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International Business and Human Rights: how to enhance the Human Rights Due Diligence in global value chains through transparency and traceability?

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INTRODUCTION

This dissertation consists of a qualitative study of International Business and Human Rights, which tackles the issue of the lack of transparency in global supply chains, causing human rights violations, especially in developing countries where local regulations are weak. The aim of this thesis is to investigate how to enhance human rights due diligence through transparency and traceability in global value chains.

The reason why this topic was chosen is because there have been increasing appeals in recent years for scientists to incorporate broader societal themes into their research. Grand challenges are critical social and environmental crises that transcend national borders and have the potential or actual negative implications for vast numbers of people, communities, and the planet, necessitating collaborative efforts to address them. Because grand challenges are typically transnational phenomena that affect societies across multiple geographies, they are likely to influence the development and implementation of cross-border strategies and business models, particularly in large-scale multinational enterprises (MNEs) that orchestrate operations and manage value chains globally. Although human rights are often addressed in connection with violations perpetrated by criminal or violent groups, their relationship to lawful business activity has received fewer considerations, particularly in the fields of management and IB research, regardless of evidence in human rights disputes, particularly child labor, human trafficking, involvement with hostile regimes, and violations of the right to life and health due to environmental deterioration. Previously in the 1970s, the UN and the Organization for Economic Cooperation and Development (OECD) launched concurrent steps to control MNE company behavior through international codes of conduct. Today, the OECD Guidelines for Multinational Enterprises incorporate a set of principles that link business behavior to human rights, making it one of the most important worldwide corporate responsibility standards. As a result, there is an increasing body of research on the strategies and protocols used by corporations to mitigate their human rights implications, such as human rights due diligence or operational-level complaint mechanisms. Much of the discussion on business human rights pertains to the parent-subsidiary relationship within MNEs and the global value chains retained by MNEs, either directly or indirectly. Human rights due diligence, supplier monitoring and control, or, more precisely, the legal accountability of parent companies for human rights violations perpetrated by their subsidiaries abroad, have been at the forefront of this topic. However, we do not yet know how much MNEs' acceptance or endorsement of such standards and efforts translates into substantive measures, particularly in terms of improving human rights policies and reducing business-related human rights breaches. BHR has begun to look at the relationship between the SDGs program, specifically the UNGPs, and human rights respect in general. The possible contribution to the field could address IB research on value chain governance practices or home state regulation, as well as the effectiveness of human rights due diligence and control, in order to acquire novel insights into extraterritoriality and debate new human rights organizations and policy instruments that can help inform IB research on recent developments in value chain organization and governance.

The thesis is organized in 5 Chapters. Chapter 1 presents the literature review on the history and the evolution of Multinational Enterprises (MNEs) and the global value chain, the theoretical frameworks about the origins of Transnational Corporations (TNC), and the main drivers that lead to internalization such as the classical theories, the historical ties between countries, and the institutional development. Moreover, it will revise the origins and the characteristics of the global value chains and how they could be monitored. Chapter 2 tackles the main topics of human rights in the law and institutional field, addressing the current progress of the Sustainable Development Goals and their connection with multinational firms and human rights working conditions, the main global guidelines regarding strategies and suggestions for MNEs and labor rights, and make suggestions for the development of binding human rights due diligence in global supply chains. Chapter 3 investigates the bridge between the topics of global value chains and human rights principles with corporate responsibility. It introduces the concept of Corporate Social Responsibility and the new approach to Environmental, Social, and Governance (ESG) reporting, focusing on the "S" pillar. Moreover, it will review the cooperation between MNEs and NGOs for social value creation and transparency. Chapter 4 is dedicated to presenting the case study, specifically, the NGO chosen with their most important projects they are conducting, and the type of research and the methodology used. Chapter 5 focuses on the results obtained by the analysis with the following discussion and research gaps.

CHAPTER 1

This first chapter addresses the literature review on the history and the evolution of Multinational Enterprises (MNEs) and the global value chain. The first focus will be dedicated to the theoretical frameworks about the origins of Transnational Corporations (TNC) and the main drivers that lead to internalization such as the classical theories, the historical ties between countries, and the institutional development. Moreover, it will revise the origins and the characteristics of the global value chains. Then, how supply chain could be monitored.

1.1 Historical background of MNEs

A multinational enterprise (MNE) is defined as a company that directly produces abroad and owns control of a foreign subsidiary. This gives a long-term incentive in the strategies and management of the foreign affiliate which is controlled (Ietto-Gillies, 2014). It is important to identify the type of control to understand the influence in decision-making of the parent company. Normally, the control is exercised in a percentage of ownership that secures a majority in the decision-making process, which is set to more than 10% for the foreign direct investment (FDI), (Ietto-Gillies, 2014). Transnational corporations (TNCs)[1] started to be considered as today's conception of multinationals during the mid-nineteenth century when investments abroad started to change. Before this point firms used the so called portfolio investments which were financial transactions in which investors sought the best return available for a given level of risk (Cox, 1997). According to Hymer, businesses that engaged in FDI maintained direct control over the management of their overseas investments, typically through the establishment of subsidiary companies established abroad. These enterprises' foreign investments included not just money transfers but also transfers of a collection of industrial processes that were under the operational control of the company (Cox, 1997).

The location of investment flows followed the historical ties between host and home countries. We have different types of links that raised between countries, some developed intentionally which are formal ties, and others spontaneously which are informal ties. Formal relationships are purposely formed and come in the form of agreements, treaties, and alliances that serve to advance shared national interests in a particular field. Informal links between people and countries take the form of cultural, ethnic, and social ties that develop spontaneously as a result of proximity to one another,

[1] The terms of MNEs and TCNs will be used as synonyms.

immigration, colonization, or missionary operations. These connections grow through time and are sometimes founded on a similar cultural legacy, such as a language, religion, or set of social rules, customs, and traditions. Ethnic relationships are typically the result of immigration and geographic closeness, (Makino & Tsang, 2011). Historical ties are important for several reasons, among others they reduce the uncertainty in current and upcoming economic transactions. Fewer uncertainty about an investing firm's home nation boosts the responsiveness of local stakeholders, especially government agencies and business partners, to investment, which in turn makes it simpler for the firm to establish legitimacy in the host country. The perceived transaction costs and psychological obstacles associated with investing in the host nation are decreased from the standpoint of investing businesses when there is less uncertainty about the local environment. Furthermore, the social relationships between parties (individuals, organizations, and even government agencies) across nations are strengthened through historical links, which facilitate economic transactions, (Makino & Tsang, 2011).

A MNE, apart from the production and the control of a foreign subsidiary, is a coordinated system or network of cross-border value-creating activities, some of which are carried out within the hierarchy of the firm, and some of which are carried out through informal social ties or contractual relationships (Cantwell, et al., 2010). One important influence of value creating activities for the development of international firms was the emergence of information and communication technologies (ICT). We can define ICT as non-proprietary infrastructure technology, emerging primarily from advances in the domains of semiconductor chips, digital machines, storage devices, and communications equipment, and computing, controlling, database, and communication applications (Rangan & Sengul, 2009). The three main effects of ICT are that relieves concerns about asset specificity, boosts observability and contractibility, and lowers the cost of coordination. The factors of asset specificity, observability, and coordination are particularly pertinent and significant given MNEs' increased exposure to competition, increased sensitivity to quality, and increased geographic dispersion. Transnational governance inside the MNE is expected to change depending on how ICT affects these elements.

