Review article

GLOBAL IMPACT OF THE EU DUE DILIGENCE IN SUPPLY CHAINS NORMATIVE FRAMEWORK*

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ABSTRACT

Responsibility for respecting human rights and environmental standards in supply chains has been raised to a new level with the introduction of various European Union regulations, which affect all participants in supply chains, including non-member countries. This creates a global effect that impacts the economy, as well as the quality of safety and health at work measures and respect for workers' basic economic rights.

In this regard, a series of questions arise regarding application of these standards, perception of the European Union's position as a trendsetter globally, and actual impact that the application of due diligence regulations will have on production relations and the desirability of EU countries as trading partners.

The research tracks these challenges and analyses existing and potential effects of implementing regulations such as the Corporate Sustainability Due Diligence Directive, the Forced Labour Regulation and the Corporate Sustainability Reporting Directive. These normative solutions are presented in the research only within basic outlines, which are relevant for their understanding. The mechanisms of global action are explained in more details, as well as the tasks that are set before companies in supply chains as their essential obligations. Furthermore, potential consequences of applying these regulations are investigated – how their full imple-

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mentation will be ensured, how EU companies will treat partners outside the EU, and how soft pressure can be applied to partner companies to make them comply with basic human rights standards and environmental regulations. Finally, some attention is also given to interim grievance mechanisms – how and whether they can lead to greater changes in global employers' practices.

The aim of the research is to show whether it is realistic to expect that fully functional envisioned legal framework will protect workers and the environment in the countries from which suppliers of large European companies originate. The aim is also to demonstrate how realistic it is to expect the EU to position itself in this way as a global leader in promoting due diligence in supply chains, i.e., how complementary such a policy is to the efforts of the UN and other states' individual and collective endeavours.

In accordance with the research topic, the normative method and the comparative method are applied.

Keywords: *Corporate sustainability, Due diligence in supply chains, Forced labour, International labour standards, Interim grievance mechanisms*

1. INTRODUCTION

As Koula points out, there has been a decades-long effort in the international community to bring multinational corporations under the basic principles of respect for universal human rights, regardless of the regulatory framework of the specific country in which they operate. The economic power of these companies alone is sufficient to conclude that at the national level they are most often the dominant entity in the business and administrative relations with the host country: "Notably, it has been found that the combined profits of the top 10 companies would make them the third wealthiest country globally, surpassing economically prosperous states like Japan, Russia, and Spain."[1] Therefore, the classic concept of corporate responsibility, which relies solely and exclusively on local commercial law regulations and the general normative framework of business and labour law, had to be adapted to the global conditions of operation of these business conglomerates. This particularly applies to countries that base their economies on direct foreign investment through the promotion of cheap labour, favourable treatment of investors, various business incentives, and even *de facto* extraterritoriality, which is reflected in the non-application or selective application of regulations in force. Such behaviour by the host country usually leads to consequences both in the quality of the enjoyment of labour rights and in the domain of compliance with legal norms in principle. Schilling-Vacaflor and Lenschow emphasize that in such cases "a lack of state capacity, poor regulation, lax enforcement, corruption, or a

[1] Aikaterini-Christina, K., *Corporate Responsibility To Respect Human Rights Defenders Under the UNGPs and Steps Towards Mandatory Due Diligence*, Liverpool Law Review, Vol. 45, 2024, p. 343.

too-close relationship between business and government have hindered the protection of human rights and the environment".[2]

The concept of due diligence in business, as well as in supply chains, therefore comes as a reaction to the long-term relatively unhindered collapse of the classical concept of responsibility, which implies state institutions defending their national interests and protecting citizens by providing them with all the rights that belong to them in accordance with the national legal framework and general international rules. The reactions that appear in the form of initiatives within the United Nations (UN), and later national laws in individual countries, have been rounded off in the European region by specific regulations adopted by the European Union (EU), which relate to different but complementary aspects of solving these challenges.

The research follows potential consequences of the evolutionary development of due diligence within the framework of EU regulations, but also complementary mechanisms that act as a normative whole, and through which attempts are made to regulate the activities of multinational companies as well as supply chains outside the territory of the EU. The basic hypothesis is that the application of the aforementioned framework can influence the improvement of the quality of enjoyment of workers' rights, human rights in general, as well as environmental protection in countries that are usually called "periphery" and that in a more or less direct way favour the "race to the bottom" as their basis for economic policy. Through the global operation of regional instruments, a greater degree of legal certainty is created for citizens whose home countries are not interested in providing them with such protection. The outcome of the implementation of this innovative legal framework could be not only the eradication of slave labour, child labour, and environmental preservation, but also improved social security and a culture of respect for human rights at the global level. In this regard, the research critically examines the potential of the new regulations and the realism of such projections.

In addition to the classic introductory notes and concluding section, which synthesize the research findings in relation to the initial hypothesis, the paper consists of three main parts. The first explains in more detail the basic principles of the functioning of the EU regulatory framework that is the subject of the research, with the aim of presenting basic potentials of their application to the global working conditions. The second focuses on internal grievance mechanisms that, as a specific tool available in microenvironments, can create a macro effect over time.

2 Schilling-Vacaflor, A.; Lenschow, A., *Hardening Foreign Corporate Accountability Through Mandatory Due Diligence in the European Union? New Trends and Persisting Challenges*, Regulation & Governance, Vol. 17, No. 3, 2023, p. 679.

