog). Accessed 27 June 2023. <https://inchainge.com/business-games/ttc/>.

¹⁰⁰ Translated from German: „Ich nehme fast nicht an, dass es vor dem Sommer eine Einigung im Trilog. Wenn es dann Herbst wird, ist es wahrscheinlich eh schon relativ knapp, ich meine politischer Druck ist sehr hoch, dass man da etwas schafft. Aber und ich finde das große Problem bei diesem Thema, man möchte etwas machen, möchte ein Lieferkettengesetz machen. Aber wie man das genau macht, da ist sich niemand einig. Ist auch jetzt wirklich meine persönliche Wahrnehmung manchmal auch ein bisschen egal? Ja Hauptsache man hat sowas, aber ob das dann tatsächlich? Das bringt und wirklich effizient ist. Sag mal durch diese diesen politischen Druck ein bisschen. Nebensächlich geworden. Ja, es ist halt ein, ist auch ein sehr komplexes Thema, das zu regulieren.“ (Interview-LauraSanjath, Pos. 30)

Engage Stakeholders: Involve key internal and external stakeholders in the sustainability journey. This includes management, employees, suppliers, customers, and investors. Seek their input and feedback to gain a comprehensive understanding of the expectations and concerns related to sustainability. Engaging stakeholders early on will foster a sense of ownership and collective commitment to sustainable practices.

Develop a Sustainability Strategy: Create a comprehensive sustainability strategy that aligns with the objectives of the CDD framework. Set clear sustainability goals and targets that address environmental, social, and governance aspects relevant to the specific business. Define actionable steps to achieve these goals and establish a timeline for implementation. Consider integrating sustainability into the core business strategy and decision-making processes.

Enhance Data Collection and Reporting: Establish robust systems for collecting, managing, and reporting sustainability data. Identify key performance indicators (KPIs) that align with the CDD framework and are relevant to the business operations. Implement data collection mechanisms that ensure accuracy, transparency, and consistency. Effective data management will enable the organisation to track progress, measure impact, and report on the sustainability performance.

Strengthen Supply Chain Management: Evaluate the supply chain to identify potential risks and opportunities related to sustainability. Assess the environmental and social practices of suppliers and consider developing sustainability criteria for supplier selection and monitoring. Collaborate with suppliers to improve sustainability performance throughout the value chain. Strengthening supply chain management will demonstrate the commitment to responsible sourcing and contribute to overall sustainability efforts.

Enhance Employee Awareness and Training: Invest in employee training and awareness programs to ensure everyone understands the importance of sustainability and their role in achieving sustainability goals. Educate employees about sustainable practices, provide training on relevant topics, and foster a culture of sustainability within the organization. Empower employees to contribute their ideas and initiatives towards sustainability.

Engage with External Experts: Seek guidance from sustainability consultants, experts, or specialized organizations who can provide insights and assistance in navigating the sustainability landscape. External experts can help identify best practices, provide guidance on compliance with regulatory requirements, and offer tailored solutions for the specific industry or business needs.

Monitor Regulatory Developments: Stay informed about updates and changes in sustainability regulations and policies, not only related to the CDD framework but also other relevant local, national, and international regulations. Monitor the evolving regulatory landscape to ensure ongoing compliance and adapt the sustainability strategy accordingly.

Foster Collaboration and Knowledge Sharing: Engage with industry peers, trade associations, and sustainability networks to exchange experiences, share best practices, and

collaborate on sustainability initiatives. Participate in relevant forums, conferences, and events to stay connected with the sustainability community. Collaborative efforts can accelerate progress, provide valuable insights, and enhance credibility in the field of sustainability.

By undertaking these steps, businesses, including SMEs, can proactively prepare for the implementation of the European Corporate Sustainability Due Diligence framework and position themselves for success in the evolving sustainability landscape.

5.8.1 How are the big players in Vorarlberg handling the challenge?

The region of Vorarlberg is known for its progressive approach to sustainability, and the big companies in the region have already implemented most of the key aspects of the European Corporate Sustainability Due Diligence. Of course, as it is everywhere some more and some less, but overall, the mindset of people in this area is famous for being prepared, which means most of the big players are aware, that preferably sooner than later they have to implement improvements all over their business models when it comes to sustainability.

The interviews were held with some of the biggest companies in the region and therefore also some of the benchmarks when it comes to sustainability and risk management. These forward-thinking organizations recognize the importance of integrating sustainable practices into their daily operations, and their efforts are yielding significant positive impacts on the environment and society.

They have implemented comprehensive strategies to minimize their ecological footprint, such as reducing greenhouse gas emissions, optimizing energy consumption, and promoting the use of renewable resources. By incorporating sustainable technologies and practices, these companies actively contribute to mitigating climate change and preserving the region's natural resources.

Furthermore, Vorarlberg's corporate companies place great emphasis on social responsibility. They prioritize the well-being of their employees, investing in programs that foster a healthy work-life balance, provide equal opportunities, and promote diversity and inclusion. These companies recognize that a motivated and engaged workforce is instrumental in driving innovation and achieving long-term success.

In addition to their internal efforts, Vorarlberg's corporate companies extend their commitment to sustainability beyond their organizational boundaries. They actively engage with local communities, supporting educational initiatives, social projects, and cultural activities. By forging strong partnerships and collaborating with various stakeholders, these companies contribute to the overall social development of the region.

It is evident that Vorarlberg's corporate companies have embraced the principles of the European Corporate Sustainability Due Diligence and are implementing them in meaningful ways. Their dedication to environmental stewardship, social responsibility, and community engagement sets a positive example for other businesses to follow. By integrating sustainability into

their core strategies, these companies not only enhance their own reputations but also contribute to the broader goal of creating a more sustainable and inclusive future for Vorarlberg and beyond.

5.8.2 Ecovadis and other solutions

All of the three companies represented in the interviews worked not just, but also with Ecovadis, which is a sustainability ratings platform that provides businesses with assessments and ratings of their environmental and social practices.

Ecovadis collects data from companies through questionnaires and document submissions, which are then evaluated using its methodology. The assessment process involves scoring and benchmarking companies based on their performance, allowing for comparison and ranking within industries and sectors.

Yes, but I wouldn't recommend it to large companies either, they need support, yes, but then they have to find a way to get the data. Of course, Ecovadis doesn't give out the data because they resell it to you and that's the main problem. That's why I don't think Ecovadis will last in the long run because it's just too expensive, they used to have a big advantage and now artificial intelligence is coming and if I use it sensibly, yes as a company, then I really have a competitive advantage. (Interview-Elisabeth Fröhlich-Glantschnig, Pos. 60-61)¹⁰¹

Ecovadis is a platform that helps companies manage and communicate their sustainability performance, and it has its advantages and disadvantages. One advantage is that it provides quick data on supplier scores, which can help companies make informed decisions about which suppliers are best for them, additionally, the EcoVadis methodology framework assesses companies' policies, actions, and published reporting related to the environment, which can help companies understand where they need to improve.

However, one disadvantage is that it requires companies to disclose sensitive information about their sustainability practices, which could be a privacy concern. Another disadvantage is that it may not be suitable for all types of industries, as the scoring system is based on a set of criteria that may not be relevant to all companies. Ultimately, companies need to weigh the

¹⁰¹ Translated from German: „Ja, aber ich würde es auch den große Unternehmen nicht empfehlen, die brauchen Unterstützung, ja, aber die müssen dann einen Weg finden, dass sie an die Daten rankommen. Ecovadis gibt natürlich die Daten nicht raus, weil sie dir wieder weiterverkaufen und das ist das Hauptproblem. Deswegen glaube ich nicht, dass Ecovadis sich auf Dauer halten wird, weil es einfach zu teuer ist, die hatten mal ganz großen Vorteil und jetzt kommt die Artificial Intelligenz und wenn ich die vernünftig nutze, ja als Unternehmen, dann hab ich da wirklich einen Wettbewerbsvorteil.“(Interview-ElisabethFröhlich, Pos. 60-61)

benefits and drawbacks of Ecovadis and similar software solutions before deciding whether to use them or not.

5.9 Conclusion of the qualitative Data

Summarized, following results did occur after the interviews. First, the general opinion mirrors the actual reason for this research, the Small and medium sized enterprises did not yet handle the topic too much, this was communicated very clear by both representatives of the Chamber of commerce and labour in Austria.

Even the Supply Chain Act in Germany did not arrive in Austria (Data from March/April 2023) yet.

In Germany itself the consulting effort is increasing, here our interviewee Elisabeth Fröhlich-Glantschnig did agree, that she has increasing numbers of companies that need help to implement the regulations.

Second, the bigger companies in the region of Vorarlberg are not too nervous, because most of them already have some kind of sustainability program in place, due to other legal reasons, marketing reasons or just because customers nowadays want and demand a certain sustainable image.

Third, signing contracts without fulfilment of the mentioned points is a daily issue especially in the sector of SMEs. One solution here is more direct communication with suppliers.

Finally, all of the interviewees recognize and are sure that at some point also SMEs will have to be compliant to certain regulations when it comes to their supply chains. And the sooner they start to prepare the easier and cost efficient this process will be for them.

6 Collected results of quantitative survey

The secondary data source of this research was conducted through a quantitative survey. The aim was to reach as many SMEs from the region as possible. The definition of an SME is retrieved from the European Union, which considers a company as an SME below 250 employees and a yearly Revenue under 50 Mio. € and a company capital under 43 Mio. €. ¹⁰² The survey was sent to more than 190 Ecoprofit companies in Vorarlberg. And additionally, to about 3954 newsletter contacts (Austria and Germany) of the tip kommunikations GmbH in Dornbirn. Considering the very specific topic unfortunately only 28 completed surveys came back.

But as discovered in the survey software, 229 contacts actually clicked the link, and at least viewed the introduction of the survey, which means they got lost in the introduction of the topic (165) or later in the survey itself (36). In the opinion of the author this is already a statement itself. Due to the complexity of the topic and the very specific role in a company that should be addressed to get all the needed information, so either the management itself or even specific departments such as sustainability or supply chain management, it was just impossible, to reach enough participants to have a big enough sample over all the SMEs in Vorarlberg (around 11tsd).

So, what statements could be found to conclude the 165 lost participants on the introductory page?

“Not qualified enough to participate”

“Wrong department”

“No idea what this topic is about”

“No touch point with this topic yet”

6.1 Research Design

The collected data from the expert interviews and the statements out of these were the base for the quantitative survey. Here the author could improve, due to the circumstance, that as well the author and also the experts were already very well introduced to the topic, especially the introduction page to the survey was already too far into the topic and also the questions were too specific, so this might be one reason, why the participation rate was so low.

¹⁰²Defintion_KMU_Empfehlung2003-361-EG.Pdf, accessed 30 May 2023, https://wko.at/Statistik/kmu/Defintion_KMU_Empfehlung2003-361-EG.pdf?_gl=1*1kjm2gk*_ga*NDAwODUwMDI-wLjE2NjY5NzU2MDE.*_ga_4YHGVSN5S4*MTY4NTQ0NzcwOS4xNC4xLjE2ODU0NDk1NDEuN-jAuMC4w&_ga=2.84419281.954274459.1685447740-400850020.1666975601.

Still, maybe the approach of a quantitative survey was just not the right way to conclude data in such a specific area of economics. Fortunately, the main aspect of this work should anyway be the expert interviews which collected a lot of information, also considering the awareness of the SMEs all over Austria.

6.2 Detailed Results of the Questionnaire

The following tables show the details considering the sample (N=28). There was no collection of personal data, all data collected is anonymous and only considering the company which the participant is working for.

6.2.1 Size of the participant's company

More than 35 percent of the participants do have less than 10 employees and so count to the micro enterprises¹⁰³. The numbers of turnover match the employee count proportional.

Employees

		Frequency	Percent
Valid	0 - 10	10	35.7
	11 - 20	6	21.4
	21 - 50	6	21.4
	51 - 100	1	3.6
	over 100	5	17.9
	Total	28	100.0

Table 2: Amount of employees

Source: Excerpt out of SPSS

Turnover

		Frequency	Percent	Valid Percent
Valid	under € 500.000	4	14.3	14.3
	€ 500.000 to € 1.000.000	5	17.9	17.9
	€ 1.000.000 to € 5.000.000	13	46.4	46.4
	€ 5.000.000 to € 20.000.000	2	7.1	7.1
	over € 20.000.000	4	14.3	14.3
	Total	28	100.0	100.0

Table 3: Turnover

Source: Excerpt out of SPSS

¹⁰³ 'EUR-Lex - N26026 - EN - EUR-Lex'. Accessed 25 June 2023. <https://eur-lex.europa.eu/EN/legal-content/summary/micro-small-and-medium-sized-enterprises-definition-and-scope.html>.