ICT has a significant influence on the requirement for asset specificity. Machines may be used for new purposes when the functionality of the hardware can be controlled by software. Their "specificity" decreases as their "next best uses" increase. In more concrete words, a stand-alone local entity that can handle inputs from two or more different upstream sources can now supplant a specific downstream unit that can only handle inputs from a single parent. The second consequence is that ICT may promote effective and cost-efficient observability and monitoring. If, as a result of ICT advancements, the component's quality characteristics can be accurately determined by a machine, compared automatically to desired quality standards, and the results transmitted to the downstream user, then valuable information has become disembodied, making quality more relatable and economically contractible. Information may therefore become more disembodied, and performance can become more transmittable, thanks to ICT. Third, ICT makes coordination easier and cheaper. A single message delivered to a central agent (headquarters) from one entity (a subsidiary) can be efficiently received and retransmitted to the other entity (another subsidiary) to whom that information is most applicable in a setting of numerous entities (three or more), (Rangan & Sengul, 2009).

Analyzing the development of technologies, we can recall what Nelson called social technology, that is the division of labor and the mode of coordination of human activity which creates patterns of human interactions or institutions (Cantwell, et al., 2010). The co-evolution of organizations (like MNEs) and institutions is possible since the institutional transformation is an open and unpredictable process. According to North, institutions are both formal rules (such as constitutions, laws, and regulations) and informal constraints (norms of behavior, conventions, and self-imposed codes of conduct). The "rules of the game" are established by institutions (and their enforcement mechanisms), which companies must comply with in order to achieve their own learning and resource allocation objectives. Only when both formal and informal institutions are taken into consideration is a system of institutions considered to be complete; institutional change can emerge from changes in the nature and content of any one or both of these, as well as their applicable enforcement mechanisms (Cantwell, et al., 2010). There are three propositions that connect the behavior of firms to changes in external institutions. The first states that for MNEs, the institutional components of the IB activity environment have become increasingly significant over time, especially with the emergence of the knowledge-based economy and current globalization. These institutional elements have also grown more linked across geographic boundaries, and MNEs both contribute to and are impacted by the external environment's contagious impacts that may now spread more quickly and efficiently from one place to another. Secondly, as we can't reliably anticipate the future by extrapolating from the past, greater focus is being placed on creating new institutions that can help to better manage or lessen uncertainty as economies expand. Lastly, MNEs have changed to more open business network architectures that offer greater flexibility in adjusting to changes in the institutional environment as a response to the increasingly pervasive nature of uncertainty. By doing this, MNEs have created answers to the issues posed by impersonal trading across marketplaces and the gathering and recombining of scattered knowledge. (Cantwell, et al., 2010). To better understand the co-evolution of MNEs and institutions, starting from the second revolution, we can divide history into 5 time periods[2]:

1. Between 1870 and 1914 we face the first modern global economy and the development of new technologies of transport, communication, and power generation. Here, the formal institutions comprehend the British Empire, the gold standard and a period of lowering trade and immigration barriers, the emergence of university degrees in business and engineering, and the development of modern capital markets. Referring to the informal institutions the period is of great internalization, science and technology are used to improve the standards of living, socialism arise, and universal suffrage is obtained.
2. Between 1914 and 1945, there is a retreat towards nationalism and limited openness due to the two World Wars. Formal institutions were characterized by trade barriers and cartel agreements, even though firms adopted a defined M-form type of organization. The US with the New Deal was the main beneficiary of this difficult time period.
3. The period between 1945 and 1971 focused on economic recovery and the US becomes the new global economic center replacing Britain. With the start of the Cold War and the space race, brought new technologies in communication and transport. The formal institutions were denoted by Bretton Woods, fixed exchange rates, the born of GATT agreements, the development of the welfare state, the spread of M-form organizations to Europe, and the raising of diversification through M&A by US firms. For Informal institutions, the main changes were about the decline of colonialism, the emergence of modern environmentalism, techno-optimism and the movement for racial and gender equality.
4. Between 1971 and 1980 the New International Economic Order was set. Furthermore, there was an oil crisis and a limited openness in many developing countries and center/left economic philosophies of several developed countries. The formal institutions were signed by floating exchange rates, import substitution policies, performance requirements, increasing diversification and the raise of state-owned enterprises. While techno-nationalism was central for informal institutions.
5. From 1980 there is the third globalization wave with the emergence of new economic powers, a return to broad openness, the development of new communication technologies and competition for natural resources. Formal institutions changed during this period with regional and financial integrations, privatization, market for corporate control, private equity investments, the development of new technologies for organizing work, and the spread of the

[2] The following is a reformulation of Table 1 in (Cantwell, et al., 2010).

matrix structure within firms and network organizations. It is also the period of important international agreements such as TRIPS, the Kyoto Protocol and the Millennium Development Goals. Informal institutions are characterized by competitiveness, shareholders value maximization, corporate social responsibility, hacker/ open source ethics, anti-globalization movements and, religious and political fundamentalism.

MNEs had a role as changing agents through this time framework and we can identify three main types of engagement. The first one is institutional avoidance, where MNEs can choose between several institutional contexts while still accepting the external institutional environment as a given. Institutional adaptation is the second type of involvement. While the first type of MNE views the institutional environment as mostly external, in this instance it aims to modify its own structure and policies in order to better match the environment. The institutional environment is seen to be somewhat endogenous in the third example, in contrast to the previous two, and the MNE is involved in a co-evolving process. Although businesses may utilize some of the same strategies they did in the preceding scenario, their goal in institutional co-evolution is to influence change in the local institutions rather than merely adapting. It's important to note that in the latter, involves the adoption of innovative organizational procedures and best practices that MNE affiliates have either locally established or that have been transmitted to them from another MNE network entity. Moreover, they support the dissemination of institutional practices from the parent MNE's home country that are shared across the MNE network. The MNE may participate in co-evolutionary initiatives to influence institutional change at the supranational level. For instance, NGOs and businesses might collaborate[3] to develop and legitimize new standards. In fact, MNEs frequently want to pre-empt future regulation in the area of social responsibility by proposing to govern themselves by developing codes of conduct or by actively supporting other types of standards[4], such as the UN Global Compact or the Dow Jones Sustainability Index, (Cantwell, et al., 2010).
In parallel with the evolution of institutions and the format of MNEs, a huge development occurred in economic theory. The starting point was the theory of the firm developed by Coase, who advocated the company as being a superior organization for allocating useful resources when market-based allocation includes costs. Hence, by creating a private group of people whose productive exchanges are managed by hierarchical rather than arm's length connections, the cost of market transactions with other agents can be minimized. Transactions that would be more expensive to conduct through markets are considered to be "internalized" by the company. Yet, the expenses of managing

[3] For further information see Chapter 3 paragraph 3.2.