The main goal of this approach is to show an example how and to what extent the global application of the normative framework on due diligence can create a cumulative effect over time, by operationalizing one of the elements that, in the author's opinion, is vital for the effective implementation of such regulations. Finally, the third part focuses on the thesis on the potential global consequences of the application of EU regulations. Although the breadth of the topic does not allow for a detailed analysis of each relevant aspect, certain elements have been assessed to represent key points in the implementation of the regulatory framework, which will potentially create the effect of better working conditions over time. At the same time, numerous risks along the way are also pointed out, which can realistically significantly reduce the reach and effectiveness of due diligence in supply chains regulation. Despite this, the synthetic conclusion is written in a positive and optimistic tone, primarily focusing on the prerequisites for fulfilling the purpose of the adopted framework.

The classical normative method, as well as case analysis, were used as the methodological basis of the research. The normative method is limited to EU instruments, but in some parts characteristic examples of national legislation are used, as is the case with the German Due Diligence Act.

2. EU DUE DILIGENCE NORMATIVE FRAMEWORK

In order to examine potential of the European Union to act as a global standard-bearer in the field of human rights and environmental protection through due diligence regulation, it is necessary to examine basic characteristics of the existing regulatory framework.

The concept of due diligence evolved significantly over the last few decades. It existed long before it was associated with the concept of respect for human rights[3], and primarily referred to as "investigation of facts and data to identify and manage commercial risks, including the potential for legal liability, ahead of a given commercial transaction or activity".[4] Shift in understanding and scope of the due diligence process originally came with drafting of the United Nations Guiding Principles on Business and Human Rights (UNGP) in 2011. The UNGP are considered a groundbreaking instrument in the field of ascribing responsibilities

[3] Quijano, G.; Lopez, C., *Rise of Mandatory Human Rights Due Diligence: A Beacon of Hope or a Double-Edge Sword?,* Business and Human Rights Journal, Vol. 6, No. 2, 2021, p. 2.

[4] Bonnitcha, J.; McCorquodale, R., *The Concept of Due Diligence in the UN Guiding Principles on Business and Human Rights*, The European Journal of International Law, Vol. 28, No. 3, 2017, pp. 901–902.

for human rights violations to companies.[5] They include the "protect, respect, remedy" framework developed by John Ruggie.[6]

Over the time, the concept of the due diligence was changed. "Due diligence of a business company in the field of environmental protection refers to the risk, that is, to the situation in which, based on the actual circumstances, there is a sufficiently high probability that one or more of the aforementioned legal prohibitions will be violated."[7] Due diligence is thus being reshaped into a series of preventive and reactive activities along the entire supply/value chain, with the aim of ensuring full transparency in operations, especially with regard to respect for human rights and environmental impact. This system of rules also implies effective supervision of their implementation, as well as appropriate sanctions for those participants who do not comply to it. A human dimension is therefore being introduced into the classic business and financial institute of risk management.[8] As McCorquodale and Smit observe, "In the UNGPs, due diligence is aimed at identifying and preventing risks to rights-holders, not merely to the business, it is also ongoing rather than a one-off step, and it requires that the views of the potentially affected people are factored into the process."[9]

There are three basic documents shaping the due diligence normative framework of the European Union: Directive on corporate sustainability reporting[10] (hereinafter: CSRD), Directive on corporate sustainability due diligence[11] (hereinafter:

5 Lafarre, A.; Rombouts, B., *Towards Mandatory Human Rights Due Diligence: Assessing its Impact on Fundamental Labour Standards in Global Value Chains*, European Journal of Risk Regulation, Vol. 13, No. 4, 2022, pp. 567-570.

6 Ruggie, J., A/HRC/8/5, *Protect, Respect and Remedy: a Framework for Business and Human Rights*, Report of the Special Representative of the Secretary-General on the issue of human rights and transnational corporations and other business enterprises, Human Rights Council, 7 April 2008.

7 Tomić, Lj. M., *Ekološko-pravni aspekti novog nemačkog zakona o korporativnoj dužnosti pažnje u lancima snabdevanja – ispitivanje dejstva na pravne subjekte u Republici Srbiji,* Strani pravni život, Vol. LXVII, No. 2, 2023, p. 218.

8 Principale, S., *Fostering Sustainability in Corporate Governance – Analysis of the EU Sustainable Corporate Governance and Due Diligence Directives*, Springer, Cham, Switzerland, 2023, p. 65; Lafarre, Rombouts; *op. cit.,* note 5, p. 575.

9 McCorquodale, R.; Smit, L., *Human Rights, Responsibilities and Due Diligence Key Issues for a Treaty*, in: Surya, D.; Bilchiltz D. (eds.), Building a Treaty on Business and Human Rights: Context and Contours, Cambridge University Press, 2017, pp. 216, 224–225. Cited by: Quijano, G.; Lopez, C., *op. cit.,* note 6, pp. 4, 6.

10 Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting, [2022] OJ L322/15.

11 Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on corporate sustainability due diligence and amending Directive (EU) 2019/1937 and Regulation (EU) 2023/2859, [2024] OJ L2024/1760 (consolidated text of 17 April 2025).

CSDDD) and Regulation on prohibiting products made with forced labour on the Union market[12] (hereinafter: FLR).

These regulations address various issues but were essentially adopted in the same wave of the EU's normative response to forced labour, modern slavery, and the respect of workers' rights worldwide, as a sort of response tactics to the challenges posed by the global economy, particularly processes of outsourcing of labour to peripheral countries with the aim of gaining extra profits and maximizing the cheapening of production, which often results in the negation of basic workers' rights as well as the devastation of the environment.