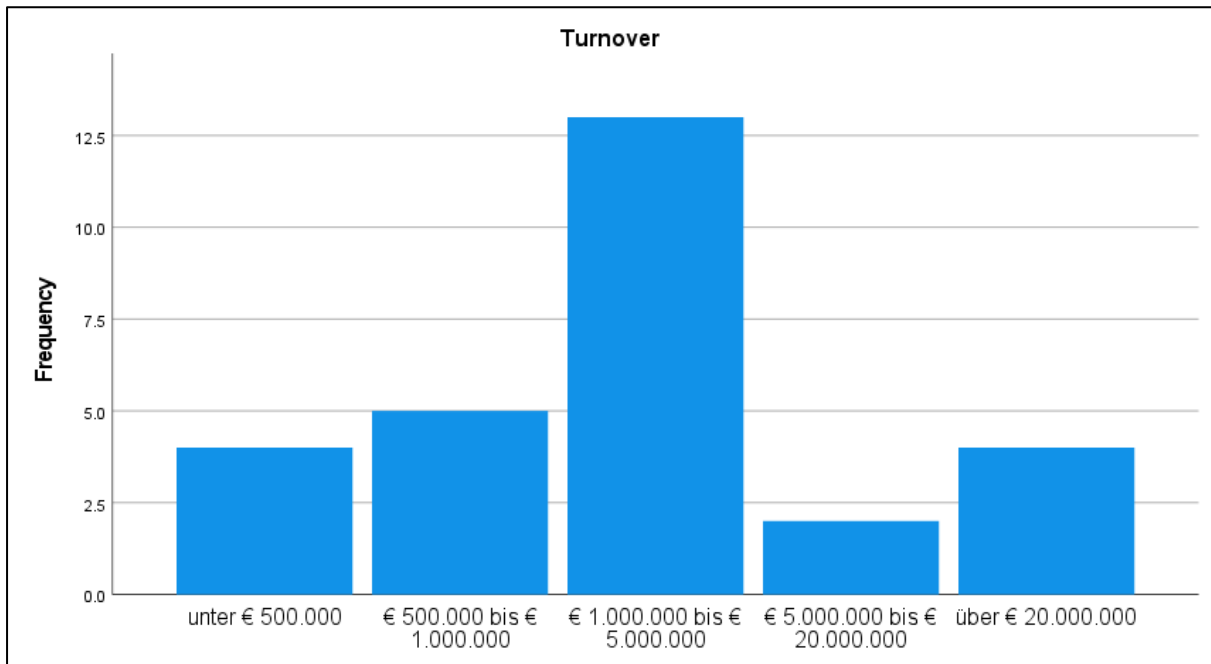


Figure 13: Frequency of Yearly Turnover

Source: Own Illustration produced with SPSS

6.2.2 Industry

		Industry		
		Frequency	Percent	Valid Percent
Valid	Crafts	14	50.0	50.0
	Trade	6	21.4	21.4
	Industry	4	14.3	14.3
	IT and Consulting	2	7.1	7.1
	none of the above	2	7.1	7.1
	Total	28	100.0	100.0

Table 4: Industry

Source: Excerpt out of SPSS

6.2.3 Purchase and import quota

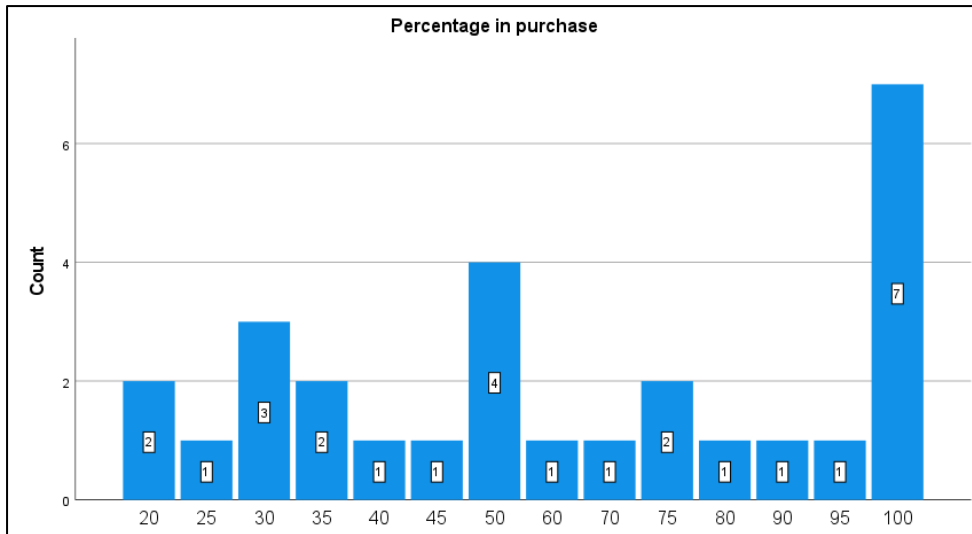


Figure 14: Percentage in purchase

Source: Own Illustration produced with SPSS

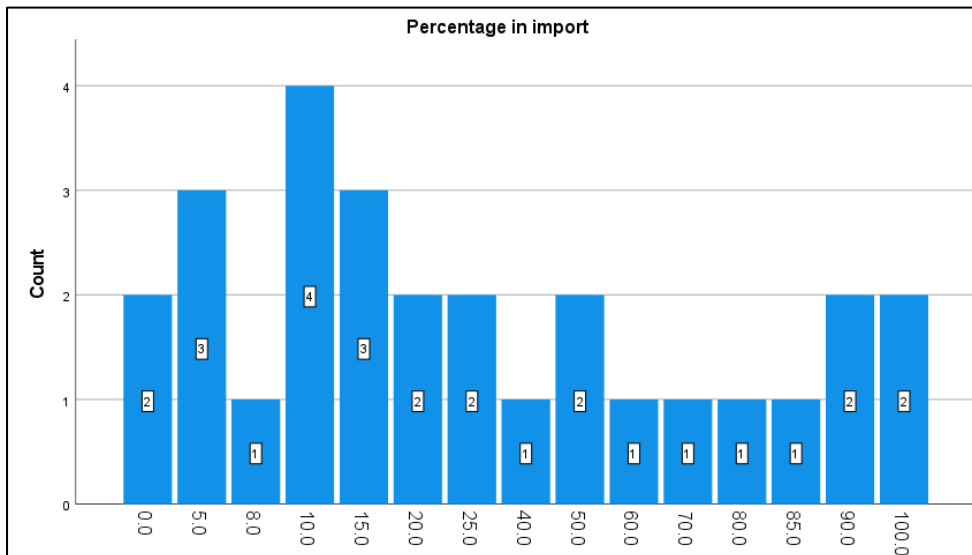


Figure 15: Percentage in import

Source: Own Illustration produced with SPSS

6.2.4 Amount of big customers

Considering the scope of the German Supply Chain Act, the question about the size of the participants customers was chosen to be above 3000 and above 1000.

The results show, that only 6 of the questioned companies do not have a customer over 1000 employees. That means the 22 remaining ones should actually consider themselves indirectly affected by the directive.

Customers with more than 3000 employees

		Frequency	Percent
Valid	0	9	32.1
	2	4	14.3
	3	4	14.3
	4	3	10.7
	5	1	3.6
	7	1	3.6
	10	4	14.3
	20	1	3.6
	100	1	3.6
	Total	28	100.0

Table 5: Customers with more than 3000 employees

Source: Excerpt out of SPSS

Customers with more than 1000 employees

		Frequency	Percent
Valid	0	6	21.4
	2	5	17.9
	3	2	7.1
	4	1	3.6
	5	1	3.6
	6	2	7.1
	7	1	3.6
	10	4	14.3
	12	1	3.6
	15	1	3.6
	20	1	3.6
	50	2	7.1
	200	1	3.6
	Total	28	100.0

Table 6: Customers with more than 1000 employees

Source: Excerpt out of SPSS

6.2.5 Awareness of the CSDD

		Topic		
		Frequency	Percent	Valid Percent
Valid	Yes	7	25.0	25.0
	No	21	75.0	75.0
	Total	28	100.0	100.0

Table 7: Topic

Source: Excerpt out of SPSS

75% (21) of the participants didn't have any touch points with the topic yet, and over 60% out of these (13) are not planning on any kind of action towards the topic at all.

From all the questioned companies, only 2 have already some checklists and mitigation measures in place.

6.2.6 View on the future

8 company representatives, believe that they will not have to handle the topic in the future either, either because they are so small, or because they mainly supply micro enterprises or even private persons.