[4] For further research see Chapter 2.

transactions within the company increase as it expands through internalization, (Kapler, 2007). This theory formed the basis of transnational corporations' transaction-cost and internalization theories in the 1970s through 1990s. At the time, there wasn't a specific theory based on FDI, thus, Hymer gave a significant contribution to the topic. He argued that given the presumed competitive advantages of local businesses in the host nation, how can a company effectively participate in overseas manufacturing, and why does it choose to do so rather than sell or license technology to a local business? In response to the first query, Hymer said that certain businesses had created "advantages" over rival businesses that would work to counteract the benefits of location enjoyed by domestic markets in the host nation. Patents, easier or less expensive access to crucial manufacturing components, brand names, economies of scale, and other firm-specific benefits are examples. In response to the second question, Hymer stated that due to market imperfections, businesses in highly concentrated industries engage in foreign production in order to either eliminate competition between businesses in various countries or to maximize the rents attributable to the company's distinctive assets, (Kapler, 2007). Basically, Hymer noted three main characteristics of FDI, that does not always entail the transfer of money from the home country to the host nation. In practice, direct investment is occasionally financed by other means, such as borrowing from the host nation or using retained earnings. FDI frequently occurs in both directions, making the nations involved the originators and hosts of FDI. Instead of being focused on one nation across all industries, FDI tends to focus on certain industries across a number of different countries. Hymer thus recognized the need to distinguish between investment that is merely financial (i.e., from portfolio investment) and investment by major companies for production goals. Control serves as his dividing line between foreign direct investment and portfolio investment. While portfolio investments do not give the company authority over its foreign business operations, direct investments do. By taking ownership of international assets, the company eliminates disputes with domestic rivals. By increasing the market power of the controlling corporation and so highlighting the flaws in the market system, it accomplishes this. One of the main tenets of Hymer's thesis is that there are structural market inefficiencies since the pursuit of market dominance is a major driver of FDI, (Ietto-Gillies, 2014). Among the theories on internalization, the most important one was developed by Dunning, who tackles the critique of the internalization thesis, questions about why and when businesses invest abroad, and questions about why particular nations are attractive for inbound FDI by examining all major modalities of internationalization, notably FDI, exports, and licensing, (Ietto-Gillies, 2014). Foreign multinational corporations won't find it profitable to enter the domestic market if they are completely identical to local businesses. So, the existence of the multinational firm must be owing to the fact that it has some unique advantage, such as superior technology or cheaper costs as a result of scale economies. It indicates that a global corporation has intrinsic benefits, including technology, that might represent a significant benefit for the host nation. It is vital to determine the benefits and circumstances that will lead to direct investment in light of the drawbacks and higher costs of foreign production, as was just mentioned, (Markusen, 1995). According to one organizational structure, a business would have a strong motivation to engage in direct investment if all three of the following requirements were satisfied. These three concepts—ownership, location, and internalization—have come to be known as the OLI framework. A product or a manufacturing method that is exclusive to one company, such as a patent, blueprint, or trade secret, might be considered an ownership advantage. Moreover, it may be something immaterial, like a brand name or a reputation for excellence. Whatever its shape, the ownership advantage gives the company a valuable competitive edge or cost benefit that is adequate to balance out the drawbacks of conducting business abroad. Also, rather than just producing the product domestically and exporting it to the international market, the foreign market must offer a geographical advantage that makes it economical to create the product there. The international corporation must also possess an internalization advantage. It is still not immediately evident that a corporation should establish a foreign subsidiary even if it has a proprietary product or production technique and it is more cost-effective to make the product overseas rather than export it because of tariffs and transportation charges. The knowledge-based assets are more likely than physical capital assets to result in direct foreign investment for two strong reasons. First, it is simple and inexpensive to move knowledge-based assets back and forth across space. Second, information frequently has a shared character, similar to a public good, in that it may be given at a very cheap cost to other production facilities. In turn, the efficiency of the company and the nature of the market are affected by the joint-input property of knowledge-based assets. The idea of the economics of multiplant manufacturing captures these consequences. Such economies develop as a result of the cost efficiency of a single two-plant business over two distinct single-plant enterprises. For instance, although two independent enterprises must each make an investment in R&D, the multiplant firm just has to make one. Then, in industries where firm-specific assets are significant, cost efficiency requires that multinational businesses emerge as the equilibrium market structure, which is consistent with the empirical data. In this view, international corporations are essentially exporters of services and firm-specific assets, (Markusen, 1995). The fact that knowledge capital may be a shared input to several plants is the fundamental fact that underlies many, if not most, of the motivations for internal asset transfers. Since the items are novel, sophisticated, have no past commercial use, and are manufactured by R&D-intensive enterprises, transfers frequently occur inside rather than at arm's length. Therefore, the same characteristics that produce multiplant economies of scale may also produce internalization benefits. Some issues may arise in licensing as

Markusen (1995) described, a first problem is that a company might not want to disclose its process or product technology to a potential licensee due to the non-excludability feature of new information. After all, the licensee has the option to reject an agreement and instead duplicate the technology on their own for little expense. On the other hand, the licensee will not agree to a contract unless it is certain of exactly what it is purchasing, necessitating disclosure on the seller's part. In some cases, no license agreement can be made, thus the technology is instead transferred to an owned subsidiary. Another informational asymmetry between the company and the potential licensee, which is especially problematic for new or complex products. The company may have extensive knowledge of the product or process (such as the product's quality), but the licensee is aware that the business might not have an incentive to disclose the product's quality honestly. A third informational asymmetry related to novelty focuses on the situation when the prospective licensee has superior knowledge, often on how the product will perform in its local market. The global corporation is reluctant to construct a foreign factory without knowledge of whether sales will be strong or weak, information that the foreign agent may supply. But, the agent is aware that if it displays a high level of demand, the company may opt to manufacture directly, or a significant portion of the rents would be taken from the foreign agency in the coming periods. So, even when demand is great, poor sales might result from agent incentives. By making a direct investment, the global corporation may avoid having to split rent with the licensee. A fourth issue is that the same trait that makes information simple to transmit worldwide may also make it simple for new employees to collect. Managers and employees may pick up the technology fast and be able to "defect," founding a new local company that competes with the international corporation, if a company licenses a technology to a foreign production. The expense of transferring technology is the fifth issue. Some elements of knowledge-intensive technology are correlated with employee human capital and even organizational culture. The firm's reputation for producing high-quality goods counts as an intangible asset, which presents a sixth potential issue for licensing. Only after the consumer has purchased and utilized the thing can the quality of the product be determined. In this case, the global firm cannot demand full rentals from a licensee because, if it does, the licensee will be able to cut corners by providing a subpar replacement product for a single period while still earning positive one-period rents. Producing and selling through an owned subsidiary may be advantageous to avoid this issue, despite the increased direct cost. Last but not least, a company that hires licensees must be worried about the moral hazard issue.