All three are focused on the problems arising from the global actions of multinational corporations, particularly because of the so-called "race to the bottom" and the issues surrounding foreign direct investments in underdeveloped countries on the global periphery of the capital market. These challenges refer to the irresponsibility of capital owners who invest in countries where local regulations are far below European Union standards, or where direct foreign investments are granted preferential treatment, with investors benefiting from leniencies that they enjoy in such local communities (arising from political reasons, corruption, or other official or unofficial practices), often in violation of even the minimal legal requirements governing labour rights and production processes. As stated above, since national legal systems cannot be (sufficiently) effective in addressing such abuses the theory of due diligence in supply chains emerged, along with a stronger response from states to the occurrence of behaviour by employers that is completely unacceptable from a civilizational standpoint toward workers and the environment in the countries where production takes place. Therefore, the focus of this regulation is on establishing universal standards that every employer originating from the EU, or operating within the territory of the EU, must meet to maintain their status in the future.

As a result of the previously analysed aims, all three normative instruments are being implemented globally.

1) Article 40a) of the CSRD broadens the scope of its application to "subsidiary undertaking established in Member State territory whose ultimate parent undertaking is governed by the law of a third country", but also "a branch located in Member State's territory, and which is a branch of an undertaking governed by the law of a third country, which is either not part of a group or is ultimately held

12 Regulation (EU) 2024/3015 of the European Parliament and of the Council of 27 November 2024 on prohibiting products made with forced labour on the Union market and amending Directive (EU) 2019/1937, [2024] OJ L2024/3015.

by an undertaking that is formed in accordance with the law of a third country". Although these norms do not constitute a global reporting obligation in the literal sense, the provisions of Article 40a clearly indicate an extension of the scope to all companies that have a business interest in the EU.

2) The CSDDD is, by its very nature, focused on global implementation. By the Article 2(2) its implementation simply encompasses "companies which are formed in accordance with the legislation of a third country", that meet the given additional criteria. In the process of drafting CSDDD, European Commission consulted with numerous relevant stakeholders. Consultations were partly realized through the questionnaire comprised of 26 questions, all related to the potential concept and scope of the due diligence mechanism. One of the questions was: "In your view, should the due diligence rules apply also to certain third-country companies which are not established in the EU but carry out (certain) activities in the EU?"[13] The dominant responses from stakeholders were positive. But it is interesting that the responses from business entities moved in the direction of cautious optimism and rational concerns. The main cause of concern was the reduction of competitiveness compared to companies that did not fall under the future regime. Therefore, European companies advocated for the widest possible scope of application of the future Directive, in order to preserve the rules of fair market competition.[14] In other words, the concept of "global" application of the Directive received general support from various stakeholders, which did not necessarily stem from the same motivation and assessment of the impact of the Directive's application on business.

3) The same conclusion can be drawn for the scope of the FLR, which is naturally geared towards global application, as it applies to every product that finds its way to the EU market, regardless of its country of origin.

Finally, efforts have been made in all three instruments to operationalize the provisions in ways that allow economic entities to continue doing business and maintaining business connections with partners in other countries, thus ensuring that the existence of business cooperation or investments in those countries is not jeopardized, but at the same time a range of mechanisms has been enabled that should lead to the effective and satisfactory application of these regulations in a manner that meets the minimum standards of conduct, or reduces the gap in the quality of workers' rights and environmental protection between the countries of origin of capital and those in which capital is invested.[15] This soft pressure is well described

13 Principale, S., *op. cit.,* note 8, p. 50.

14 *Ibid.*, p. 52.

15 See more: Smit, L. *et al.*, *Human Rights Due Diligence in Global Supply Chains: Evidence of Corporate Practices to Inform a Legal Standard*, The International Journal of Human Rights, Vol. 25, 2021, pp. 960-965.

by Quijano and Lopez, who emphasize that due diligence processes are mainly "a learning tool" for the company, [16] which allows for a deeper look at partnerships with suppliers or manufacturers, to take on some of the social responsibility in return for the profits generated, as well as to effectively improve business operations by ensuring more humane working conditions for workers in the value chain, or by preserving the environment in their local communities. We cannot agree with the technique advocated by some authors that in due diligence system see a chance for "incentives for compliance rather than strict penalties"[17], because it leads to results that are contrary to the basic postulates of introducing due diligence in business models (human rights have to be respected as a universal value, not because it is made to look profitable for some business). However, it should be noted that these constructions are not without foundation and that they also have support in certain segments of the functioning of the due diligence system. The communication that business entities are necessarily directed to throughout the process leaves little or no room for concealing relevant facts, if carried out as intended and in accordance with its basic objectives. This type of interaction, even in situations where one party normatively positions itself as dominant (in terms of conducting investigations, addressing authorities, implementing certain sanctions or restrictions) is not necessarily intended to break business relationships, but rather to strengthen them by strengthening the capacity of associates in the value chain. "Even if conceding that this might be legally prescribed, as a preventative tool or, as some argue, a tool to guide companies in their journey for continuous learning and improvement, it should carry no major legal liability repercussions (except, perhaps, in relation to gross misconduct). Over the years, a different understanding of HRDD (human rights due diligence) has emerged for an important part of the legal community that associates HRDD with legal liability, where the lack of compliance with HRDD as a standard of conduct for businesses to discharge their responsibility to respect human rights would trigger civil liability."[18]This also, may be linked to the obligation of companies to autonomously regulate their own values in terms of behaviour, which might be seen as paramount importance for the respect of labour rights at the global level. This is because the content of the code of conduct of each employer in the supply chain is within their jurisdiction. Accordingly, companies are the entities that must ensure compliance standards, which in fact entrusts private actors with an important regulatory role in global governance. Therefore, codes of conduct should be seen as a means through which due diligence is operationalized. Furthermore, the influence that originates from

16 Quijano, G.; Lopez, C., *op. cit.,* note 3, p. 6.

17 Draper, P. *et al., The Impact of Due Diligence Legislation on International Trade and Business: Analysis of Potential Trade-Offs*, Global Policy, Vol. 16, 2025, p. 1076.