6.2.7 Relevance of different CSDD topics

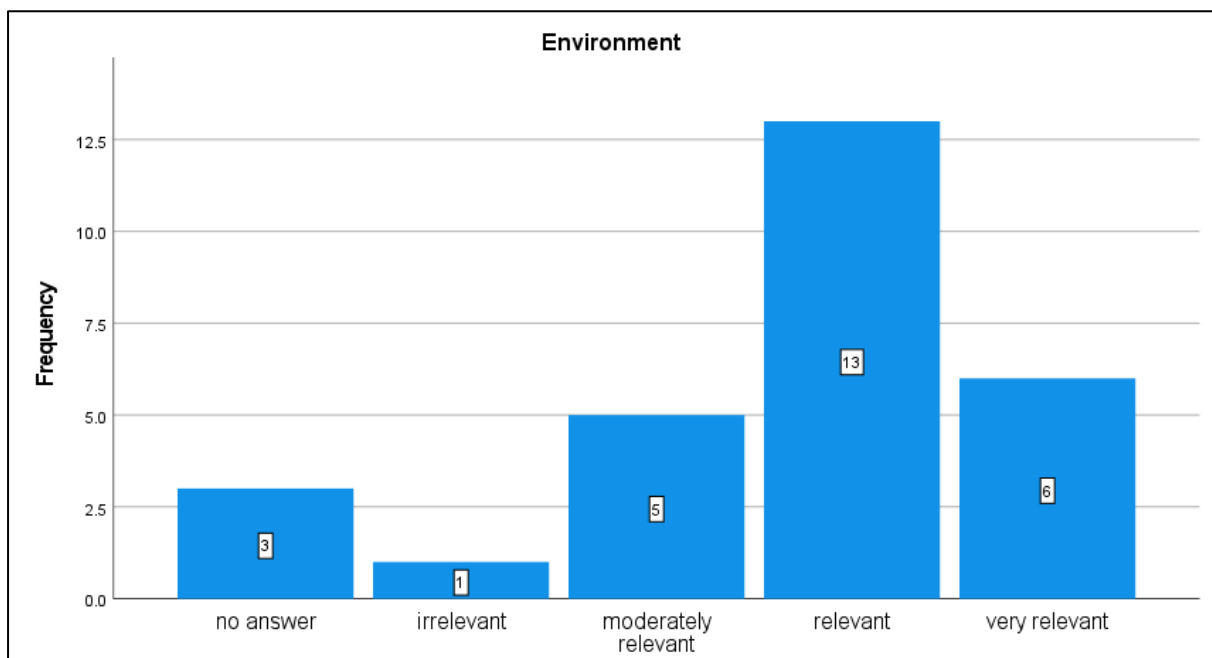


Figure 16: Relevance of the Environment

Source: Own Illustration produced with SPSS

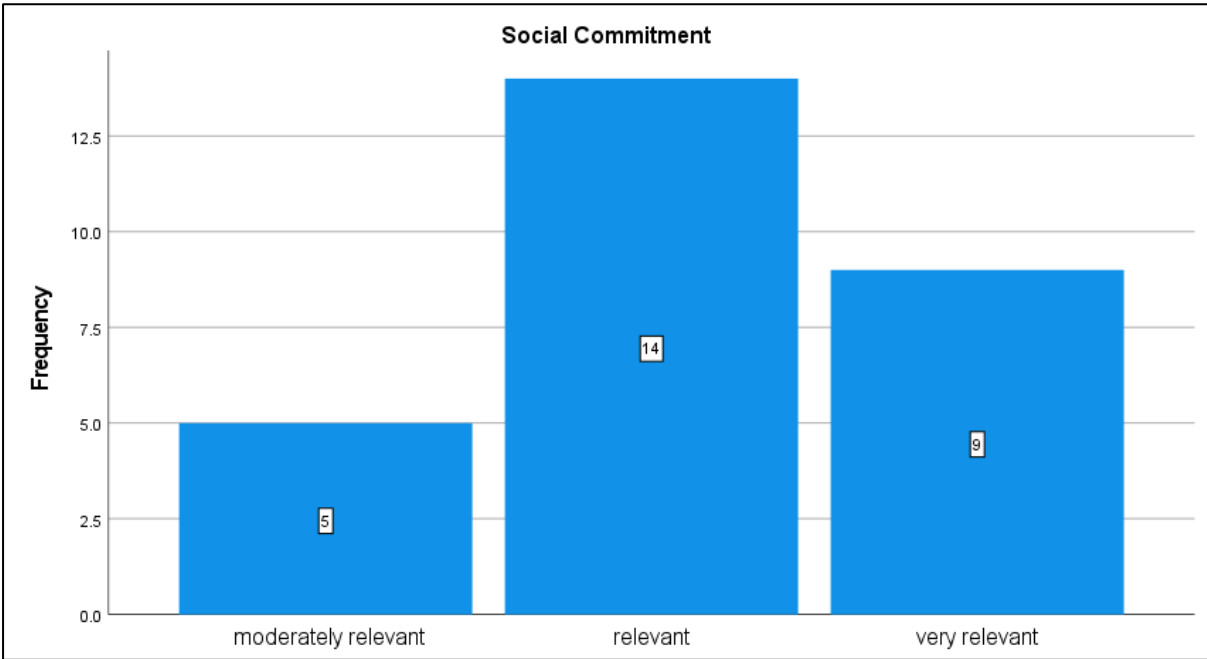


Figure 17: Relevance of Social Commitment

Source: Own Illustration produced with SPSS

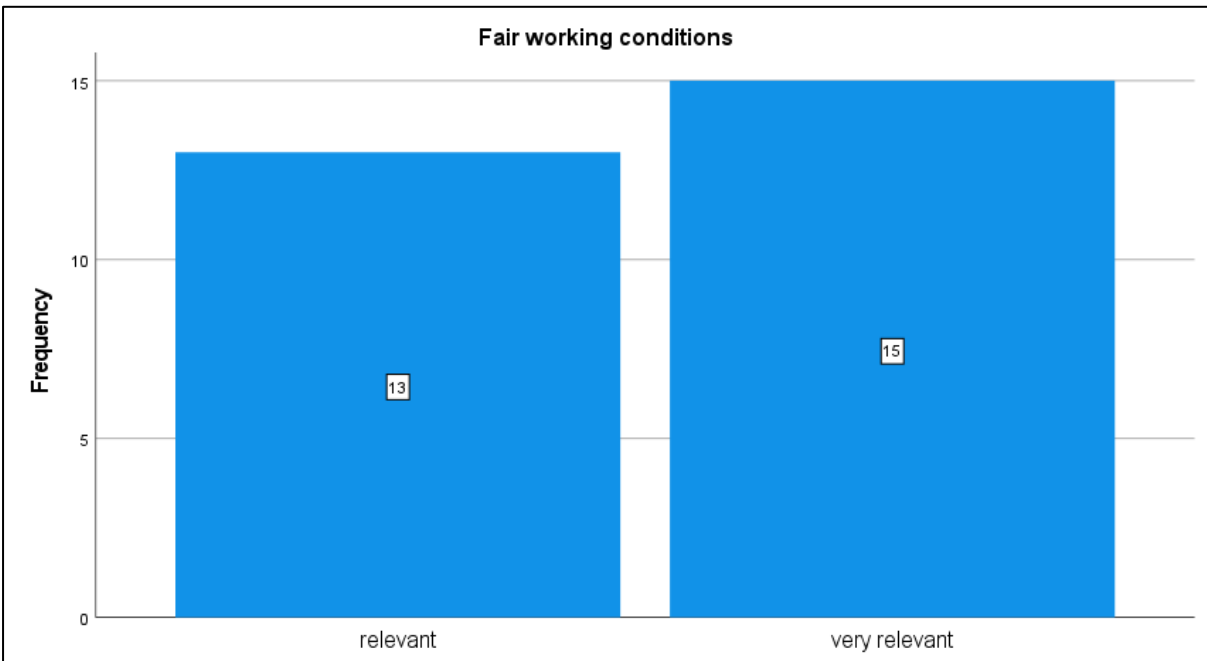


Figure 18: Relevance of fair working conditions

Source: Own Illustration produced with SPSS

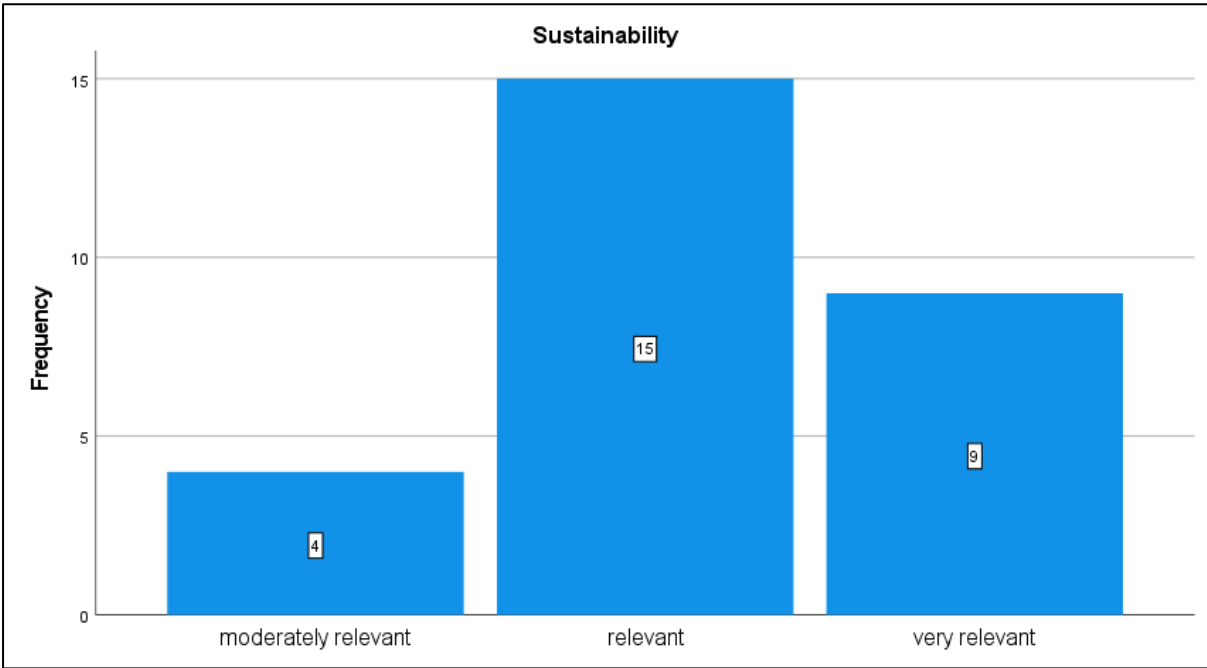


Figure 19: Relevance of Sustainability
 Source: Own Illustration produced with SPSS