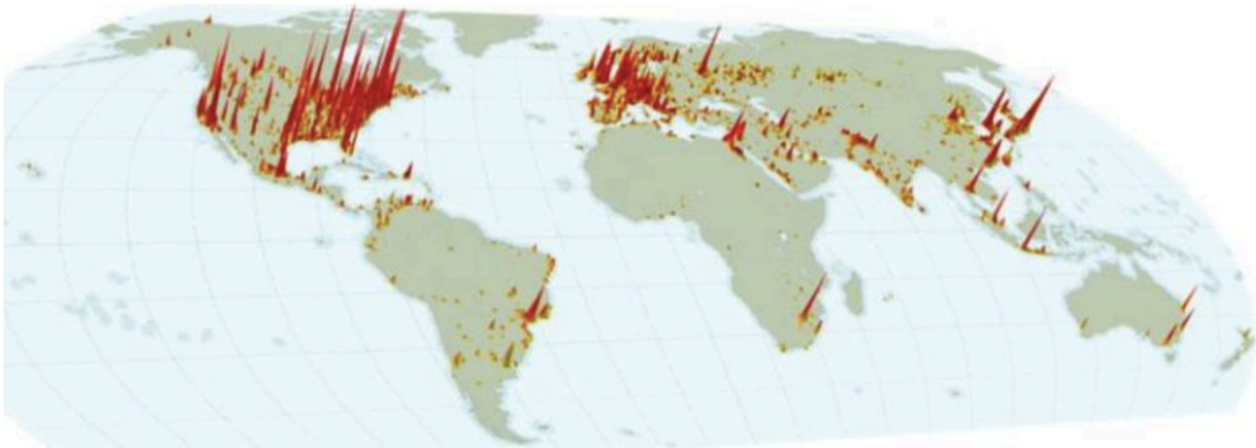
1.2 Development of global supply chains

To comprehend the development of supply chain within history and geography, we should understand the product life cycle referring to Vernon's theory. We start by assuming that, in terms of access to scientific knowledge and capacity to understand scientific concepts, businesses in any advanced nation aren't substantially distinct from businesses in any other advanced nation. However, it is incorrect to believe that equal access to scientific concepts in all developed nations equates to an equal likelihood that these ideas would be used in the development of new products. The traditional notion of the dominant role of pricing in resource allocation may be highly important if it could be assumed that all entrepreneurs, wherever they were located, were equally aware of and receptive to all entrepreneurial possibilities, wherever they appeared. There is reason to think that the entrepreneur's awareness of and reaction to opportunity are related to communication ease and that communication ease is related to geographic proximity. As a result, we give up the usefully condensing idea that knowledge is a universally available good and instead present it as an independent variable in the choice of whether to trade or invest, (Vernon, 1966). Vernon, in his research, focused on the United States since he assumed producers were likely to spot potential opportunities for high-income and labor-saving new items. Thus, the production of the new good should be located in the United States, because producers were typically faced with a variety of essential, albeit temporary, conditions in the early phases of introducing a new product. For instance, the product itself may initially be fairly under-standardized because of the variable nature of its inputs, processing, and final specifications. There are several implications to take into consideration at this early stage. First, producers are particularly concerned about their level of input flexibility at this point. Second, the production of individual enterprises has a relatively low price elasticity of demand. This results from the high level of manufacturing differentiation or from the early-stage monopoly. Third, at this point, the producer needs to communicate with clients, suppliers, and even rival businesses in a prompt and efficient manner. Standardization typically occurs to some extent when a product's market grows. Such efforts might even increase as rivals attempt to escape the full force of price competition. Furthermore, specialization may lead to a rise in diversity. The modification has locational effects once more. First of all, less flexibility is required. A commitment to a certain set of product standards supports long-term commitments to a specific process and a fixed set of facilities while opening up technical opportunities for obtaining economies of scale through mass production. Second, concerns about product features start to be replaced by concerns about production costs. Even while there isn't yet more intense price rivalry, fewer uncertainties around the operation make cost forecasts more effective and draw more attention to it. Demand will eventually start to increase very quickly in reasonably industrialized nations like those in Western Europe if the product has a high income elasticity of demand or if it is a suitable replacement for high-cost labor. Entrepreneurs will start to consider whether the time has come to incur the risk of establishing a local manufacturing facility as the market grows in such a developed nation, (Vernon, 1966). However, once these facilities are in place, more ambitious uses for them can be suggested. The obvious production-cost discrepancies between the competing producing areas, when comparing a U.S. plant to one in another advanced nation, are typically differences owing to scale and differences due to labor costs. If the company is a multinational corporation with production facilities spread across numerous nations, the costs of capital finance at the various sites could not differ enough to make a significant difference. Labor expenses are likely to be the main disparities between any two sites if economies of scale are being fully used. Therefore, it could be beneficial for the global company to start serving markets in third countries from the new site and exports back to the United States may also become an option if labor cost differential is significant enough to balance transportation costs. Less developed nations may provide competitive advantages as a location for production when it comes to some goods that have advanced stages of standardization. If we can infer that highly standardized items often have a well-defined, accessible international market and sell primarily based on price, it follows that such products will not present the problem of market knowledge equally for the less-developed countries. This creates a required condition for investment in these sectors, if not a sufficient one. In that situation, the first appeal for the investor to less developed areas may be the low cost of labor. Therefore, while speculating about potential industrial exports from less developed regions, we are prompted to consider goods with distinct economic features. Their production process requires substantial manpower inputs. Additionally, those are goods having a high price elasticity of demand for individual enterprises' output. Additionally, products that did not require a complex industrial setting would be more obvious possibilities than those whose manufacturing processes did. The effects of remoteness would be crucial as well; products that could be precisely described by standardized specifications and that could be produced for inventory without worrying about obsolescence would be more relevant than those that had less precise specifications and that were difficult to order from far-off places, (Vernon, 1966).

Between 1985 and 1995, the importance of supply-chain trade among high-tech and low-wage countries increased, and this is when the revolution began. Globalization was linked to increasing G7 shares of global trade and revenue until the end of the 1980s. Globalization operated considerably differently after then. When North-South production sharing became popular, the G7 world's revenue and export shares fell. Developing countries that were opposed to trade liberalization for years suddenly embraced it since it allowed for the sharing of global production. They unilaterally reduced tariffs, ratified bilateral investment agreements, and agreed to regional trade deals, (Baldwin &

Lopez-Gonzalez, 2015). Basically, globalization has been driven by advances in two very different types of 'connective' technologies: transportation and transmission, (Baldwin, 2013). To understand better the process that leads to the emergence of global value chains as we consider them today, we should analyze the first and second unbundlings. Prior to globalization, every municipality produced the majority of its own needs. Poor transportation technology forced production and consumption to coexist. Spatial separation of production and consumption became possible thanks to the steam revolution, particularly the railroads and steamships, commencing in the 1830s and intensifying in the 1870s. Separation was profitable once it was viable due to scale economies and comparative advantage, (Baldwin, 2013). During the 1st unbundling, the North was industrialized while the South was de-industrialized, thus, incomes in the North and South differ greatly. Industry in the North has a significant cost advantage over industry in the South thanks to innovation, scale, and specialization. The world did not become flat after the first unbundling. Indeed, it gave rise to the first globalization paradox: increased trade opened the door for local production to concentrate in factories and industrial areas. The world's economic geography changed from being uniform—consistently subsistence farming, with only a few cities—to being "spiky." as you can see in Figure 1. Three factors help to resolve the dilemma of globalization: first, affordable transportation encourages large-scale manufacturing, second, such production is complicated, and third, close proximity reduces the cost of coordinating the complexity.

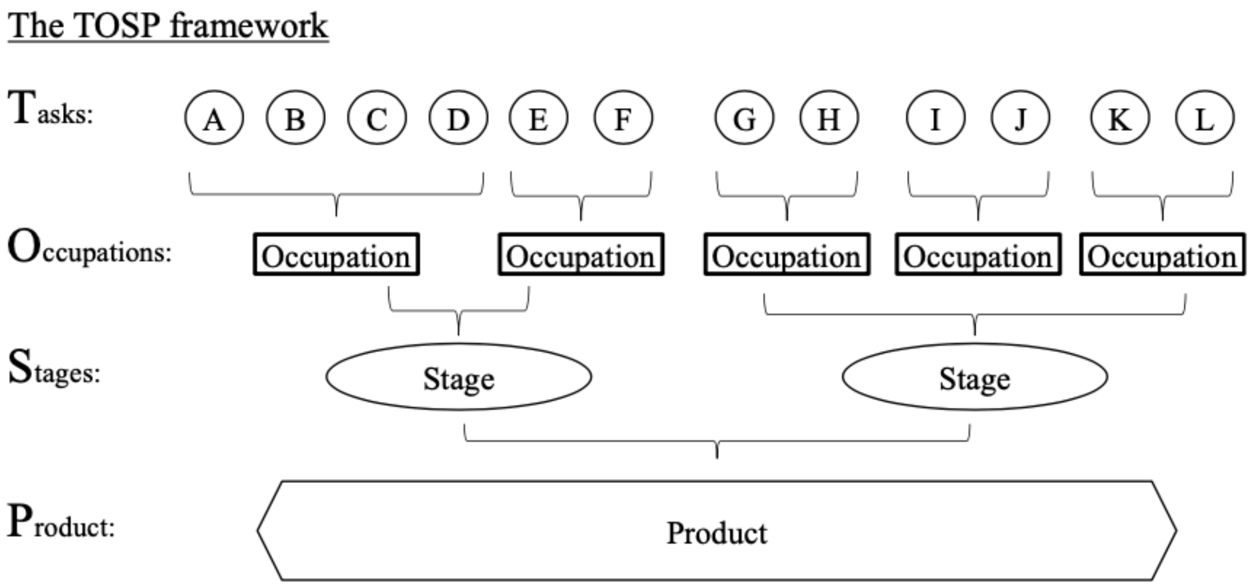
Figure 1: lower transport costs make the world "spiky"



Source: Richard Baldwin, "Global supply chains: Why they emerged, why they matter, and where they are going", in Global Value Chains in a Changing World, 2013.