18 Quijano, G.; Lopez, C., *op. cit.,* note 3, p. 6.

one company and spreads (given the obligation to comply with domestic legislation and international standards) is actually a mechanism by which companies are included in the group of entities that create standards of respect for labour rights and business behaviour in international supply chains.[19]

3. GRIEVANCE MECHANISMS – MICRO CHANGES FOR MACRO CHALLENGES

In accordance with the initial hypothesis of the paper that the global application of due diligence standards can contribute to a greater degree of protection of human and labor rights, grievance mechanisms stand out as one of the key operational instruments for achieving such an effect, as they enable the continuous collection of information on potential and actual violations of labour rights in supply chains. Under Article 14 of CSDDD "all companies falling within the scope of the CSDDD will need to make available two distinct types of mechanisms through which people can communicate complaints, concerns or information regarding possible breaches of due diligence obligations under the CSDDD regime". These two mechanisms are "complaints procedure" and a "notification mechanisms".[20] This implies that the CSDDD expressly foresees them as an integral part of the process of identifying and eliminating negative impacts, which directly connects appeal procedures with the stages of risk assessment, prevention and remediation. By establishing accessible and transparent complaint channels, companies gain an additional source of information that complements formal risk assessments and supplier audits.[21] In this way, appeals mechanisms function as a dynamic instrument of due diligence, which enables continuous monitoring of the situation and timely response, instead of relying exclusively on periodic controls.

The only country that has so far adopted a specific law regarding due diligence in supply chains is Germany, which has a special law - German Supply Chain Due Diligence Act (Gesetz über die unternehmerischen Sorgfaltspflichten zur Vermeidung von Menschenrechtsverletzungen in Lieferketten ger.,) that provides for a complaints procedure to be integrated into risk management obligations.[22] Al-

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19 Vandenbroucke, S., *The Evolution of Codes of Conduct to Ensure Labor Rights in Global Supply Chains*, AJIL Unbound, 2024, pp. 298-299.

20 Zerk, J.; Holly, G., *Access to Justice in the CSDDD: Symposium event report*, Danish Institute for Human Rights, Copenhagen, 2025, p. 14.

21 See: Grama, B., *Lost in Translation: Company Grievance Mechanisms and Human Rights*, Journal of Human Rights Practice, Vol. 17, No. 3, 2025, p. 1.

22 Gesetz über die unternehmerischen Sorgfaltspflichten zur Vermeidung von Menschenrechtsverletzungen in Lieferketten, Available at: [https://www.gesetze-im-internet.de/lksg/], Accessed 28 March 2026.

though the German Supply Chain Due Diligence Act is not an act of European Union law, its importance for the analysis of grievance mechanisms stems from the fact that it represents the first comprehensive national model for regulating due diligence obligations in Europe, the solutions of which served to a significant extent as the basis for the later normative shaping of the mechanisms provided for in the CSDDD. German law stipulates that the grievance mechanism must be integrated into the risk management system, i.e. that the information collected through complaints serves to assess risks and formulate preventive measures. This emphasizes, as Urdarević points out, that the grievance mechanism is not only a means of resolving individual cases, but also an analytical tool that allows the identification of structural problems in the supply chain. In practice, this means that employee complaints can lead to changes in codes of conduct, strengthened supervision of suppliers or the introduction of additional protection measures, thus closing the circle of due diligence – from risk identification to their elimination.[23] Although grievance mechanisms are to be considered as one of the important instruments of internal protection of workers' rights, as well as an essential part of the modern concept of socially responsible corporate governance,[24] yet, in literature there is debate on their real effectiveness. Those who are sceptical of the role of grievance mechanisms, placed their view on the excessive power given to companies to regulate the grievance mechanisms themselves, thereby establishing a certain privatization of companies over "the protection of workers' human rights".[25] Grama even points out that grievance mechanisms can be seen as a means of deterring other forms of protection that have a much greater capacity to hold companies responsible for human rights violations.[26] On the other hand, there are those, who believe that grievance mechanisms have an important role, as a complement to judicial mechanisms, in strengthening corporate accountability. Laplante, thus, states that complaint mechanisms can even potentially offer complainants a cheaper and faster way to obtain legal remedy for irregularities than judicial mechanisms, and specifically emphasizes that "in places where judicial mechanisms fail, they are particularly important for rights holders who may

23 See: Harrison, J.; Wielga, M., *Grievance Mechanisms in Multi-Stakeholder Initiatives: Providing Effective Remedy for Human Rights Violations?* Business and Human Rights Journal, Vol. 8, No. 1, 2023, pp. 5-8.

24 Camilleri, M.A., *Responsible Corporate Governance in Europe*, in: Aluchna, M.; Idowu, S.O. (eds.), Responsible Corporate Governance Towards Sustainable and Effective Governance Structures, Springer, Cham, 2017, pp. 11-15.