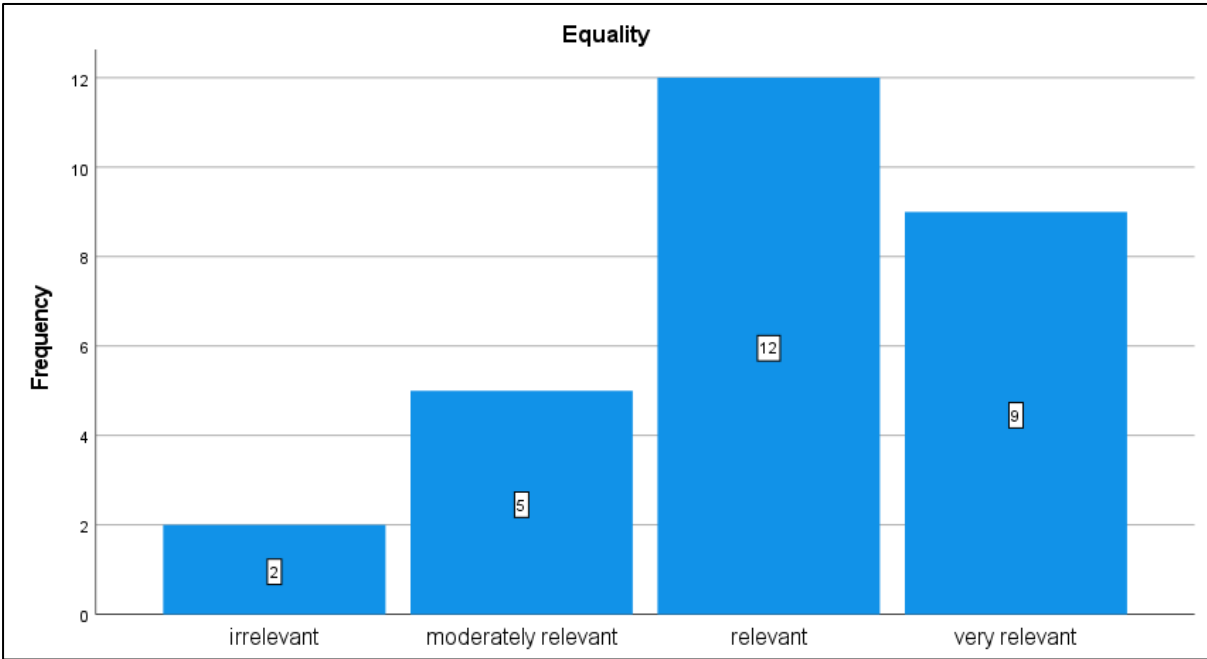


Figure 20: Relevance of Equality
 Source: Own Illustration produced with SPSS

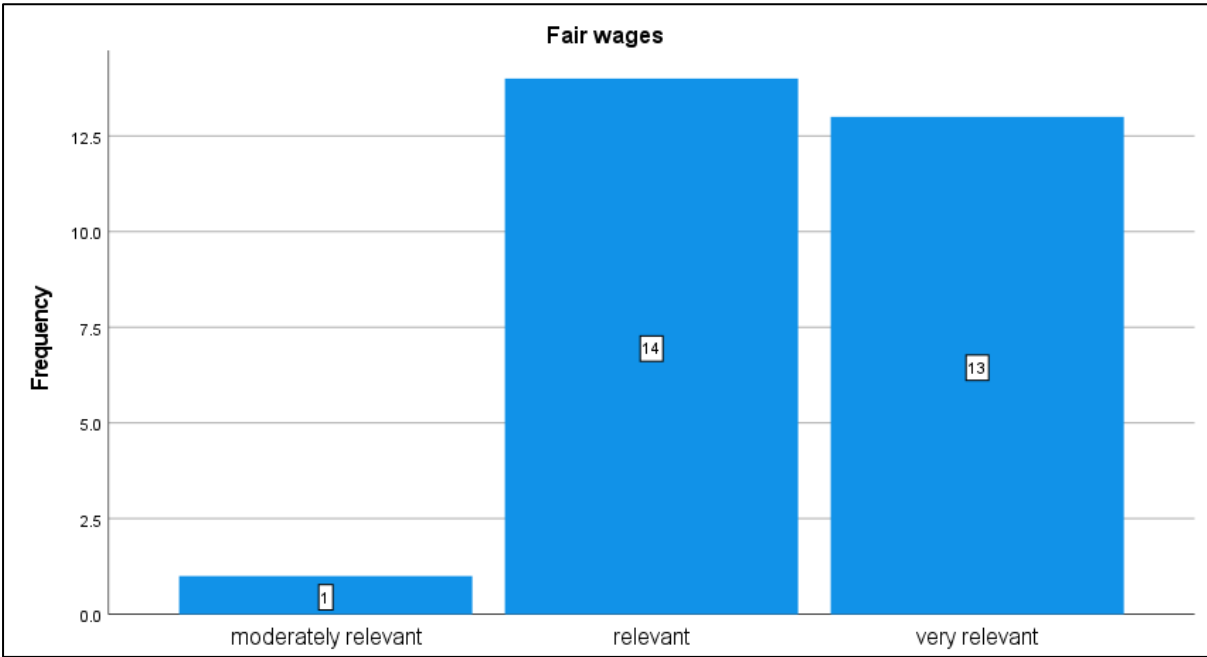


Figure 21: Relevance of Fair Wages

Source: Own Illustration produced with SPSS

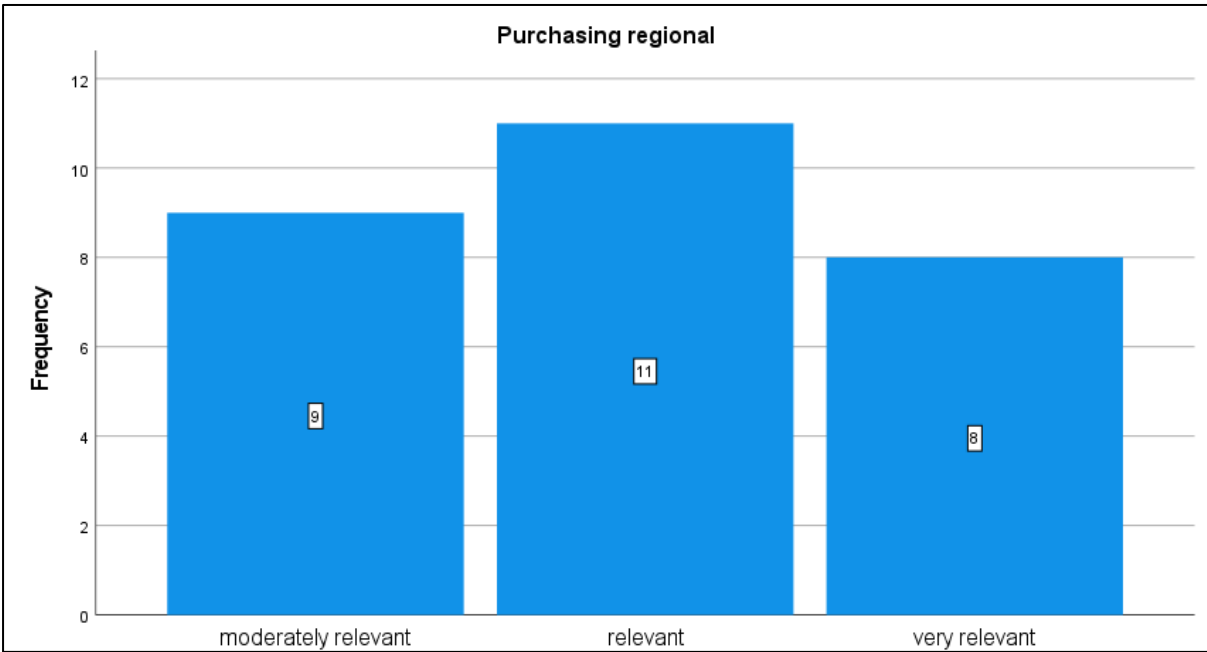


Figure 22: Relevance of Purchasing regional

Source: Own Illustration produced with SPSS

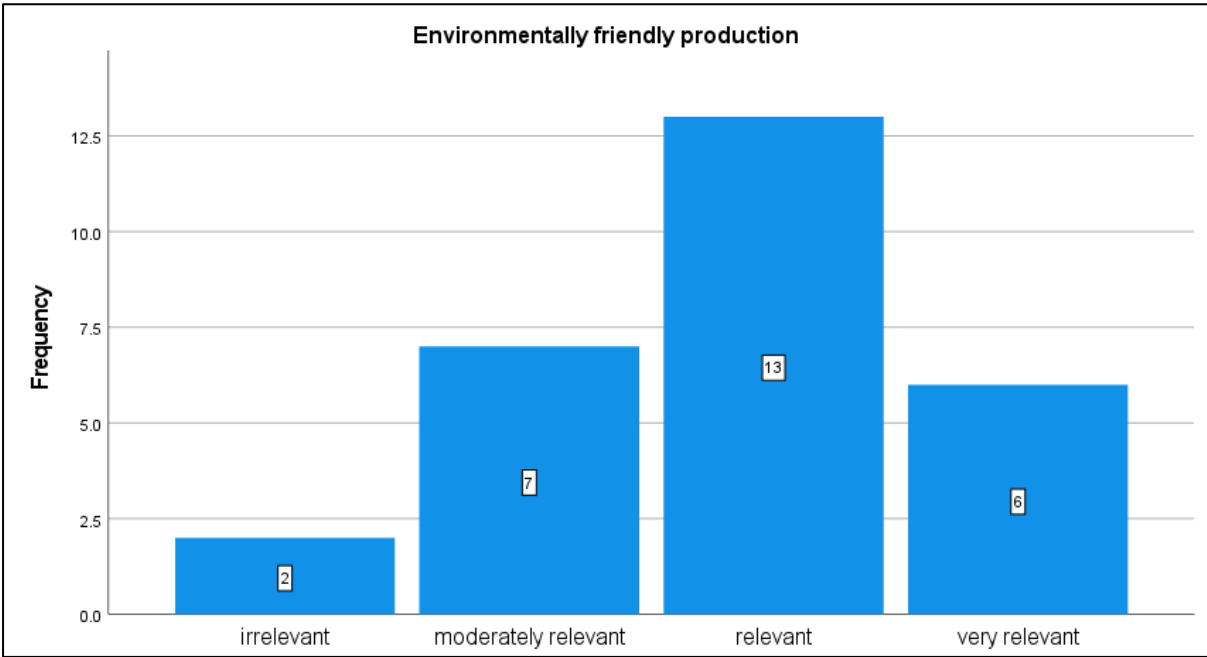


Figure 23: Relevance of Environmentally friendly production

Source: Own Illustration produced with SPSS

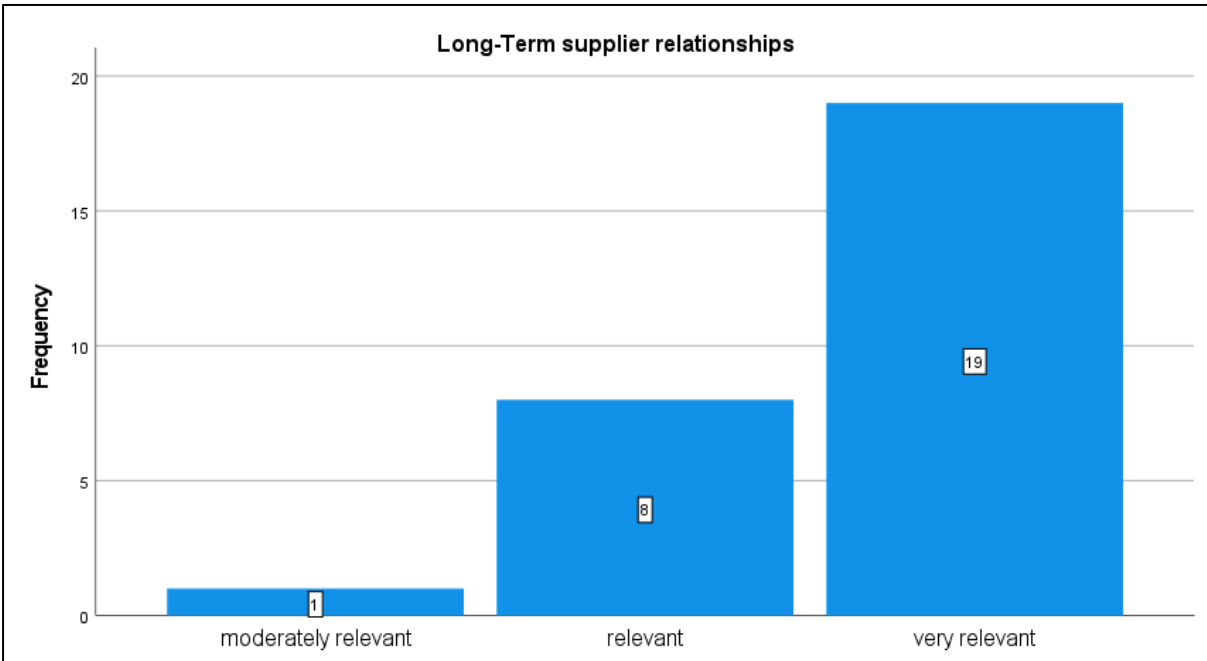


Figure 24: Relevance of Long-term supplier relationships

Source: Own Illustration produced with SPSS

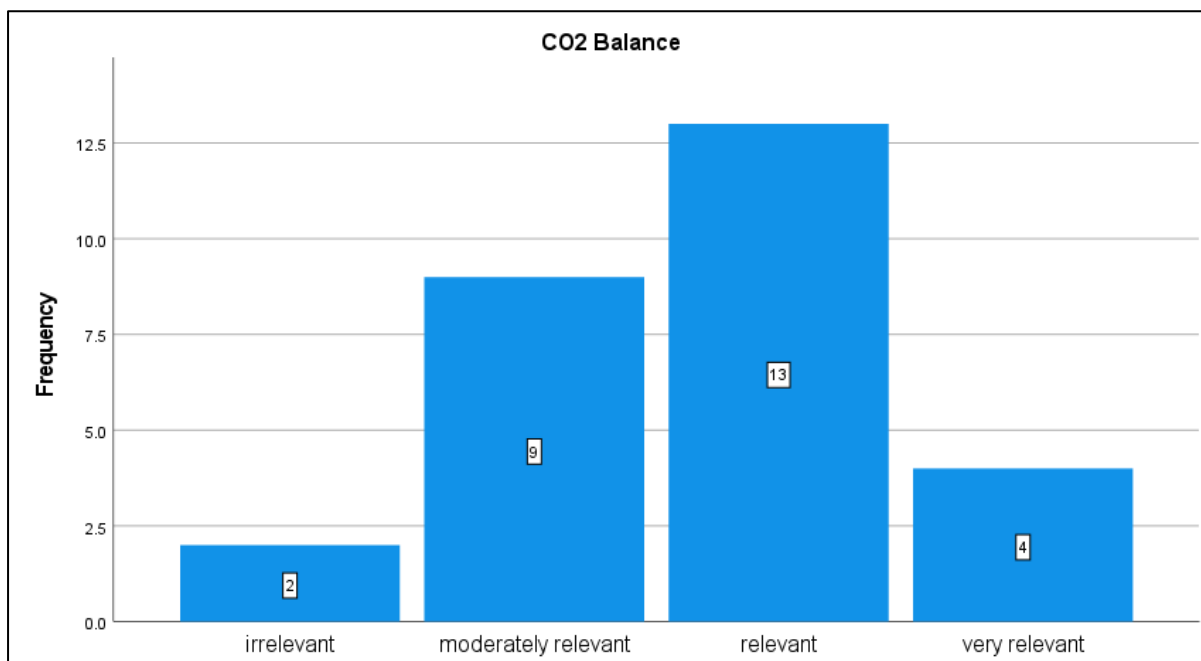


Figure 25: Relevance of CO2 Balance

Source: Own Illustration produced with SPSS

6.3 Conclusion of the quantitative Data

Summarized the quantitative data showed, that although the purchase volume of the sample was quite high, the import quota was very low and also the number of suppliers of corporate companies was rather small in the sample.

Considering these three facts, there is no surprise, that only 25% had touch points with the topic. Only 7% actually have checklists and mitigation measures in place.

Alarming is, that about 28% of the participants think, that they will not be affected by any of these regulations in the future. But this has to be interpreted with care, because of the limited participation there might also be inconsistency in the sample, so we cannot consider this result as representative by any means.

The quantitative survey showed, when not with the results, but with the not existing interest and participation, that the topic did not reach the SMEs yet.

It was sent out to more than 4000 contacts - 229 contacts actually clicked the link, and at least viewed the introduction of the survey, which means they got lost in the introduction of the topic (165) or later in the survey itself (36).

7 Summarized Checklist

On the first of June 2023 the European Parliament voted for a stricter version of the Corporate Sustainability Due Diligence Directive.

Especially the scope of the directive will be discussed over the summer in the trilogue.

A trilogue is an informal interinstitutional negotiation bringing together representatives of the European Parliament, the Council of the European Union and the European Commission.¹⁰⁴

The following checklist was originally produced before the Parliaments position was published, the additional notes show the difference between the

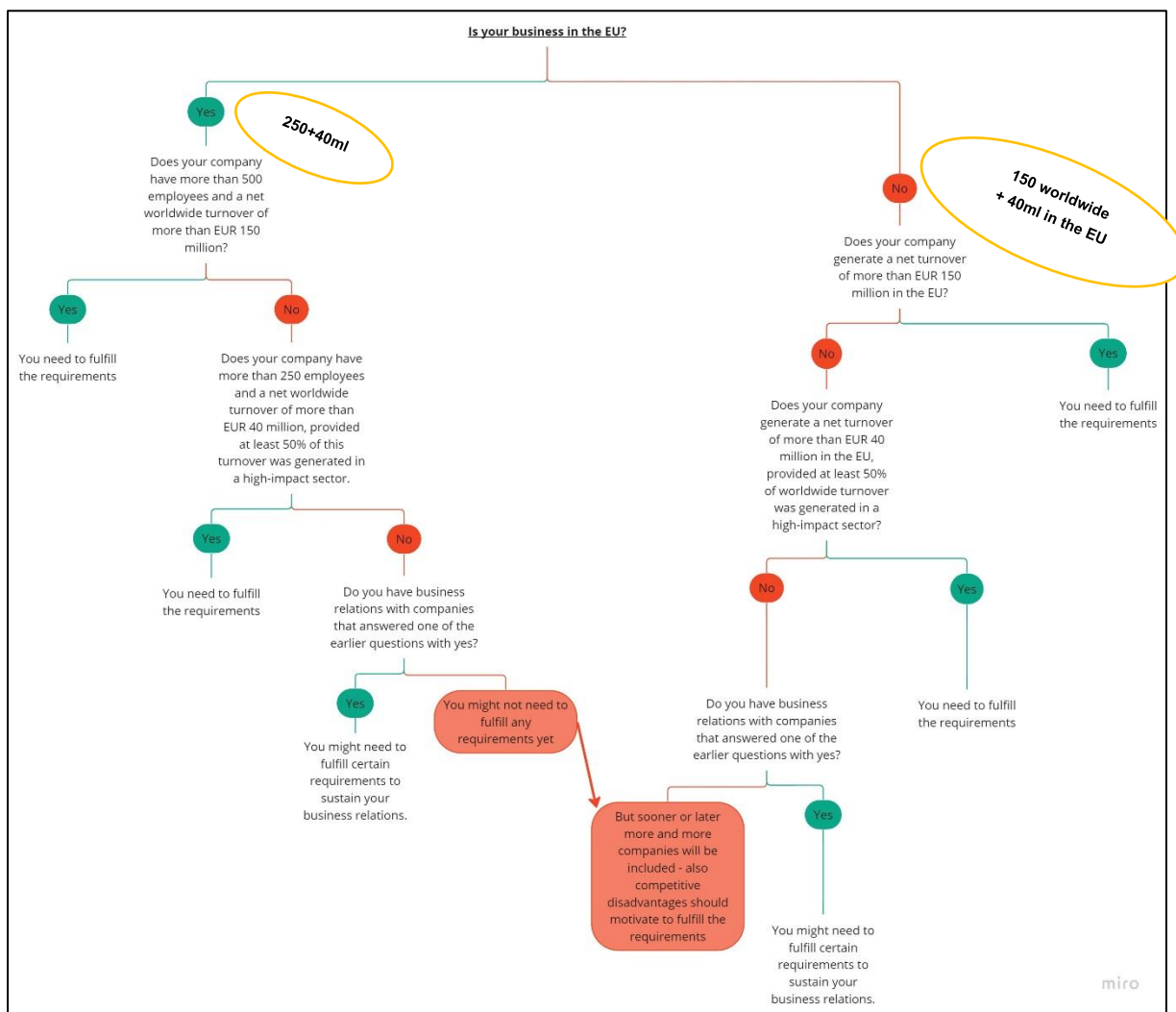


Figure 26: Checklist CSDD Requirements (A3 Format in the Appendix)

Source: Own Illustration produced with miro (Information retrieved from: 'Corporate Sustainability Due Diligence', 23 February 2022, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.)