Coordination of complexity from a distance is now possible because to the ICT revolution. Separation was advantageous because of the significant pay gaps between industrialized and underdeveloped countries. This was the second unbundling caused by globalization; several production phases that had previously been carried out close together were now spread out geographically. One indicator of supply chain internationalization looks at the products that different countries export and import considerable quantities. From a first unbundling standpoint, this is confusing since it appears that each country has both a comparative advantage (extraordinarily big exports relative to other countries) and a comparative disadvantage (extraordinarily high imports relative to other countries). The magnitude of such overlapping comparative advantage and disadvantage serves as an analogy for global supply chains from a second unbundling perspective. In the 20th century, trade meant cross-border movement of goods. Trade in the twenty-first century is significantly more complicated for a very clear reason. Supply chains that were made globalized the intricate two-way flows that were before exclusive to manufacturers. Because of this, it is incorrect to consider the second unbundling from the standpoint of the first unbundling. Increased trade in parts and components is just one aspect of the growth of global supply chains. The core of 21st-century trade is an intertwining of trade in goods, particularly parts and components; international investment in production facilities, training, technology, and long-term commercial connections; the use of infrastructure services, particularly services like telecom, internet, express package delivery, air cargo, trade-related finance, customs clearance services, etc., to coordinate the distributed production; and cross-border flows of know-how, including both overt forms like formal intellectual property and more tacit ones like managerial and marketing know-how, (Baldwin, 2013). We have three basic supply-chain trade concepts, importing to produce (I2P), importing to export (I2E), and value-added trade, (Baldwin & Lopez-Gonzalez, 2015). The first refers to anything produced using foreign inputs is a component of an international production network. I2P includes all imported raw materials and services as well as intermediate inputs. Since imported capital equipment incorporates foreign components and technology employed in the manufacturing of domestic goods, it should also be included in I2P. In the second one, the importing country can be viewed as a node in a larger global industrial network. The crucial element is that products and services that are later exported are made using foreign intermediates. 'Reimporting' is a term used to describe one I2E trade combination. Essentially, this is the trade symptom of the outsourcing of a single manufacturing stage. It has to do with a country's exports that are used as components in later imported items. Due to the cyclical nature of I2E, double counting occurs frequently. The intermediates that a country imports from a particular partner typically include intermediates from third countries as well as the country itself. We have factor-content commerce, which has recently been renamed "value-added trade" when the recursion is fully worked out and the source of all key factor inputs in exports is determined. Two accounting identities are crucial to comprehending the idea of "value-added trade." The cost of intermediate inputs (both domestic and imported), the amount of "direct" domestic value added, and the total amount of value added accrued domestically and abroad are all included in a product's sale value, (Baldwin & Lopez-Gonzalez, 2015). It is useful to look at the supply chain as a four level of aggregation, such as products, stages, occupation and tasks, (Baldwin, 2013). The product, which is intended to include after-sales services, is located at the bottom. The tasks are listed first and include every action that has to be taken to deliver the goods to customers and offer them the related after-sales services. The set of duties carried out by a single worker, or "occupation," is one naturally occurring intermediate aggregation. Stages are the crucial level of aggregation because supply chain internationalization typically entails the offshoring of stages rather than individual occupations or individual tasks. Stages are defined as a collection of occupations that are performed in close proximity due to the need for face-to-face interaction, fragility of the partially processed goods, etc. as represented in Figure 2.

Figure 2: The TOSP framework



Notes: The circles represent individual tasks, the rectangles represent individual occupations and the ovals represent individual stages of production.

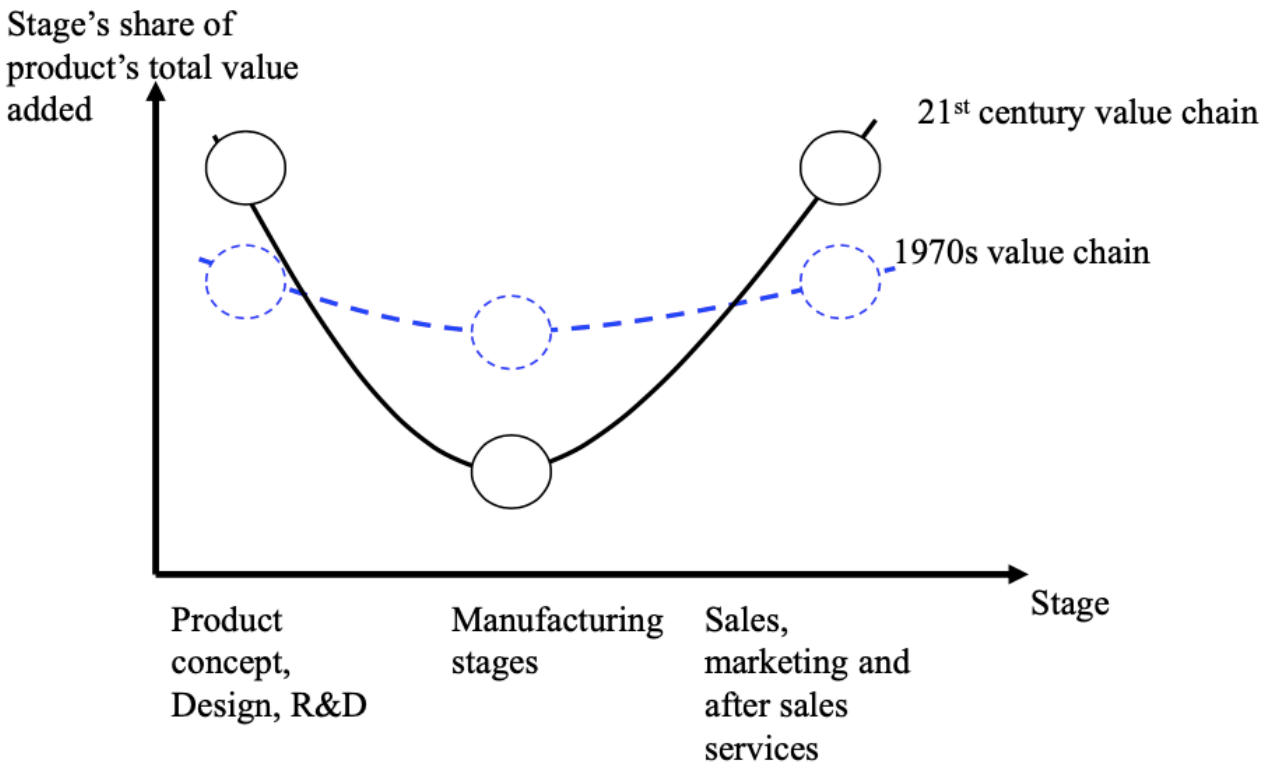
Source: Richard Baldwin, "Global supply chains: Why they emerged, why they matter, and where they are going", in Global Value Chains in a Changing World, 2013.