25 Haines, F.; Macdonald, K., *Nonjudicial Business Regulation and Community Access to Remedy,* Regulation and Governance, Vol. 14, No. 4, 2020, p. 847.

26 Grama, B., *Company-Administered Grievance Processes For External Stakeholders: A Means For Effective Remedy, Community Relations, Or Private Power*?, Wisconsin International Law Journal, Vol. 39, No. 1, 2022, p. 104.

otherwise have no other means of legal protection".[27] We can agree that essence of implementing grievance mechanism is for sure, reflected in providing an institutional channel through which workers can point out violations of their rights or legitimate interests, without fear of retaliation and with the guarantee that their complaint will be considered in a fair, efficient and transparent procedure. In this way, grievance mechanisms contribute to strengthening trust between the employee and the employer, but also prevent the possibility of major labour disputes that would end up in court or before some other competent authority.[28] Therefore, grievance mechanisms are part of the system for protecting workers' rights within the company.[29] Their most important function is in prevention, as they enable the identification of systemic problems in the work environment and their resolution at an early stage. This contributes to reducing the number of labour disputes, but also to improving the overall organizational efficiency of the employer. This is only valid under the assumption that it is important for the employer to operate in a socially responsible manner, which, among other things, also assumes that the workforce and human capital will be viewed as a resource, and not just as a cost of production.[30] However, we must be aware of the fact that, in words of Harrison *et al.*, „ ... even the most optimistic assessments of grievance mechanisms recognize that they will not necessarily produce valuable results for rightsholders if they do not function 'effectively'".[31]

As grievance procedures can be implemented in practice through national laws and regulations, collective agreements or company rules developed with or without consultation with workers' representatives, the extent to which employers and workers themselves can develop them will depend on the country and will vary between countries. Practice shows that the most effective development of grievance mechanisms is achieved through collective agreements as a key instrument of social dialogue. This allows grievance mechanisms to be tailored to the specificities of a particular industry or employer, while preserving the basic guarantees of protection for all workers. In this context, the role of social partners, in particular trade unions, is crucial for the legitimacy and effectiveness of grievance mecha-

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27 Laplante, L.J., *The Wild West of Company-Level Grievance Mechanisms: Drawing Normative Borders to Patrol the Privatization of Human Rights Remedies*, Harvard International Law Journal, Vol. 64, No. 2, 2023, pp. 319-321.

28 Urdarević, B., *Priručnik o žalbenim mehanizmima,* ILO/GIZ, Beograd, 2023, p. 6.

29 Kovačević, Lj., *Zasnivanje radnog odnosa*, Pravni fakultet Univerziteta u Beogradu, Beograd, 2021, p. 1113.

30 Urdarević, *op. cit.,* note 28, p. 6.

31 Harrison, J.; Wielga, M.; Parejo, M., *In Search of Effective Corporate Grievance Mechanisms: Can Mandatory Due Diligence Laws be a Progressive Force?*, Journal of Human Rights Practice, Vol. 16, No. 3, 2024, p. 822.

nisms.[32] Through the activities of these actors, first of all trade unions in different industries, and then at national level, the issue of labour rights violations goes beyond supply chains, but represents an opportunity to raise awareness of possible problems more widely, by establishing new structures of protection through collective bargaining.

Although one may argue that the institution of grievance mechanisms currently has limited contribution within supply chain, the establishment of grievance mechanisms within the employer contributes to the institutionalization of due diligence as a permanent process of labour rights management. These mechanisms enable workers and their representatives to actively participate in the system of monitoring compliance with standards, thus giving due diligence a participatory character. When grievance procedures are accessible to workers along the entire supply chain, they contribute to reducing the information gap between formally adopted policies and actual working conditions. This creates a broader context for the protection of workers' rights, in which individual complaints are transformed into data relevant for risk assessment and improvement of standards. In this way, grievance mechanisms not only contribute to the efficiency of due diligence, but also concretise it, transforming it from a normative requirement into an operational system of prevention and protection of labour rights. It should also be noted that the literature often emphasizes that grievance mechanisms are a way of ensuring the right to access a legal remedy that does not involve court proceedings, thus enabling "easier access" to protection.[33] As Laplante points out, "the right to an effective remedy is one of the most fundamental rights, given that it serves as the oil that makes the entire human rights machine operate effectively. Its omission leaves all other rights vulnerable while providing impunity for wrongdoers".[34]

Finally, the impact of establishing grievance mechanisms in supply chains has a direct impact on the transfer of obligations to suppliers at every level of the chain through cascading contractual provisions. In this way, an important functional link between the grievance system and local social dialogue structures, capacity-building programmes and social auditing activities can be achieved. To this end, effective structural incentives for supplier participation need to be created, such as minimum purchase price obligations and long-term supply arrangements. It is not uncommon for member companies (especially those that procure) of the organisation managing the grievance mechanism to adapt their procurement practices – by guaranteeing fair prices and reasonable delivery times – to enable suppliers

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32 *Ibid.*, p. 7.

33 Grama, B., *Lost in Translation… op. cit.*, note 21, p. 9.

34 Laplante, L.J., *op. cit.*, note 27, p. 322.

to comply economically with human rights standards in general and to fulfil the obligations arising from specific grievance procedures in particular.[35]

4. GLOBAL IMPACT

After analyzing the normative framework and grievance mechanisms as one of its operational instruments, lastly, it is crucial to question whether and to what extent due diligence regulations can produce real global effects, as one of the main focus of this research.