¹⁰⁴ 'EUR-Lex - Trilogue - EN - EUR-Lex'. Accessed 25 June 2023. <https://eur-lex.europa.eu/EN/legal-content/glossary/trilogue.html>.

7.1 EU and Non-EU companies considering turnover and employees

As mentioned before, at the moment (June 2023) there are two different approaches in negotiation in front of the trilogue (EU Commission, Council and Parliament).

Topic	Commission's Proposal	Council's General Approach	European Parliament's Position
Covered entities	<p>EU companies:</p> <ul style="list-style-type: none"> with more than 500 employees and a net worldwide turnover of EUR 150 mln ("min turnover threshold") with more than 250 employees and a net worldwide turnover of EUR 40 mln if more than 50% of that turnover (EUR 20 mln) was generated in high-impact sectors ("high-impact threshold") <p>Non-EU companies:</p> <ul style="list-style-type: none"> with a net EU turnover of EUR 150 mln ("min turnover threshold") with a net EU turnover of EUR 40 mln if more than 50% of that turnover (EUR 20 mln) was generated in high-impact sectors ("high-impact threshold") 		<ul style="list-style-type: none"> EU companies with more than 250 employees and over EUR 40 mln in net worldwide turnover Non-EU companies with a net worldwide turnover of EUR 150 mln provided that more than EUR 40 mln was generated in the EU (incl. turnover generated by third party companies with which they concluded a vertical agreement in the EU in return for royalties) EU parent companies of a group having 500 employees and a net worldwide turnover of EUR 150 mln and, in the case of non-EU parent companies, at least EUR 40 mln was generated in the EU
	Applies to regulated financial undertakings	Member states to decide whether to include regulated financial undertakings during the transposition	Applies to regulated financial undertakings (but the obligations only extend to the activities of a direct client and its corporate group that has activities linked to the contract in question). Scope may be widened in the future.

Figure 27: Comparative summary of the positions of the Commission, the Council and the Parliament

Source: Van Damme, Isabelle, Tetyana Payosova, and Antigoni Matthaïou. 'Corporate Sustainability Due Diligence Directive – Key Issues under Discussion'. Accessed 25 June 2023. https://www.vbb.com/media/Insights_Articles/6-6-23.pdf.

7.2 High impact sectors

According to the European Commission, "high-impact" sectors under the Corporate Sustainability Due Diligence Directive (CSDDD) include manufacturing textiles, engaging in various agricultural activities, and the extraction of mineral resources. The European Parliament is also considering adding financial services as a high-impact sector.¹⁰⁵

More detailed this includes, manufacturing of **textiles** and manufacturing of leather and related products, including footwear. As well as the wholesale trade of textiles, clothing and footwear.

Second group is **agriculture**, forestry and fisheries including aquaculture and the production of food products as well as the wholesale trade of agricultural raw materials, live animals, wood, food, and beverages.

¹⁰⁵ 'Corporate Sustainability Due Diligence', 23 February 2022, https://commission.europa.eu/business-economy-euro/doing-business-eu/corporate-sustainability-due-diligence_en.

The third group consist of the extraction of **mineral resources** regardless of where they are extracted from, including crude petroleum, natural gas, coal, lignite, metals and metal ores, as well as all other. Additionally, the production of basic metal products, other non-metallic mineral products and fabricated metal products, and the wholesale trade of mineral resources, basic and intermediate mineral products including metals and metal ores, construction materials, fuels, chemicals and other intermediate products.

Fourth and final group are **financial undertakings** which are not yet defined, this point is one of the main discussion points between member states and parliament.¹⁰⁶

7.3 Which SMEs are affected? And why?

The proposal for the EU Corporate Sustainability Due Diligence Directive, states that SMEs would not be directly in scope, but they could be affected in their capacity as contractors or subcontractors to any of the companies covered by the proposed directive. Therefore, while SMEs themselves may not be directly impacted, their business relationships with larger companies subject to the directive could result in indirect effects on their operations.¹⁰⁷

But one very important statement from the expert interviews' states, that everyone with an international supply chain should consider himself in the scope at some point and start preparing, not just for themselves, also for the environment.

I wouldn't do it that way, because I always tell German companies that I would never trust on this size guideline texts, this is nonsense, because you can't get around it and now that the CSRD is involved too, even more.

*I need the input from the suppliers and these are the small ones, so I wouldn't even look at this size guidelines, I mean the EU law of course has a major „advantage“, so many risk industries are included, that the probability that you are not drawn in it, is relatively low. **Yes, I wouldn't reassure any SME that they aren't affected for the time being, they should start now, because not preparing at all does not make sense at all.***

(Interview-Elisabeth Fröhlich-Glantschnig, item 7)

¹⁰⁶ 'Directive of the European Parliament and of the Council'. Accessed 21 June 2023. https://eur-lex.europa.eu/resource.html?uri=cellar:bc4dcea4-9584-11ec-b4e4-01aa75ed71a1.0001.02/DOC_1&format=PDF.

¹⁰⁷ Michelle Adcock Crowe Radhika Bains,Thomas, 'The EU's Corporate Sustainability Due Diligence Directive - KPMG Global', KPMG, 28 April 2023, <https://kpmg.com/xx/en/home/insights/2023/02/the-eu-corporate-sustainability-due-diligence-directive.html>.

8 Lean Guideline for a simplified CSDD Risk Management System

Article 8, paragraph 3 of the corrected version of the parliament says:

“Where necessary due to the fact that the adverse impact cannot be immediately brought to an end, develop and implement a corrective action plan with reasonable and clearly defined timelines for the implementation of appropriate measures and action, and qualitative and quantitative indicators for measuring improvement.”¹⁰⁸

To identify these impacts, a risk management system has to be in place, this doesn't mean, that every company has to invest into high-cost software or join a high-cost management system like Ecovadis. A simple documentation of purchasing volume, suppliers, potential risks and communication with suppliers is already a good start and can be improved over time.

First step of the potential risk management is to assess how much impact do the company's products have. First there is the need to assess the volume of the different goods that are purchased, only if the products do have a severe impact they are considered in the further analysis. Concentrating on the products with the highest impacts helps to decrease work load and is a first step towards an all including risk management tool.

As an example, the author chose to work with possible but fictional product/supplier data.

8.1 Identify high volume/value products

This step might be one of the easiest ones, if an organisation doesn't know what they are selling best, there might be other issues to solve before the sustainability approach.

Product Number	Product Name	pieces	amount
09/92/PL-49	Steelplate 49 x 49 cm	2.486,00	€ 104,783.80
18/09/DF_U_S	beachflag 11 SMALL 231 cm	3.367,00	€ 96,056.10
18/09/DF_U_M	beachflag 11 MEDIUM 334 cm	2.358,00	€ 76,328.21
29/18/11/BP_budget	steelplate budget 10kg NEU	1.650,00	€ 50,233.50
13/15/DR/CLASSIC100	rollup classic 100 x 200 cm	1.166,00	€ 39,657.33
13/15/DR/CLASSIC85	rollup classic 85 x 200 cm	1.225,00	€ 38,587.77
04/05/513	rollup profi single 100 x 235 cm	407,00	€ 36,414.06

Table 8: Product volume

Source: Own Illustration produced with Excel

¹⁰⁸ Lara WOLTERS, 'REPORT on the Proposal for a Directive of the European Parliament and of the Council on Corporate Sustainability Due Diligence and Amending Directive (EU) 2019/1937 | A9-0184/2023 | European Parliament', accessed 21 June 2023, https://www.europarl.europa.eu/doceo/document/A-9-2023-0184_EN.html.)

8.2 Identify high impact products

Just because a product is the bestselling product doesn't mean it is the one with the most impact.

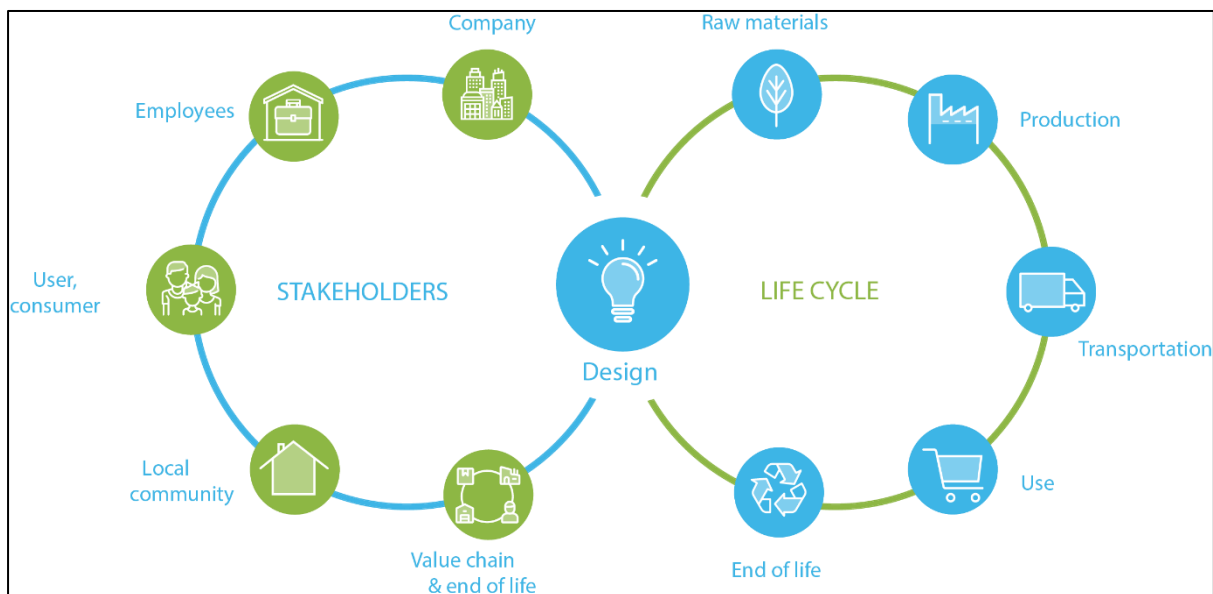


Figure 28: Life Cycle Impact of a Product

Source: 'The Environmental and Social Impact of Products'. Accessed 27 June 2023. <https://www.pierre-fabre.com/en/our-commitments/the-green-impact-index/environmental-and-social-impact-of-products>.

The following points should be considered in the environmental aspect¹⁰⁹: Raw Materials, Production and Processing, Logistics, Distribution, Waste

Additionally, the social impacts have to be considered¹¹⁰

Which includes all the internal and external stakeholders as visualized in the graphic above, the companies in the whole value chain and their employees, the customers and consumers, the communities and residents around production steps of the whole value chain.

Especially in the beginning of a risk management implementation especially with little resources most of the data is estimated, many points can be improved in the process or later with new data from questionnaires and audits.

But generally estimating is typically the primary input for the cost and risk analysis.¹¹¹

¹⁰⁹ Tatis, Meritzell. 'The Environmental Impact of a Product or a Service'. The Planet App (blog), 28 August 2020. <https://theplanetapp.com/the-environmental-impact-of-a-product-or-a-service/?lang=en>.

¹¹⁰ 'The Environmental and Social Impact of Products'. Accessed 27 June 2023. <https://www.pierre-fabre.com/en/our-commitments/the-green-impact-index/environmental-and-social-impact-of-products>.

¹¹¹ 'Estimating As It Pertains To Risk Management - Source', 28 April 2021. <https://source.aacei.org/2021/04/28/estimating-as-it-pertains-to-risk-management/>.

8.3 Identify high volume and high-risk suppliers

After identifying the high-volume products, next step is to identify the high-volume suppliers, by cumulating the products by the same suppliers.

And labelling high and low risk suppliers, preferably with a colour scheme from green to red, here points like **country**, **distance** or **political situation** come into account, still primary the labelling happens on the base of estimations.

Supplier Code	Supplier Name	Amount of Deliveries	Purchasing Volume	Country
LI0215	M.T Reklam Anonim Sirketi	25	€ 234,264.57	Turkey
LI1963	Beachflag Production China	10	€ 227,479.02	China
LI1459	Rollup Production China	2	€ 122,927.25	China
LI2520	Printing Poland	192	€ 119,458.13	Poland
LI10160	Frames China	2	€ 30,134.75	Italy
LI10002	Printing Italy	9	€ 23,377.22	Austria
LI10103	Tip Kommunikations GmbH	10	€ 15,526.32	Austria

Table 9: Supplier Labelling

Source: Own Illustration produced with Excel

8.4 Identify and name the risks most likely to occur

The following table shows a simple risk register, which of course also can and should include risks, that are not only directly needed for the CSDD, but any kind of supply chain risk can be included, this can save costs and reduce risks in the long run.

ID	Risk	Probability Rating	Impact Rating	Strategy controls	Action taken
1	Delay in Transportation	High	Low	Tracking	Alternative Logistics
2	Child Labour	Low	High	Audits	New Supplier
3	Corruption	Medium	High	Audits/Legal	Alternative Countries
4	Patent fraud	Medium	High	Audits/Legal	Legal consequences

Table 10: Risk register

Source: Own Illustration produced with Excel ('Risk Register for Supply Chain Function – EBooksKenya', 15 February 2021. [https://ebookskenya.co.ke/risk-register-for-supply-chain-function/.](https://ebookskenya.co.ke/risk-register-for-supply-chain-function/))

These risks can be visualised with the risk map explained in the theoretical part (part 3.5.1).