The trade-off between specialization and coordination determines the most effective distribution of responsibilities among professions. This basic trade-off is moving towards additional stages as the ICT revolution advances. ICT influences the ideal division of labor through two channels: organizational and communication technologies make it easier to transmit concepts, guidelines, and information. Fewer tasks per profession and fewer occupations per stage are encouraged by good coordination technology. Individual employees can handle more jobs thanks to information technology. Multiple factors can cause this. One is automating tasks and integrating them into machines. Robotics, numerically controlled machinery, computer-aided manufacturing, and other technologies integrate information in capital in a way that makes it possible for one worker to handle a larger variety of jobs. A single worker using the machine can do a task that was previously completed by a group of specialized workers. In other words, improved coordination technology lowers the cost of specialization and encourages functional unbundling, while improved information technology lowers the advantages of specialization and discourages it.

The guiding premise is that businesses should try to locate each phase in the area with the lowest cost. A trade-off between direct factor costs and "separation" expenses is involved in the cost computation. The direct costs consist of salaries, investment costs, and covert or overt subsidies. The term "separation costs" should be used generally to refer to expenses associated with both transmission and transportation, elevated risk, and administrative effort. The geographic dispersion of phases is favored by dispersion forces. In the context of a supply chain, two important dispersion forces exist. "Vertical specialization" is determined by wage differences between skilled and unskilled labor. As a result, skill-intensive phases are sorted spatially into high-wage nations and labor-intensive stages into low-wage nations. Offshoring from North to South relies on this. "Horizontal specialization" is determined by firm-level excellence and specialization. Regional leaders will inevitably emerge in specific parts and components given the systemic significance of learning-by-doing and the expanding role of scale economies in an ever more fractionalized supply chain. This is essential for the 'horizontal' internationalization of supply chains among high-wage countries. Dispersion factors discourage geographic clustering, whereas agglomeration forces promote it. When economic activity is spatially concentrated and forces are produced to promote even more spatial concentration, this is known as an agglomeration force. The reasons why businesses in the same industry frequently cluster are explained by these local agglomeration dynamics, such as knowledge spillovers. The supply-side and demand-side links are the two most significant agglomeration factors for global supply chains. Market size/demand issues are the basis for demand-linked circular causality. If a country already experiences high levels of economic activity (GDP), then conducting business there will - all other things being equal - be appealing to enterprises looking to be close to their consumers. The foundation of supply-linked circular causality is the cost of inputs. Due to the fact that companies rely on other businesses for their intermediate inputs, an area with a concentration of firms tends to be more appealing to new enterprises in terms of input costs. Distance becomes less of a factor when trade and transportation costs decrease, which weakens both agglomeration and dispersion effects. Clustering becomes less evident if the agglomeration forces become weaker than the dispersion

forces, and stronger if the opposite occurs. In other words, when trade costs are low, agglomeration is not required; when trade costs are extremely high, it is not practicable. Being in a cluster lies between these two extremes and can be both rewarding and possible, (Baldwin, 2013).
With the second unbundling, it was possible to offshore some manufacturing phases while leaving others in place. Curiously, value added seems to move away from the offshored stages of the value chain. The "smile curve" is an observation that illustrates the value added at each level of production. This curve claims that value generation in fabrication, particularly final assembly, has decreased after the second unbundling, or as Figure 3 shows, "the smile deepened."

Figure 3: The smile curve: good and bad stages in the value chain



Source: Richard Baldwin, "Global supply chains: Why they emerged, why they matter, and where they are going", in Global Value Chains in a Changing World, 2013.

Offshoring lowers a stage's cost, which lowers the stage's value added share because a stage's value added is based on expenses. The offshored stage's percentage of value added will decrease even if the cost savings are entirely passed on to consumers. The majority of tasks that are offshored may typically be completed in emerging markets. Contrarily, the non-offshored stages frequently contain areas where businesses inherently possess market dominance as a result of product differentiation, branding, etc. In other words, tasks that are offshored become commodities, whereas tasks that are completed locally do not. The cost of the offshored task is further reduced if the offshoring company relocates its cutting-edge technology to the offshore location. As before, this automatically transfers value to the tasks that are not offshored. The manufacturing fabrication stages may not be the development panacea they once were, according to smile curve economics. Global supply chains accelerated and facilitated industrialization. It is significant to remember that as GSCs evolve, services rather than goods predominate in the pre-and post-fabrication stages. As a result, moving such stages will have an effect on the pattern of transmission at the first order rather than transportation. Of course, there will be a second-order effect, but the factors that determine comparative advantage in pre- and post-fabrication services are very different from those that determine comparative advantage in fabrication, and the cost of transmitting these services is very cheap. This implies that changes in the pre-and post-fabrication stages will not significantly alter the patterns of trade in goods along the supply chain, (Baldwin, 2013).

1.3 Monitoring supply chain

For contemporary businesses, reputation is a top strategic issue, and environmental, social, and governance (ESG) performance has grown in significance as a component of company reputation. The potential of reputational consequences from these transactions increases as corporations continue to outsource manufacturing abroad and their reputations have become to depend not only on their own practices but also on those of the businesses in their extended supply chains. When production is outsourced to nations with weak labor and environmental regulations, suppliers frequently take unwarranted risks in the execution of their projects, that the outsourcing principal would never tolerate if it maintained control of the activity, (Jodi L. Short, 2016). According to the theory of transaction cost economics (TCE), businesses would vertically integrate operations that significantly endanger their reputations so they may exert more control over how things are handled. In order to help buyer companies manage supply chain risk and make effective outsourcing decisions, supplier monitoring is a transactional governance method. When monitors misjudge suppliers' compliance with standards, they limit buyer companies' capacity to make fully informed outsourcing decisions and expose these companies to the risk of severe reputational repercussions. Businesses spend a large amount of money on transaction costs to monitor supplier conduct in order to lower the reputational risks of outsourcing and to maintain brand value. Most MNCs demand suppliers to comply with internationally recognized standards in areas like environmental sustainability, working conditions, and human rights as a condition of doing business, and many of them use supply chain auditors to check for compliance with these standards. Theoretically, monitoring reduces information asymmetry to limit opportunism and minimize spillover costs. However, the hypothesis makes the assumption that the data companies get from their monitors is correct and comprehensive. This could not always be the situation. First, constrained rationality is likely to limit monitors' capacity to recognize and share information about supply chain problems, just as it does for transacting parties' capacity to anticipate and prepare for eventualities that might develop during the course of a business partnership. Second, a lot of businesses that have contracted out production to international partners in the supply chain have also contracted out the oversight of those transactions to independent, private social auditors. The potential for agency issues in monitoring arrangements is increased by this additional layer of contractual connections since third-party monitors' incentives might not always line up with the buyer firm's motivations. For instance, when there is a significant danger of reputational spillover, businesses are more inclined to audit suppliers' facilities, production methods, and physical output. Suppliers who are exposed to more frequent quality inspections are more likely to believe that the customer has high standards. According to Short et al. (2016), transactional governance structures' main purpose is to restrict or save on restricted rationality while simultaneously protecting the transactions under consideration from the risks of opportunism. Cognitive biases and social influences that affect the monitors' ability to discover and cite infractions are likely to have an impact on the performance of monitors who repeatedly inspect a company. The amount of issues an auditor can look into during a particular audit is constrained by bounded rationality. Particularly, people have the propensity to concentrate on information that is consistent with the implicit knowledge they have developed through experience. In addition to cognitive limitations, social institutions, identities, and socialization can also limit rationality. Supply chain auditors with greater experience might be more productive. Education and training are crucial components of professional socialization and should give monitors the knowledge to spot more violations as well as a sense of duty to report them to their principal. According to research, women are more persistent in completing tasks than men, which might encourage them to look for breaches more carefully. Additionally, women may be better able to spot violations due to their perceptual and integrative processing advantages. In reality, women typically employ a more thorough information-processing method, making an effort to take in all relevant indications. Women may therefore be better able to detect violations in a complicated production setting and get employee information about infractions due to how they acquire and process information. Mixed-gender audit teams will perform better because they are able to take advantage of the complementary differences in perceptual styles between men and women as well as the positive interpersonal team dynamics. First, because men and women have distinct perceptual styles, mixed-gender teams may be able to identify more violations because they will be more likely to do so. Second, studies have demonstrated how gender diversity's impact on interpersonal dynamics can enhance team effectiveness. According to research findings, outsourcing companies should carefully evaluate whether their monitoring plans are well-designed to handle these expenses efficiently and whether the costs of effective monitoring grow sufficiently high to offset the financial benefits of outsourcing production. Then, to prevent opportunism in outsourcing relationships, it's crucial to concentrate on ex-post monitoring. Finally, it must be emphasized that outsourcing monitoring tasks to other parties might lead to significant second-order monitoring issues. Existing TCE accounts frequently assume that the parties to a transaction are the ones who monitor. However, private, third-party businesses like social auditors, certifying bodies, assurance services, and consultants are increasingly filling in for these roles. Due to the fact that third-party monitors frequently have different incentive structures from the principals who hire them, this raises the possibility of agency issues. Supply chain auditing has become an important component of transnational business regulatory schemes that seek to address the social and environmental risks of global business activities (Jodi L. Short, 2016).