4.1. Structural and Institutional Limitations of Due Diligence Mechanisms

The concept of due diligence encompasses a range of topics and can be adapted to different sectors of the economy, specific challenges, and current perceived problems. For example, Tolabaga analyses the possibilities of these mechanisms applied to the very specific problem of sexual harassment and violence against women in the mining sector.[36] Furthermore, Bilić discusses about effects of human rights due diligence on ethical workplace surveillance, successfully linking the concept of "privacy by design" with the right to privacy at workplace as a part of the fundamental labour standards (and thus well within the scope of application of the CSDDD).[37]

There is no doubt that at the micro level the application of developed standards can lead to an improvement in the position of workers, the humanization of the work environment, as well as the raise of the awareness of responsibility for environmental impact. The question that arises is whether it is possible to discuss of the global impact of these mechanisms on the quality of enjoyment of human rights and environmental protection?

Firstly, one should consider the environment in which due diligence standards must be applied. Lam and Elsayed highlight certain contradictions that arise in the labour markets of poorly developed countries. The shortfall in skilled jobs that may be traced back to an underdeveloped manufacturing and secondary sec-

[35] Gläßer, U. *et al.,* Non-*judicial Grievance Mechanisms in Global Supply Chains Recommendations for Institutionalisation, Implementation and Procedural Design - Executive Summary*, European University Viadrina Frankfurt (Oder), Frankfurt, 2021, pp. 11-12.

[36] Tobalagba, A., *Corporate Human Rights Due Diligence and Assessing Risks of Sexual Violence in Large-Scale Mining Operations*, Australian Journal of Human Rights, Vol. 26, No. 2, 2020, pp. 347-365.

[37] Bilić, A., *Mitigating Digital Panopticism in the Workplace by Integrating Human Rights Due Diligence and Privacy by Design Framework*, Zbornik Pravnog fakulteta Sveučilišta u Rijeci, Vol. 46, No. 3, 2025, pp. 499-528.

tor, leads to the consequence that better skilled workers may face a higher unemployment risk.[38] Furthermore, they conclude that "the findings hint at rather high unemployment in the absence of an extended subsistence agriculture sector, and persistently high unemployment among urban young people, even when well educated".[39] In such labour markets, employment at all costs becomes a matter of survival, and giving up some of one's labour rights, as well as other rights, is in one's perception an acceptable price to pay in exchange for low but stable income. Thus, the question is what will stimulate any worker to risk their job in such an atmosphere, just in order to activate some of the mechanisms of due diligence responsibility.

Another problem arises when debating whether some countries even have – despite of their political will – capacities to meet wanted criteria. Draper *et alia* cited Smith *et alia*[40] research that put in focus factual inability of the state to meet standards of decent work and environmental protection set by EU, taking an example of Moldova: …"imposing EU standards on the Moldavian economy does not fully take into account the ability of domestic institutional settings and socio-economic conditions to absorb, implement and enforce those standards". Furthermore, Felbermayr states that …"the idea that trade adds to socio-economic problems in developing countries, rather than improving them. In the Moldova example trade rules are seeking to improve labour conditions, but face an institutional environment that is underdeveloped relative to the standards required, and therefore acts as the barrier to compliance."[41] Draper *et alia* conclude that: "Adding costs and risks that encourage foreign firms to simply pull out of developing countries where due diligence is excessive, worsening overall labour conditions, becomes an unintended consequence of due diligence laws aimed at achieving the opposite outcome."[42]

4.2. Practical Effects of Due Diligence in the Supply Chains

Although it is inevitable that solid structural and normative constraints exist, given what was analyzed in the previous chapter, certain practical effects of due

[38] Lam, D.; Elsayed, A., *Labour Markets in Low-Income Countries: Challenges and opportunities*, Oxford University Press, Oxford, 2022, p. 65.

[39] *Ibid*, p. 67.

[40] Smith, A. *et al.*, *Labor Regimes, Global Production Networks, and European Union Trade Policy: Labor Standards and Export Production in the Moldovan Clothing Industry*, Economic Geography, Vol. 94, No. 5, 2018, pp. 565-566.

[41] Felbermayr, G. *et al., Opportunities and Risks of a Due Diligence Law*, IMPULS-Foundation, Institut für Weltwirtschaft Kiel Institute for the World Economy, Kiel, 2021, p. 4.

[42] Draper *et al., op. cit.,* note 17, p. 1081.

diligence obligations can still be identified in global supply chains. The principle outcome of their implementation is identical to the EU rules – cooperation with companies that violate basic human rights is not possible, and the goods of such companies are not welcome on the markets of countries that have strict control over the origin and method of production.