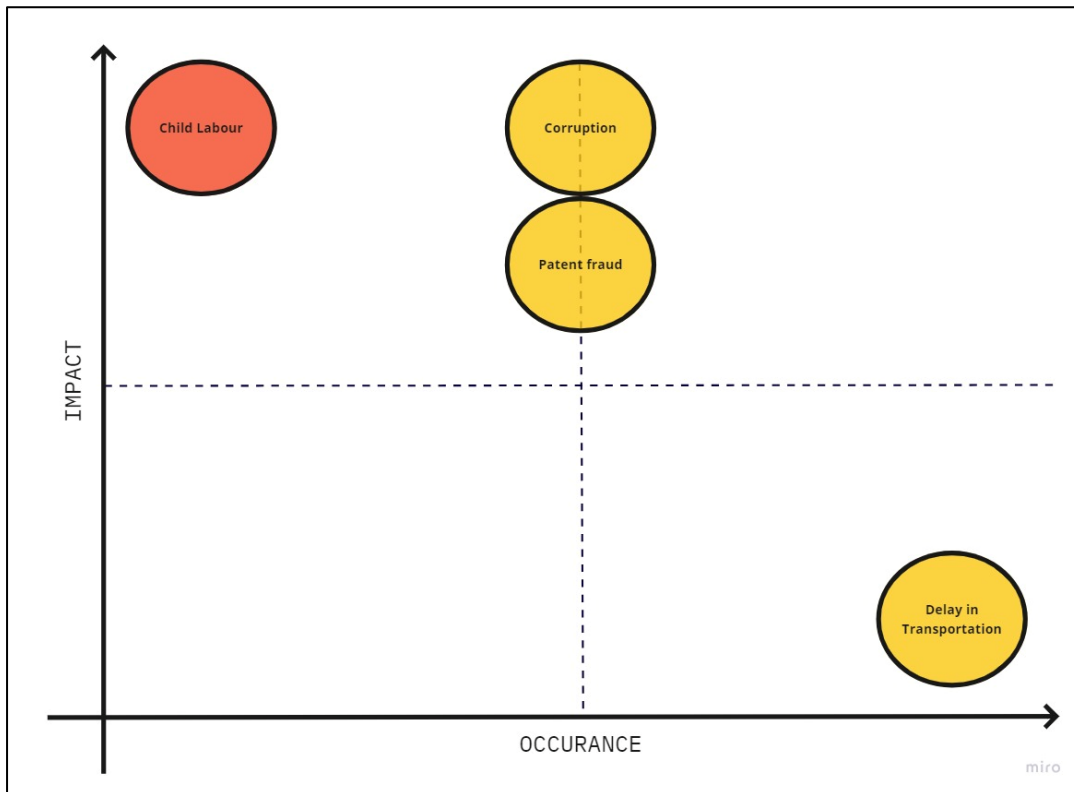


Figure 29: Risk Map 2

Source: Own Illustration produced with miro

As mentioned in the column “Strategy Control”, these are first mitigation measures, how can these risks be controlled or even eradicated? Questionnaires are just one first step in controlling the suppliers, unfortunately without controlling them further with internal and external auditing no one can really guarantee, that they keep their promised regulations.

8.5 Send out questionnaires to collect data

After these 4 basic steps next step would be gathering more and more detailed information from suppliers and other stakeholders. This would already be a step towards a more holistic approach.

- Supplier Questionnaires
- Employee Questionnaires
- Customer Surveys

To make risk management easier in the future and also avoid high risk suppliers from the start, these questionnaires should be used to gather information in any kind of new vendor process.

A basic supplier questionnaire could look like this:

Supplier Sustainability Questionnaire

OUR ORGANISATION is committed to make a measurable contribution to the Sustainable Development Goals through sustainable procurement by working closely with partners, governments, civil society and other stakeholders.

OUR ORGANISATION seeks to incrementally and progressively adopt a sustainable procurement approach for procurement activities to address broader environmental and social issues wherever and whenever feasible with consultation with suppliers and other stakeholders mentioned above.

OUR ORGANISATION would like to invite suppliers to share sustainability efforts in the supply chains.

We would appreciate if you could answer questions where relevant (for manufacturers or services providers).

1. Environmental policy

Does your organisation have a formal environmental policy in place? (Y/N)

If yes, please share a copy of the policy.

2. Environmental Management System

Does your organisation have an Environmental Management System in place certified by an external authorised certification body (e.g. ISO14001 or Eco-Management and Audit Scheme (EMAS))?

If yes, please share a copy of the certificate(s).

3. CO2 emissions

Have you measured your CO2 emissions? (Y/N)

If measured, please report your annual CO2 emissions in the most recent year measured.

Have you set publicly available CO2 emission reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

4. Waste management

Does your organisation have an operational procedure for managing or treating your solid and water waste, including hazardous and non-hazardous waste? (Y/N/NA)

If yes, please share a copy of the procedure.

Please share a copy of certificates issued by local authorities or any subcontracted company handling your waste.

Have you measured solid waste generated from the facilities that produce your products for OUR ORGANISATION? (Y/N)

If measured, please report amount of solid waste generated from the facilities that produce your products for OUR ORGANISATION for the most recent year measured (Enter in metric tons).

Have you set publicly available solid waste reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

Figure 30: Supplier Sustainability Questionnaire – Page 1 (available in the Appendix)

Source: Own Illustration modified from: 'General Questionnaire Service Provider'. Accessed 1 July 2023.

https://www.unicef.org/vietnam/sites/unicef.org/vietnam/files/2019-09/General%20Questionnaire%20Service%20Provider_0.pdf.

Have you measured water waste generated from the facilities that produce your products for OUR ORGANISATION? (Y/N)

If measured, please report amount of water waste generated from the facilities that produce your products for OUR ORGANISATION for the most recent year measured (Enter in m3).

Have you set publicly available water waste reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

5. Resource consumption

Have you measured energy usage from the facilities that produce your product(s) for OUR ORGANISATION? (Y/N)

If measured, please report amount of energy usage from the facilities that produce product(s) for OUR ORGANISATION for the most recent year measured (Enter in kWh).

Have you set publicly available energy usage reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

Have you measured water usage from the facilities that produce our product(s) for OUR ORGANISATION? (Y/N)

If measured, please report water usage from the facilities that produce your product(s) for OUR ORGANISATION for the most recent year measured. (Enter in m3)

Have you set publicly available water usage reduction targets? If yes, what are those targets? (Enter in m3 and target date)

6. Policy to incorporate social accountability

Does your organisation have a formal policy that covers the following areas? (Note: it could be one overarching policy/code of conduct or multiple policies)

i. Freedom of Association and Collective Bargaining (Y/N)

ii. Forced or Compulsory Labour (Y/N)

iii. Protection and Safeguarding of Children (including Child Labour) (Y/N)

iv. Discrimination (Y/N)

v. Wages, Working Hours and Other Conditions of Work (Y/N)

vi. Health and Safety of the workplace (Y/N)

vii. Human Rights (Y/N)

viii. Harassment, Harsh or Inhumane Treatment (including Sexual Exploitation and Abuse) (Y/N)

ix. Non-engagement of sales or manufacturing of Mines (Y/N)

If yes, please share a copy of policy/policies.

7. Elimination of child labour

Have you established robust age-verification mechanism as part of recruitment processes? (Y/N)

Figure 31: Supplier Sustainability Questionnaire – Page 2 (available in the Appendix)

Source: Own Illustration modified from: 'General Questionnaire Service Provider'. Accessed 1 July 2023. https://www.unicef.org/vietnam/sites/unicef.org.vietnam/files/2019-09/General%20Questionnaire%20Service%20Provider_0.pdf.

If yes, does your organisation ensure the age verification mechanism are used throughout your supply chains (including your sub-contractors and suppliers)? (Y/N)

In removing children from the workplace, how does your organisation ensure protection of affected children, and, where appropriate, provide decent remuneration to adult household members?

8. Community development

Does your organisation invest in **community development** activities in the markets you source from and/or operate within? (Y/N)

If yes, please explain what you do.

9. Children Rights and Business Principles

Does your company have the written statement or policy on the below topics?

Respect and support **children's rights** in operations and business relationships (e.g. suppliers and sub-contractors) (Y/N)

Maternity rights, including paid maternity leave, employment protection and health & safety protections for pregnant and nursing women (Y/N)

Accessible and high-quality **day care** (kindergarten or nursery school) solutions for workers/staffs' children (factory and/or community-based) (Y/N)

Breastfeeding among working mothers, including use and maintenance of lactation room (Y/N)

Working hours, overtime and living wages (those that are sufficient to cover basic needs (including food, housing, transportation, health expenses, etc.) for workers/staffs and their families) (Y/N)

Female workers/staffs' health and nutrition (Y/N)

Working conditions for young workers/staffs (aged 15-17, including reduced working hours, health and safety protections and training opportunities) in line with national law or international standards (whichever is higher), including suppliers and sub-contractors (Y/N)

Respect for **minimum age standards** in the company's operations and business relationships (including suppliers and sub-contractors) in line with national law or international standards (whichever is higher) (Y/N)

WASH (Water, Sanitation and Hygiene) in the workplace and/or the community (Y/N)

Access to health & education services for workers/staffs and their children (Y/N)

Decent housing and living conditions for workers/staffs and their children (Y/N)

Does your company have any **grievance mechanism** to report child rights related issues? (Y/N)

Do you provide **awareness raising activities** (environmental or social)? (Y/N)

If yes, what kind of?

Figure 32: Supplier Sustainability Questionnaire – Page 3 (available in the Appendix)

Source: Own Illustration modified from: 'General Questionnaire Service Provider'. Accessed 1 July 2023. https://www.unicef.org/vietnam/sites/unicef.org/vietnam/files/2019-09/General%20Questionnaire%20Service%20Provider_0.pdf.

8.6 Define a risk score and risk rating for suppliers

Risks can't be excluded completely, some industries tend to have more diverse risks, here a frame should be created how much risk is acceptable considering the industry and the individual situation.

A possible rating score could look like this:

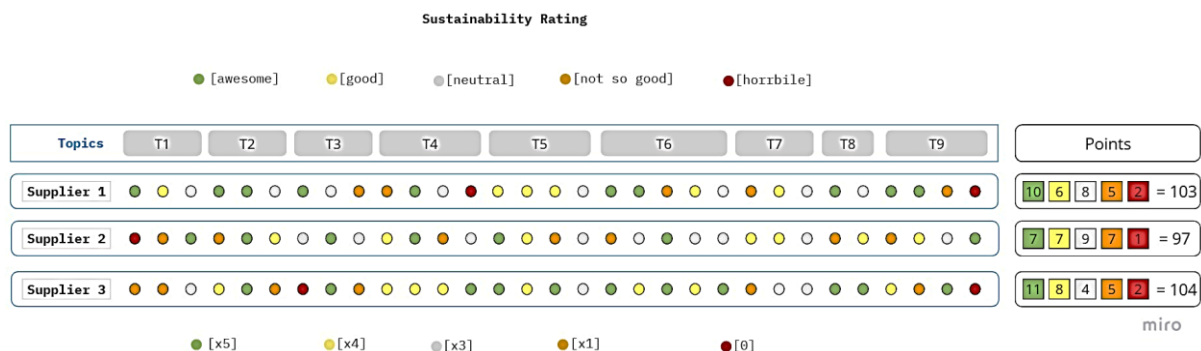


Figure 33: Sustainability Rating

Source: Own Illustration produced with miro

Here, the 9 Topics from the supplier questionnaire are included and have different importance which you can see at the different amount on points. The points can have 5 different colours depending on the fulfilment of the requirement.

By including sustainability rating, a vendor with higher prices but a better rating could still be better, considering all the possible risks of a weaker sustainability rating.

Combining the questionnaire with reachable points will result in a scoring. The consequence is, that a new supplier can only be chosen if it reaches the minimum required points which have to be defined.

8.7 Communicate open with suppliers

One of the most important points over all the sustainability measures is open and recent communication with stakeholders.

Early communication can prevent from further consequences and improvement threw the whole supply chain.

9 Conclusion

The motivation for this research is to identify the extend of awareness around entrepreneurs in specific Small and Medium Sized Enterprises in Vorarlberg when it comes to the topic of the future EU Corporate Sustainability Due Diligence Directive.

Although there is still quite some time until this Directive will be included in national law and actually affect companies in Austria, still, especially Supply Chains need a lot of time to be analysed and in case they have to be changed or improved.

This Thesis introduces the topic in a theoretical literature conclusion (chapter 3) adds the common opinion as the State of the Art (chapter 4) and presents the results of eight qualitative semi structured interviews with experts in the field of legal and supply chain science (chapter 5).

Additionally, the author included a quantitative survey, which unfortunately wasn't very representative due to too little participation, but concluded with the other collected information, it still adds to the result of research.

The final conclusion should be "preparation is key", by identifying most of the regulations as not just a lot of effort, but also as an advantage in many ways, especially SMEs can spread effort and costs by starting early to prepare.

The simplified risk management system is never useless, it has so many advantages for companies of all sizes. Increases resilience and stability of supply chains, and once implemented only adds value in the long run.