The COVID-19 epidemic calls into question a legislative push for more proliferation and integration of local firms in GVCs, as well as an economic development strategy based on local business participation in GVCs. It serves as a stress test for regulatory systems governing company activity. Global economic lockdowns in 2020 to restrict pandemic spread have had ripple effects along value chains, demonstrating that GVC systems and linkages can be susceptible and fragile. While some TNCs have responded to these issues by assisting businesses and people in their supply chains, others have unilaterally cancelled or postponed the fulfillment of orders worth billions of dollars from overseas suppliers, leaving factories and their workers without revenue. With economies in lockdown and few other employment opportunities, workers at these suppliers are at risk of being exploited and becoming victims of modern slavery. Which is an umbrella term encompassing many forms of labor exploitation such as forced labor, enslavement, child labor, and human trafficking (Voss, 2020). Manufacturers around the world were cut off from Chinese supply when China stopped its economy in early 2020 to prevent the spread of COVID-19 during and after the Chinese New Year. China, as the world's largest manufacturer and exporter, is inextricably related to GVCs at several levels. Businesses that rely on Chinese suppliers for materials had to pause or stop production and lay off personnel. As a result, suppliers complained that they were penalized by worldwide brands for late deliveries. According to the International Labor Organization (ILO) in 2020, Viet Nam is anticipated to face losses in the order of US$2 billion due to material shortages. Suppliers' economic challenges are expected to result in company closures and unemployment. This can put workers under stress. According to recent reports, female workers in Cambodia are already finding it difficult to secure or keep jobs due to an excess of labor, and they may not be paid on a regular basis. The scarcity of jobs raises the likelihood of exploitation of both job seekers and those who have been fortunate enough to find work. This may be especially acute for domestic and international migrants who rely on recruitment agencies and brokers. Working conditions deterioration may raise the probability of migrants becoming vulnerable to modern slavery and working under subpar health and safety standards. Over the course of the past two decades, global frameworks to guide and regulate TNCs have evolved significantly through the provision of supranational agreements, the creation of national legislation with global reach, and voluntary industry actions, such as the SDGs, the UN Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises and in sector-specific human rights due diligence guidance (Voss, 2020), that we will deepen in Chapter 2. According to Fashion Revolution in 2020, less than half of surveyed fashion companies publish their first-tier suppliers, fewer than one-quarter report on lower-tier suppliers, and a mere ten percent expose the origins of their raw materials. As a result, there is a lack of transparency regarding how GVCs are structured and where modern slavery and human rights violations may occur. The fine-slicing of operations and the variable reallocation of responsibilities to suppliers contribute to the value chain's fluidity, making it difficult to report on the entire supply chain. However, understanding if and how TNC operations are aligned with the UNGPs, assist the SDGs, and comply with national legislation necessitates a public awareness of how the network is built and how TNC operations affect it (Voss, 2020).

In recent years, there have been numerous requests for scholars to incorporate broader societal issues into their study. Grand challenges are urgent social and environmental issues that cross national boundaries and have the potential or actual detrimental consequences on enormous numbers of people, communities, and the planet as a whole, and hence require joint efforts to address. Because grand challenges are typically transnational phenomena that affect societies in multiple geographical locations, they are likely to influence the formulation and implementation of cross-border strategies and business models, particularly in large-scale multinational enterprises (MNEs) that orchestrate operations and manage value chains globally (Wettstein, et al., 2019). Human rights are defined as inalienable fundamental rights to which a person is inherently entitled simply by virtue of being a human being; they include political, civil, socioeconomic, and cultural rights as defined by the UN Universal Declaration of Human Rights, and more broadly by the International Bill of Human Rights and subsequent treaties (Wettstein, et al., 2019). Whereas human rights are frequently discussed in relation to violations committed by criminal or violent groups, their relationship to lawful business activity has received less attention, particularly in the context of management and IB research, despite evidence in disputes over human rights, notably child labor, human trafficking, involvement with hostile regimes, and violations of the right to existence and health owing to environmental deterioration. Earlier in the 1970s, the United Nations and the Organization for Economic Cooperation and Development (OECD) initiated simultaneous measures to regulate MNE corporate activity through international codes of conduct. Both the UN Draft Code, produced by the Center for Multinational Corporations at the time, and the OECD Guidelines for Multinational Enterprises included a set of principles linking corporate behavior to human rights. While the UN Draft Code was never adopted, and the UN Center was closed down in the 1990s, the OECD Guidelines have become one of the most important international standards on corporate responsibility, and they now include a full chapter on corporate human rights responsibility, depicted after the 2011 UN Guiding Principles on Business and Human Rights, a soft-law project identifying firms' responsibilities to respect universal human rights while operating locally or globally. As a result, there is a growing amount of research on the techniques and procedures that businesses use to offset their human rights implications, such as human rights due diligence or operational-level complaint processes. Much of the conversation on business human rights is linked to the intra-MNE parent-subsidiary relationship and the global value chains managed by the MNE, either directly or indirectly. Issues concerning human rights due diligence, supplier monitoring and control, or, more specifically, the legal culpability of parent firms for human rights breaches committed by their subsidiaries abroad, have been at the forefront of discussion in this respect (Wettstein, et al., 2019). Experts have emphasized the official adoption of various social and environmental norms, accountability, or principle-based efforts, such as the UNGC or, more recently, the SDGs, by MNEs. However, we still don't know how far MNEs' adoption or endorsement of such standards and initiatives translates into substantive actions, particularly in terms of improving their human rights practices and reducing business-related human rights violations. In such a way, the SDGs' agenda presents a unique and novel challenge. BHR has begun to investigate the confluence between the SDGs program, particularly with the UNGPs, and human rights respect in general. On the one hand, there are conceptual concerns about how human rights link to the ambitious SDG agenda. On the other hand, there is a more concrete need to learn how businesses respond to and incorporate SDGs into their business plans. This, in turn, will assist in revealing synergies and complementarities, as well as potential conflicts, with the UNGPs and BHR broadly (Wettstein, et al., 2019). The potential contribution to the field may address IB research on value chain governance procedures or home state regulation and the efficiency of human rights due diligence and control to gain new insights into extraterritoriality and discuss new human rights organizations and policy instruments that can help inform IB study on emerging innovations in value-chain organization and governance (Wettstein, et al., 2019). For all these reasons this research thesis will address how supply chain transparency can enhance human rights due diligence by MNEs.