In this sense, perhaps the most famous European example is the company Linglong, a Chinese company, or rather its daughter factory in Serbia, which manufactures car tires. Although after journalists discovered Vietnamese workers who were hired by Chinese subcontractors to build this factory, the entire case was documented in great detail by civil society organizations in Serbia,[43] and all the collected data pointed to massive human trafficking for the purpose of labour exploitation, the Serbian state officials did not initiate any legal proceedings for further prosecution of this serious criminal offense. However, in the following years Linglong became a symbol of the abuse of the benevolent position of state authorities towards large investors – partly due to the repetition of the similar development with Indian workers, this time on a slightly smaller scale but with same mechanisms of maltreatment that pointed to human trafficking. The Linglong Serbia factory appeared, among other documents, in the very preamble of the FLR, citing European Parliament's resolution of December 16, 2021, and clearly categorizing mentioned events as forced labour. As a response to growing concern on using trafficking of human beings and forced labour both in phases of building the factory and in production of tyres, German company MAN Truck & Bus broke the contract with Linglong in November 2024[44], and U.S. Customs and Border Protection issued withhold release order, practically banning products from Serbian Linglong factory to enter U.S. market.[45]

In relation to another similar case of Brazil, an important question has been raised that can also be relevant to the abovementioned example from Serbia – how is a functional connection established between the actions of employers and the alleged harmful consequences, if the host state fully accepts the employer and its

43 ASTRA Anti-trafficking Action, *Would you really buy this?*, 2022, Available at: [https://documentation.lastradainternational.org/lsidocs/3456-Would%20you%20really%20buy%20this-%20Final%20report%20on%20LingLong%20case%20by%20ASTRA.pdf], Accessed 20 March 2026.

44 Dragojlo, S.; Stahl, S., *Kompanija u vlasništvu Volkswagena više ne uvozi gume iz Linglonga zbog kršenja ljudskih prava*, 2024, Available at: [https://birn.rs/volkswagen-prekida-uvoz-guma-linglong-ljudska-prava/], Accessed 20 March 2026.

45 CBP issues Withhold Release Order on Linglong International Europe D.O.O. Zrenjanin, 2025, Available at: [https://www.cbp.gov/newsroom/national-media-release/cbp-issues-withhold-release-order-linglong-international-europe-doo], Accessed 25 March 2026.

practices, i.e., with its actions, it gives the appearance of legality and legitimacy to such actions? Brazilian soybean and beef production is growing, but it leads to, among other, illegal deforestation, loss of access of local communities and indigenous peoples to land, pesticide contamination and poisoning and violation of labour rights. However, Schilling-Vacaflor and Lenschow state that over a decade the Brazilian government is diminishing capacities for oversight of these issues, while simultaneously creating knowledge gaps and traceability of the supply chains. Even once these obstacles are overtaken, there remains the establishment of clear links between concrete supply chains and environmental and social impacts on the ground, as another challenging task for the law enforcers.[46] In such circumstances, European partner companies must go well beyond official information flows and try to gather other data from independent sources. The question is how effective they will be in this, but also how credible such sources will be and how precise they will be able to point to violations of regulations or standards for the enjoyment of human rights or environmental protection. Finally, the question is how willing and able the companies are to approach such an organizational task. That is, how much it would be worth it for them to invest in such long-term investigations with an uncertain outcome.

Bearing all in mind, it is no surprise that the presented concept of due diligence has not been met in the public without criticism, on the contrary. Firstly, it has been criticized that the scope of companies in the home EU countries is too narrow to create a comprehensive effect. Furthermore, there is serious criticism regarding the possibility of avoiding "checking" obligations without substantial change, or as some authors state, "window dressing" while the internal organization of work (and violation of) rights is not even touched.[47] Some authors emphasize that many terms are not yet defined as general legal standards: "However, when attempting to operationalize these and other due diligence norms, invariably, we find ourselves in somewhat of an interpretative lacuna. Terms crucial to their efficacy are often unclear, if not entirely undefined, hindering their regulatory potential. It is, for instance, often not apparent what factors are (and are not) covered by the phrase 'adverse environmental impact' in these norms, or what threshold must be

[46] Schilling-Vacaflor, A.; Lenschow, A., *Hardening Foreign Corporate Accountability Through Mandatory Due Diligence in the European Union? New Trends and Persisting Challenges*, Regulation & Governance, Vol. 17, No. 3, 2023, pp. 681, 688.

[47] Lafarre, A., *Mandatory Corporate Sustainability Due Diligence in Global Value Chains: The Long-Awaited European Solution Compared to Existing International Standards*, Ondernemingsrecht, Vol. 33, 2023, p. 237; Hiessl, C., *Labour Rights & Their Enforcement In Global Value Chains – The EU's Legislative Initiatives on Corporate ESG Due Diligence in Context*, ERA Forum, No. 24, 2023, p. 203.

met before an 'impact' (or harm) is deemed to occur. Even where a threshold is provided (e.g. 'significant' or 'severe'), it is often not clearly articulated."[48]

Another potential limitation of the application of due diligence systems is related to the so-called crowd work, i.e. a situation in which multiple workers, independently of each other, work on micro-jobs that together form a single functional work flow. These jobs are especially expanding with the widespread use of so-called "artificial intelligence". These workers are often recruited through digital platforms, which in themselves cannot always be considered employers, but only intermediaries in engagement.[49] Will each segment of this unorthodox work process be considered part of the supply chain? Only practice can answer this question. Also, transferred to more traditional production segments, the question can be raised whether a company that knows that the electricity it uses for production comes from "dirty sources" which significantly affect environmental pollution, constitutes a violation of due diligence? Is the supply of energy for production considered a part of the supply/value chain, and how will this situation be interpreted? Indeed, in creating legal standards based on the use of certain terms, one should expect the formation of limits to the application of normative solutions.

Without a sincere intention to understand due diligence mechanisms as continuous and dynamic communication between business partners, which should respond to substantive challenges and not to the fulfilment of a form without concrete results, the analysed EU regulations do not have much chance of creating a global effect. It seems that it is still too early for such conclusions. On the other hand, some national legislations have been in force long enough to consider that at least some of their results speak in favour of the tendency that a macro effect is not only desirable but also possible.