Not just every individual should think about how to change their behaviour to decrease the impact on our environment, also and even more, companies should do that in their daily business. And using these daily changes even if they are minor to reach a more sustainable business practice for a better future for all of us.

10 Limitations and Further Research

Unfortunately, all of the theoretical research considering the directive itself cannot be taken for granted, due to the circumstance, that the legislation is not final yet and negotiations will start over the summer of 2023 and might not come to a result before summer of 2024.

Compared to other topics there is no historical collection of literature, so most of the literature is recent articles, opinion papers, white papers and other statements, which are not reviewed or confirmed.

Even the interviewees hold back from detailed statements because of not finalized legal texts yet.

Further Research would be interesting – repeating the same interviews as soon as the legislation is final and the national version is published.

Developing a survey with the final legal text and then sending it out with help of the Chamber of Commerce would be an interesting approach to then finally discover the awareness and level of preparation in the Austrian companies.

Also, the Checklist and the Guideline could then be finalized and used as a tool for the Chamber of Commerce to inform and help companies to handle the upcoming challenges.

11 Summary

After a short **introduction** (1) considering the thesis, the author starts with introducing the problem, the research question and the objective of the research.

Concluded, **the problem** (1.2) states the European Corporate Sustainability Due Diligence, which could have unforeseen and unexpected risks for SMEs in Europe. Although not directly affected they might fall into the responsibility by being contractors or subcontractors for companies that fall into the scope.

The research question (1.3) splits into 3 parts, “Which risks are SMEs facing?”, “How do Austrian companies handle or recognize the risks?” and “How could a lean management mitigation approach for SMEs look like?”.

The objective (1.4) of the research is to analyse the awareness of companies and state their lack of preparation considering the upcoming challenges, as well as create an easy approach to start with first risk management tools.

Eight expert interviews, analysed with MAXQDA, a quantitative survey with 28 participants analysed with SPSS and a literature review summarize the **research approach** (2).

The **theoretical framework** (3) splits into five parts, the **EU decision-making process** (3.1), to explain why there is still no final version of the directive. An explanation of the **CSDD** (3.3) and the **CSR**(3.4) and how they are connected (3.2). And finally, the **risk assessment tools for SMEs** (3.5).

In this case, the decision process started in February 2022 with the proposal of the European Commission, which then has to be agreed on in the Council, this happened in December 2022. The European Parliament adopted its position for negotiations on the first of June 2023.

To reach a final agreement the interinstitutional negotiations have to come to a common ground, which is not expected before 2024, to finally formally adopt the directive. The member states then have 2 years to implement the directive into national legislation.

The EU CSDD focuses on the identification and prevention of negative impacts, while the EU CSR aims to improve the quality and quantity of sustainability reporting by companies. Both measures seek to enhance corporate sustainability and accountability, but through different mechanisms (3.2).

The CSDD (3.3) scope (3.3.1) of the Directive considering size of the affected companies is not yet decided, the EU Commission and the Parliament have slightly different approaches one is stricter than the other. The benefits (3.3.2) of the regulation include environmental and social benefits, economic benefits, legal benefits and providing a level playing field for companies in the European Union.

Main points of the CSDD (3.3.3) are ‘the due diligence’ – identify and address issues considering human rights, labour rights, environment and corruption, if identified ‘mitigate risks’.

A very controversial point is the 'transparency', companies need to provide transparency through their supply chain. And last but not least 'access to remedy', companies have to offer easy ways any stakeholders to report any harm caused by their activities.

One of the main issues with **transfer of responsibility** (3.3.4) is the lack of clear accountability. Without clear lines of accountability, it can be difficult to determine who is responsible for addressing sustainability risks in supply chains.

The EU is planning to **protect small and medium-sized enterprises** (SMEs)(3.3.5) under the Corporate Sustainability Due Diligence Directive (CSDD) framework by taking into account their specific needs and capacities, providing support, and ensuring proportionality in their obligations.

Contractual regulation (3.3.6) is particularly important for ensuring compliance with the due diligence requirements in the EU's proposed CSD legislation. But there is a huge downside, one of the drivers for this thesis was the unpremeditated signing of code of conducts and supplier regulations that happens every day especially in SMEs. So, without further communication, control or even external auditing, this contractual regulation is worth nothing.

The **CSRD** (3.4) is the further development of the NFRD, this directive requires companies to provide more detailed and consistent information on their sustainability performance and impact and include this information in their yearly reporting. Goal of this directive is to provide investors and other stakeholders with better information and transparency on the sustainability performance of companies. It **affects** (3.4.1) public-interest companies with more than 500 employees and a balance sheet total of over € 20 million or net turnover of over €40 million.

The **main points of the CSRD** (3.4.2) are the Reporting Standards and the required external audits which are the biggest difference to the NFRD.

In the theoretical part of the **Risk Assessment and Management Tools** (3.5) four tools are described, **Risk Mapping** (3.5.1), **Due Diligence Questionnaires** (3.5.2), **Supplier Audits** (3.5.3) and **Certification Schemes** (3.5.4).

The **State of the Art** (4) concludes the recent literature and explains, that due to the very recent topic, most of the literature consists out of either legal texts, online or print magazines or consulting sources. This also means, that most of the literature is based on assumptions, **opinions** (4.1) or positions. Also, **Politics** (4.2) have a dominant role in the literature and depending on their interests of course different perspectives.

The **Collected Results of the Expert Interviews** (5) were split into 6 topics, the **German Supply Chain Act in Austria** (5.3), the issue of **Blind Signing** (5.4), the **main risks** SMEs will be facing (5.5), the **main opportunities** SMEs could gain (5.6), **Porter's Value Chain** (5.7) and why it should be reconsidered and finally **Steps to be considered** before the directive comes into place (5.8).

The **collected results of the quantitative** survey ([6](#)) show the research design ([6.1](#)) and the visualized **results of the questionnaire** ([6.2](#)).

One of the two main results, is the **summarized Checklist** ([7](#)) which should help SMEs to see if they are affected and why.

The second main result is the **Lean Guideline** ([8](#)) which explains in 7 very easy steps how to implement a risk management to cope with the upcoming restrictions.

Closed by the **Conclusion and Further Research** ([9](#)) as well as the **Limitations of the Research** ([10](#)).

Shortcut to the answers of the Research Questions:

What impact will the EU Corporate Sustainability Due Diligence have on SMEs?

- Which risks are SMEs facing with the new regulations? (answered in [5.5](#))
- How do Austrian companies handle or recognize the mentioned risks at the moment? ([5.8](#) and [6.3](#))
- How could a lean management mitigation approach for SMEs look like? (answered in [3.5](#) and [8](#))

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Appendix

Wörter zählen ? ✕

Statistik:

Seiten	105
Wörter	23 715
Zeichen (keine Leerzeichen)	153 941
Zeichen (mit Leerzeichen)	176 512
Absätze	1 362
Zeilen	2 941

Textfelder, Fuß- und Endnoten berücksichtigen

Schließen

Interview Email:

Sehr geehrte Damen und Herren,

ich kontaktiere Sie hiermit mit einer großen Bitte, ich arbeite aktuell an meiner Masterthesis über das EU-Lieferkettengesetz und bin auf der Suche nach Interviewpartnern mit Expertenkompetenz.

Titel und Fragestellung:

Die Herausforderungen des EU Lieferkettengesetzes für österreichische KMUs
Checkliste und Guideline für erste Risikodokumentation und Minderungsmaßnahmen

Welchen Einfluss hat das EU Lieferkettengesetz indirekt auf KMUs?

Wie könnte eine vereinfachte Risikoanalyse für KMUs aussehen?

Gerne würde ich mich diesbezüglich mit Ihnen unterhalten (ca. 30-60min Interview via Microsoft Teams mit Aufzeichnung).

Natürlich werden sie über die Ergebnisse und meine finalisierte Masterthesis informiert.

Zeitplan: ab 18.01.23 bis Ende Februar.

Ich würde mich sehr über eine Antwort mit einem Terminvorschlag ihrer Wahl freuen.

Mit besten Grüßen,

Laura Blum, BA
International Management and Leadership
FH Vorarlberg

Interview Notes – Semi Structured:

Hallo _____, vielen Dank für Ihre Zeit. Hiermit noch um kurze Abklärung ob eine Aufnahme des Gespräches für Sie in Ordnung ist? ¶

Momentaner Projekttitle: ¶

The challenge of the Corporate Sustainability Due Diligence for SMEs ¶

Lean Checklist and Guideline for first mitigation measures ¶

Die Herausforderungen der EU Lieferkettenrichtlinie für österreichische KMUs ¶

Checkliste und Guideline für erste Risikodokumentation und Minderungsmaßnahmen ¶

Welchen Einfluss hat das EU Lieferkettenrichtlinie indirekt auf KMUs? ¶

Wie könnte eine vereinfachte Risikoanalyse für KMUs aussehen? ¶

¶

Ziel ist es eine Checkliste für KMUs zu erstellen die hilft Risiken zu identifizieren und dann eine erste Guideline für die Einführung eines einfachen Risikomanagements. ¶

Ich hab im Generellen ein paar formulierte Fragen, jedoch würde ich es begrüßen, wenn sie einfach so viel zum Thema beitragen wie sie können. ¶

¶

1. → Welche Risiken betreffend KMUs erwarten Sie durch die zukünftige Lieferkettenrichtlinie? ¶
2. → Wie sehen sie die vertragliche Übergabe von Verantwortung durch große Firmen an KMUs? ¶
3. → In welcher Form sehen Sie Handlungsbedarf für unseren Mittelstand in Bezug auf Kontrollmechanismen und Risikobewertung? ¶
4. → In Deutschland ist ja nun seit Beginn diesen Jahres das Lieferkettenrichtlinie gültig. Denken Sie Österreich war entsprechend darauf vorbereitet? Da Deutschland ja unser größtes Exportland ist sollte der Einfluss ja doch spürbar sein. ¶
5. → Was würden Sie einem KMU mit vielen Großkunden empfehlen? ¶

Survey Email – Ecoprofit:

Liebe Ökoprofitler:innen,

ein paar Anliegen von Ökoprofitlern möchte ich euch gerne weiterleiten:

- Laura Blum von tipkom schreibt gerade eine Masterthesis über Lieferketten und wäre froh, ihr würdet euch an ihrer [Umfrage zu Lieferketten](#) beteiligen (Näheres dazu weiter unten).
- Stefan Birkel hat mir auch eine [Umfrage über Energiegemeinschaften](#) weitergeleitet, an der ihr gerne teilnehmen könnt.
- Bei den [Braungart-Workshops Ende April](#) von der Wirtschaftskammer zum Thema Cradle2Cradle gibt es noch freie Plätze.
- Martin Halbrainer lädt euch zum [Vorarlberger Tag des nachhaltigen facility](#) im Mai ein.

Nähere Infos zur Lieferketten-Umfrage:

Im Frühling 2022 verabschiedete das EU-Parlament einen ersten Entwurf zur EU-Lieferkettenrichtlinie. Im Laufe von 2023 sollte der finale Entwurf verabschiedet werden und die Implementation der EU-Staaten sollte in den nächsten 2 Jahren folgen. Dies bedeutet, dass spätestens mit 2026 zumindest die großen Unternehmen in der EU ihre Lieferkette prüfen und anpassen müssen.

Was bedeutet das für uns Klein- und Mittelunternehmen?

Wenn Sie Konzerne beliefern oder zukünftig beliefern wollen, müssen sie sehr wahrscheinlich nachweisen können, bzw. wird auch von externen Unternehmen geprüft werden ob alle nötigen menschen- und umweltrechtlichen Sorgfaltspflichten entlang der Lieferkette erfüllt werden. Das heißt auch wenn Sie selbst nicht in die Richtlinie fallen, da das Unternehmen zu klein ist, kann es doch sein, dass Ihre Kunden auf die Erfüllung dieser Sorgfaltspflicht bestehen, da diese selbst zur Dokumentation verpflichtet sind.

Diese Befragung hat das Ziel, das Bewusstsein und die bisherigen Aktionen von Klein- und Mittelunternehmen diesbezüglich zu erfassen. Die Daten werden anonymisiert analysiert.

Ziel dieser Erhebung ist es Aufschluss über das Bewusstsein der zukünftigen EU-Lieferkettenrichtlinie und den daraus national entstehenden Gesetzen unter den KMUs in der DACH Region zu erhalten.

Liebe Grüße

Verena

Mag.a Verena Lässer-Kempe

Amt der Vorarlberger Landesregierung
Abt. Allg. Wirtschaftsangelegenheiten (Vla)
Koordination ÖKOPROFIT
Landhaus, Römerstraße 15, 6901 Bregenz

Survey:

Fragebogen

1 Start

Im Frühling 2022 verabschiedete das EU-Parlament einen ersten Entwurf zur EU-Lieferkettenrichtlinie. Im Laufe von 2023 sollte der finale Entwurf verabschiedet werden und die Implementation der EU-Staaten sollte in den nächsten 2 Jahren folgen.

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Auf den folgenden Seiten werde ich Ihnen ein paar Fragen stellen zum Thema „EU-Lieferkettenrichtlinie“. Ziel dieser Umfrage ist es, den aktuellen Wissensstand und das Bewusstsein in Klein- und Mittelunternehmen zu erheben.