5. CONCLUSIONS

Could international corporations be expected to voluntarily comply with rules to which they are not formally bound? The past period seems to have shown that such outcome is not realistic. Not only that due diligence is a costly obligation, but in many cases of investment in the countries of the global periphery it is precisely the lack of certain types of rules and the subservient attitude of the host

48 Mackie, C., *Due Diligence in Global Value Chains: Conceptualizing 'Adverse Environmental Impact'*, Review of European, Comparative & International Environmental Law, Vol. 30, No. 3, 2021, p. 298.

49 Reljanović, M.; Misailović, J., *Radnopravni položaj digitalnih radnika – iskustva evropskih zemalja,* Strani pravni život, Vol. LXV, 3(2021), pp. 423-424; See also: Rajić Ćalić, J.; Živković, A., *Legal Protection of Workers and Employers When Using Artificial Intelligence in the Working Environment,* Srpska politička misao, Vol. 95, No. 1, 2026, pp. 59-64.

country officials towards companies, that has conditioned companies' migration. As Ćorić, Knežević Bojović and Matijević point out, corporations chose those formal methods of simulated due diligence that allowed them to only purport to respect human rights and the environment, without actually supporting its core idea of universal rights. Even if there are some improvements, and businesses that are truly devoted to the due diligence framework, there is no real impact without the "more effective exercise of state authority at both the national and the international level".[50] The EU due diligence system does not fully fit this description, on the contrary, it bypasses national jurisdiction in those countries that are not interested in following up on human rights and environmental standards, and the responsibility lies with the multinational companies themselves. National jurisdiction is activated only in the HQ countries of these companies and only after the previous risk management system has proven unsuccessful. Even such a system does not always ensure full compliance with the targeted standards and may lead to the mentioned "window dressing" if not implemented correctly, and with the true aim of full compliance. As Hiessl very sharply concludes, "it seems hard to avoid the impression that the same market forces which reward companies for *claiming* to invest in ESG sustainability are most likely to punish those making actual substantial and costly efforts for the sake of results which are difficult to prove". [51] Indeed, easiest and cheapest way to "comply" is to fake the commitment and to encourage such behaviour along the supply chain. In such situations, soft measures must be replaced by concrete legal pressure and sanctions on the company at the beginning of the supply chain, in its home country. And it is on this that the success of the entire system will depend, whether in a decade or so we will write about it as successful, or just as another administrative obstacle that international corporations have bypassed without much difficulty.

The EU regulations expand the existing scope of due diligence rules. The vast majority of the EU member states have not had such internal rules so far. The same can be said for the wide coverage of companies that must apply these rules, as well as the types of sanctions that can potentially be imposed, but also for the circle of entities that can point to violations of regulations or international standards. These are fair and realistic preconditions that allow us to assume that tangible results can be achieved, i.e. a global impact on the quality of the enjoyment of human rights and environmental protection.

[50] Ćorić, V.; Knežević Bojović, A.; Matijević, M., *Potential of the EU Draft Directive on Corporate Sustainability Due Diligence to Contribute to a Coherent Framework of Corporate Accountability For Human Rights Violations*, Regional Law Review, 2023, p. 137.

[51] Hiessl, C., *op. cit.*, note 47, p. 203.

In the light of the previously written on significance of the grievance mechanisms, it remains to be seen whether their impact on preserving labour rights within supply chain will expand (primarily by specific legislation). However, it must be noted that so far, grievance mechanism is without doubt a solid basis for raising workers voice, notably of those employed in areas (countries) with low legal protection. This form of internal workers protection can have major consequences for the companies in the supply chain which are "labelled" as those that do not respect the rights guaranteed by law. What is more, imposing obligations on employers to focus on preventing violation of the workers' rights, within the supply chain inevitably has an impact on the business, that, in a broader sense, can have a very significant impact on the entire business process. In this sense, grievance mechanisms can be seen as a specific way to ensure quality business operations with a special emphasis on prevention as a key institution, in order to protect workers' rights.

While not every company will be equally interested in monitoring their supply chain, the other type of argumentation that obligations are being imposed on companies that they cannot fully meet, cannot be accepted. As the Brazilian case has shown, it is not always possible to establish all the facts in a complete manner. But this type of criticism fails to consider two important facts as relevant. First, the "investigation" is dominantly based on the communication between two business partners. Only full refusal to communicate could be a sign of distrust and lack of transparency that should not be tolerated and would initiate further actions. Furthermore, the collection of data will never depend solely on the company that "monitors", since past practice shows that illegal conduct is mainly brought to the attention of the governments, public, but also of businesses, through the actions of individual workers, groups of workers, trade unions, other professional organizations, or civil society organizations. Usually, such public notification is accompanied by a whole range of evidence indicating that a violation of rights has indeed occurred.

It is difficult to say with certainty how much the concept of due diligence will affect the future of workers' rights. They have certainly touched a kind of "bottom minimum" in the previous period, while new threats are emerging in the form of uncharacteristic forms of work that differ drastically in terms of the scope and quality of rights from those that workers have in a classic employment relationship. But precisely because of this preserving human rights, which includes both the right to human dignity and the right to work in all its aspects, is a minimum that must not be questioned regardless of where the worker is located and what his formal or factual legal relationship is with the company at the other end of the supply chain. It is therefore rational to think about the necessity of the global impact of implementing the EU legal framework on due diligence and the ban on goods produced through forced labour.

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