Die Teilnahme an dieser Umfrage ist ohne die Nennung Ihres Namens möglich.

Eine Registrierung ist für die Teilnahme nicht erforderlich.

Dauer etwa 4 bis 6 Minuten.

Wie viele MitarbeiterInnen hat Ihr Unternehmen?

- 0 - 10
- 11 - 20
- 21 - 50
- 51 - 100
- über 100

Wie hoch ist Ihr Jahresumsatz?

- unter € 500.000
- € 500.000 bis € 1.000.000
- € 1.000.000 bis € 5.000.000
- € 5.000.000 bis € 20.000.000
- über € 20.000.000

Welcher Branche ordnen Sie sich zu?

- Bank und Versicherung
- Gewerbe und Handwerk
- Handel
- Industrie
- Information und Consulting
- Tourismus und Freizeitwirtschaft
- Transport und Verkehr
- keine der oben genannten

3 Lieferkette

Wie viel Prozent Ihrer Waren kaufen sie geschätzt zu?

Angabe in Prozent (Bsp: 50)

%

Wie hoch ist der Anteil in Prozent an Ware aus dem EU Ausland?

Angabe in Prozent (Bsp: 50)

%

Wie viele Konzerne oder Großkunden mit über 3.000 Mitarbeitenden beliefern Sie?

Wie viele Konzerne oder Großkunden mit über 1.000 Mitarbeitenden beliefern Sie?

4 Lieferkettensorgfaltspflicht

Haben Sie sich bereits mit der Thematik Lieferkettensorgfaltspflicht beschäftigt?

Ja

Nein

5.1 Thematik

In welcher Form haben Sie sich bereits mit der Thematik Lieferkettensorgfaltspflicht beschäftigt?

Recherche, Berater, interne Projekte, etc. ...

Haben Sie bereits erste Risikoanalysen in Ihrem Unternehmen ausgeführt? Wenn ja, in welcher Form?

Sind bereits Minderungsmaßnahmen in Kraft?

zB diverse Fragebögen oder Checklisten bei der Suche neuer Lieferanten?

6.1 Thematik_nein

Haben Sie vor sich in nächster Zeit näher mit der Thematik Lieferkettensorgfaltspflicht zu beschäftigen?

- Ja
 Nein

Erwägen Sie diesbezüglich professionelle Hilfe in Anspruch zu nehmen?

z.B. Kammer, Unternehmensberater

- Ja
 Nein

Sind sie der Meinung, die Thematik Lieferkettensorgfaltspflicht wird sie in den nächsten Jahren betreffen?

- Ja
 Nein

7.1 Zukunft

Wieso wird Sie dieses Thema in den nächsten Jahren betreffen?

8.1 Zukunft2

Wieso wird Sie das Thema in den nächsten Jahren nicht betreffen?

Bitte markieren Sie die folgenden Schwerpunkte nach ihrer Relevanz in Ihrem Unternehmen.

1 = unrelevant 2 = mäßig relevant 3 = relevant 4 = sehr relevant

	unrelevant	mäßig relevant	relevant	sehr relevant
Umwelt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Soziales Engagement	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faire Arbeitsbedingungen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Nachhaltigkeit	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Gleichberechtigung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Faire Entlohnung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regionale Beschaffung	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Umweltfreundliche Produktion	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Langfristige Lieferantenbeziehungen	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CO2 Bilanz	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

10 Endseite

Vielen Dank für Ihre Teilnahme.

Sollten Sie am Ergebnis oder an weiteren Informationen zum Thema interessiert sein, freue ich mich über eine Kontaktaufnahme.

laura.blum@students.fhv.at

Supplier Sustainability Questionnaire (adapted from UNICEF)

OUR ORGANISATION is committed to make a measurable contribution to the Sustainable Development Goals through sustainable procurement by working closely with partners, governments, civil society and other stakeholders.

OUR ORGANISATION seeks to incrementally and progressively adopt a sustainable procurement approach for procurement activities to address broader environmental and social issues wherever and whenever feasible with consultation with suppliers and other stakeholders mentioned above.

OUR ORGANISATION would like to invite suppliers to share sustainability efforts in the supply chains.

We would appreciate if you could answer questions where relevant (for manufacturers or services providers).

1. Environmental policy

Does your organisation have a formal environmental policy in place? (Y/N)

If yes, please share a copy of the policy.

2. Environmental Management System

Does your organisation have an Environmental Management System in place certified by an external authorised certification body (e.g., ISO14001 or Eco-Management and Audit Scheme (EMAS))?

If yes, please share a copy of the certificate(s).

3. CO2 emissions

Have you measured your CO2 emissions? (Y/N)

If measured, please report your annual CO2 emissions in the most recent year measured.

Have you set publicly available CO2 emission reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

4. Waste management

Does your organisation have an operational procedure for managing or treating your solid and water waste, including hazardous and non-hazardous waste? (Y/N/NA)

If yes, please share a copy of the procedure.

Please share a copy of certificates issued by local authorities or any subcontracted company handling your waste.

Have you measured solid waste generated from the facilities that produce your products for OUR ORGANISATION? (Y/N)

If measured, please report amount of solid waste generated from the facilities that produce your products for OUR ORGANISATION for the most recent year measured (Enter in metric tons).

Have you set publicly available solid waste reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

Have you measured water waste generated from the facilities that produce your products for OUR ORGANISATION? (Y/N)

If measured, please report amount of water waste generated from the facilities that produce your products for OUR ORGANISATION for the most recent year measured (Enter in m3).

Have you set publicly available water waste reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

5. Resource consumption

Have you measured energy usage from the facilities that produce your product(s) for OUR ORGANISATION? (Y/N)

If measured, please report amount of energy usage from the facilities that produce product(s) for OUR ORGANISATION for the most recent year measured (Enter in kWh).

Have you set publicly available energy usage reduction targets? (Y/N)

If yes, what are those targets? (Enter in metric tons and target date)

Have you measured water usage from the facilities that produce our product(s) for OUR ORGANISATION? (Y/N)

If measured, please report water usage from the facilities that produce your product(s) for OUR ORGANISATION for the most recent year measured. (Enter in m3)

Have you set publicly available water usage reduction targets? If yes, what are those targets? (Enter in m3 and target date)

6. Policy to incorporate social accountability

Does your organisation have a formal policy that covers the following areas? (Note: it could be one overarching policy/code of conduct or multiple policies)

Freedom of Association and Collective Bargaining (Y/N)

Forced or Compulsory Labour (Y/N)

Protection and Safeguarding of Children (including Child Labour) (Y/N)

Discrimination (Y/N)

Wages, Working Hours and Other Conditions of Work (Y/N)

Health and Safety of the workplace (Y/N)

Human Rights (Y/N)

Harassment, Harsh or Inhumane Treatment (including Sexual Exploitation and Abuse) (Y/N)

ix. Non-engagement of sales or manufacturing of Mines (Y/N)

If yes, please share a copy of policy/policies.

7. Elimination of child labour

Have you established robust age-verification mechanism as part of recruitment processes? (Y/N)

If yes, does your organisation ensure the age verification mechanism are used throughout your supply chains (including your sub-contractors and suppliers)? (Y/N)

In removing children from the workplace, how does your organisation ensure protection of affected children, and, where appropriate, provide decent remuneration to adult household members?

8. Community development

Does your organisation invest in community development activities in the markets you source from and/or operate within? (Y/N)

If yes, please explain what you do.

9. Children Rights and Business Principles

Does your company have the written statement or policy on the below topics?

Respect and support children's rights in operations and business relationships (e.g., suppliers and sub-contractors) (Y/N)

Maternity rights, including paid maternity leave, employment protection and health & safety protections for pregnant and nursing women (Y/N)

Accessible and high-quality day care (kindergarten or nursery school) solutions for workers/staffs' children (factory and/or community-based) (Y/N)

Breastfeeding among working mothers, including use and maintenance of lactation room (Y/N)

Working hours, overtime and living wages (those that are sufficient to cover basic needs (including food, housing, transportation, health expenses, etc.) for workers/staffs and their families) (Y/N)

Female workers/staffs' health and nutrition (Y/N)

Working conditions for young workers/staffs (aged 15-17, including reduced working hours, health and safety protections and training opportunities) in line with national law or international standards (whichever is higher), including suppliers and sub-contractors (Y/N)

Respect for minimum age standards in the company's operations and business relationships (including suppliers and sub-contractors) in line with national law or international standards (whichever is higher) (Y/N)

WASH (Water, Sanitation and Hygiene) in the workplace and/or the community (Y/N)

Access to health & education services for workers/staffs and their children (Y/N)

Decent housing and living conditions for workers/staffs and their children (Y/N)

Does your company have any grievance mechanism to report child rights related issues? (Y/N)

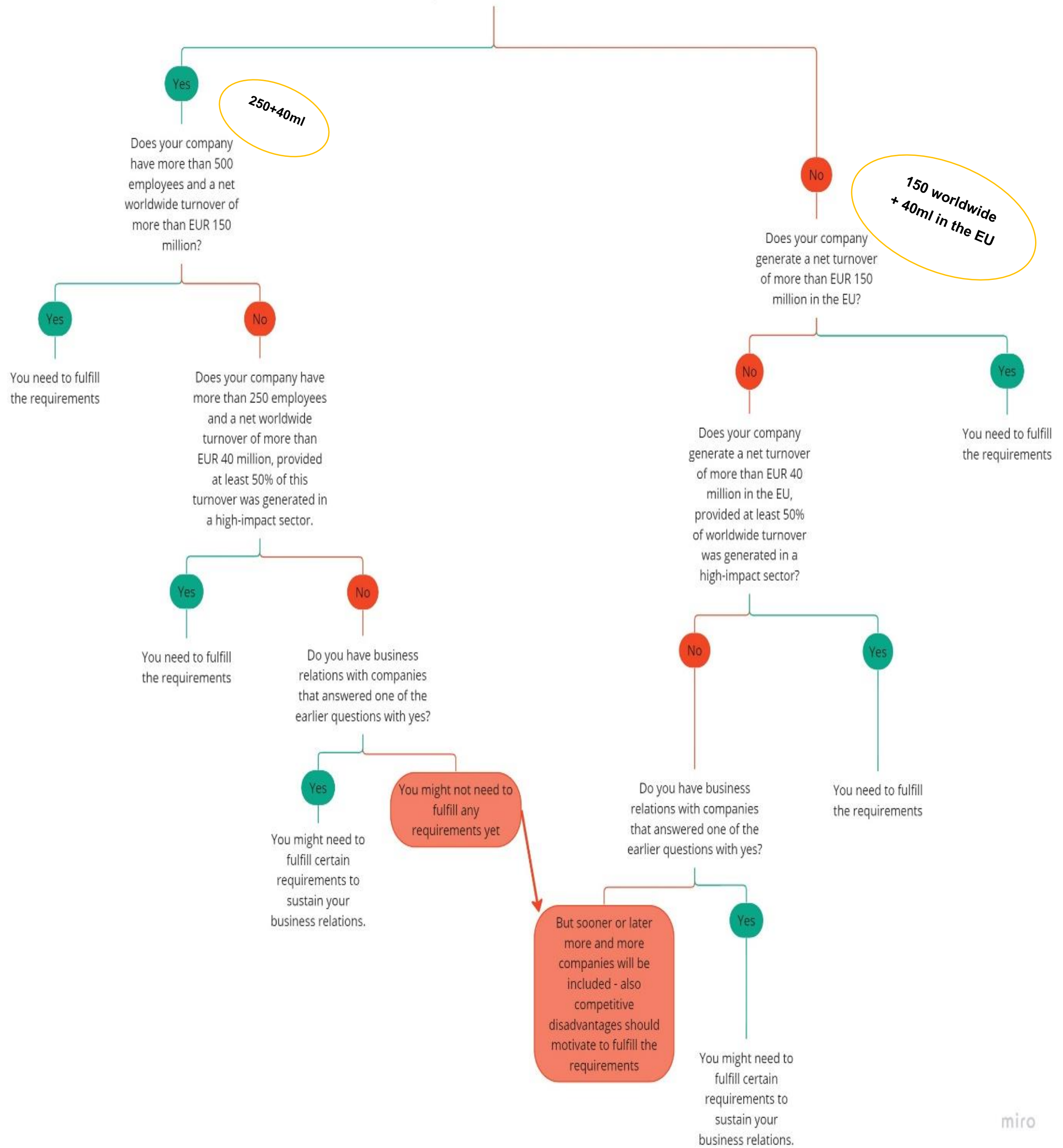
Do you provide awareness raising activities (environmental or social)? (Y/N)

If yes, what kind of?

112

¹¹² 'General Questionnaire Service Provider'. Accessed 1 July 2023. https://www.unicef.org/vietnam/sites/unicef.org.vietnam/files/2019-09/General%20Questionnaire%20Service%20Provider_0.pdf.

Is your business in the EU?



Statement of Affirmation

I hereby declare that all parts of this thesis were exclusively prepared by me, without using resources other than those stated above. The thoughts taken directly or indirectly from external sources are appropriately annotated.

This thesis or parts of it were not previously submitted to any other academic institution and have not yet been published.

A handwritten signature in blue ink, appearing to read 'Laura Blum', with a long horizontal flourish extending to the right.

Dornbirn, 07 July 2023

Laura Blum