CHAPTER 2

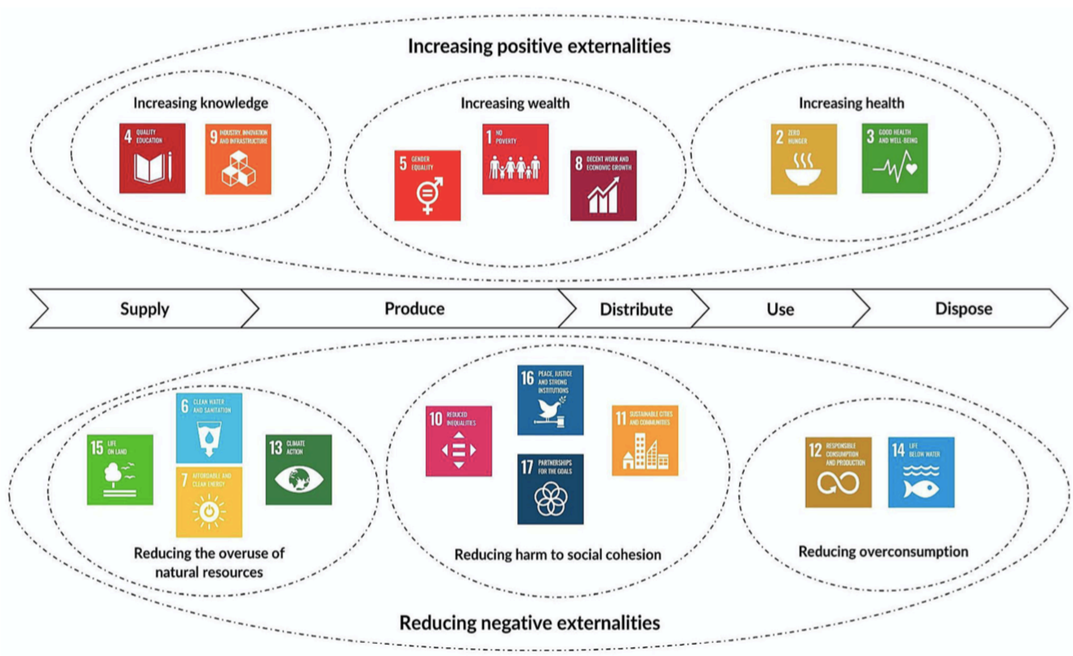
This second chapter tackles the main topics of human rights in the law and institutional field. The first section will address the current progress of the Sustainable Development Goals and their connection with multinational firms and human rights working conditions. Then, the second section will talk about the main global guidelines regarding strategies and suggestions for MNEs and labor rights. The last section will make an overview of suggestions for the development of binding human rights due diligence in global supply chains.

2.1 Human rights protection in the Sustainable Development Goals

Despite the fact that the academic field of international business (IB) has traditionally concentrated on the effects of multinational enterprises (MNEs) and various forms of foreign direct investment (FDI), which are typically focused on economic growth, recent research has gradually shifted towards broader approaches to development and the use of additional social indicators. The issue of sustainability has taken center stage in international development policy and for global business since the introduction of the United Nations Millennium Declaration and the associated Millennium Development Goals (MDGs) and subsequent Sustainable Development Goals (SDGs), (Sinkovics, 2019). The relationship between MNEs and the effects of IB on the four dimensions of sustainable development—people, planet, peace, and prosperity—was the subject of one assessment of the literature. The human rights-related capabilities approach to development has played a significant role in the creation of the MDGs and SDGs. However, the 2011 United Nations Guiding Principles on Business and Human Rights (UNGPs) have not been fully taken into account in IB research on the relationships between MNEs and sustainable development. Sen's human capabilities approach to international development, which explicitly connects development to human rights, emerged in the late 1990s and early 2000s. Sen's approach offers a pragmatic orientation by highlighting a critical distinction between, on the one hand, human rights as ethical articulations, and, on the other hand, as accepted norms that constitute rights and obligations for various social actors. Sen's approach goes beyond the utilitarian approaches typically used in economics. The latter adopts a political and legal approach that can be enlarged to encompass political processes of negotiation and agreement on an implicit or explicit social contract on human rights, whereas the former emphasizes philosophical issues. Sen's capabilities approach emphasizes the importance of individual freedom, replacing utility as the foundation for the moral assessment of human rights and making a distinction between two types of freedom. Procedures (such as process equity or due process) and substantive (such as having the ability to create beneficial combinations of human functioning) issues relating to human rights are referred to as substantive opportunities and freedom of procedures, (Sinkovics, 2019). Particularly noteworthy is the claim that national elites lack the motivation to pursue long-term development goals, uphold the rule of law, and realize human rights, making it impossible for them to effectively pursue and achieve goals like the MDGs. This is especially true in the absence of effective governance structures or respect for civil and political rights. In such cases, a human rights-based strategy could support development efforts by highlighting the importance of decision-makers' responsibility and transparency, which are ultimately required to achieve development goals. The Millennium Declaration specifically advises using human rights instruments to support the accomplishment of the MDGs and implementing them in a manner that is attentive to human rights. One would be tempted to believe that the importance of human rights has increased since the MDGs because the SDGs are frequently regarded as an enlargement of those goals. In fact, the preamble of the 2030 Agenda makes clear that it is committed to upholding human rights. It also makes several references to international human rights treaties and instruments, as well as having the express goal of trying to achieve everyone's human rights. According to a study by the Danish Institute for Human Rights, 156 of the 169 SDG targets are related to global labor and human rights norms, (Sinkovics, 2019).

Incorporating the SDGs into multinationals' goals makes it easier to shift from short-term economic value to long-term sustainable value. It also offers a new perspective on the relationship between business and society, in which multinationals play a role in solving rather than contributing to society's biggest problems, (Montiel, et al., 2021). The SDGs expanded the 8 Millennium Development Goals to 17 goals to be achieved by 2030. The 17 SDGs are: (1) No poverty; (2) Zero hunger; (3) Good health and well-being; (4) Quality education; (5) Gender equality; (6) Clean water and sanitation; (7) Affordable and clean energy; (8) Decent work and economic growth; (9) Industry, innovation, and infrastructure; (10) Reducing inequality; (11) Sustainable cities and communities; (12) Responsible consumption and production; (13) Climate action; (14) Life below water; (15) Life on land; (16) Peace, justice, and strong institutions; and (17) Partnerships for the goals. Unlike the Millennium Development Goals, which mainly targeted developing and underdeveloped countries, the SDGs explicitly call for a more balanced participation from advanced and developing nations, and acknowledge the important role played by the private sector, (Montiel, et al., 2021). It is challenging for businesses to contribute to the SDG agenda for two reasons. First, the 232 different indicators, 169 targets, and vast scope of the 17 SDGs easily overwhelm and prevent action. Second, while the SDGs are intended to be country-level goals, there is a lack of alignment among businesses on how to implement them. Ivan Montiel et al. (2021) proposes a framework to support multinationals in pursuing the SDGs. The framework expands on the idea of externalities as the theoretical foundation for how the SDGs are translated into multinationals' actions in three steps: grouping the SDGs according to how they affect the positive and negative externalities that multinationals create; placing the SDGs along the value chain; and determining how internal and external investments affect the SDGs and the competitiveness of subsidiaries. The grouping of SDGs into six broad categories based on whether they promote the development of positive externalities (knowledge, wealth, and health) or assist in reducing negative externalities (excessive use of natural resources, harm to social cohesion, or overconsumption) constitutes the framework's first component, as illustrated in Figure 4.

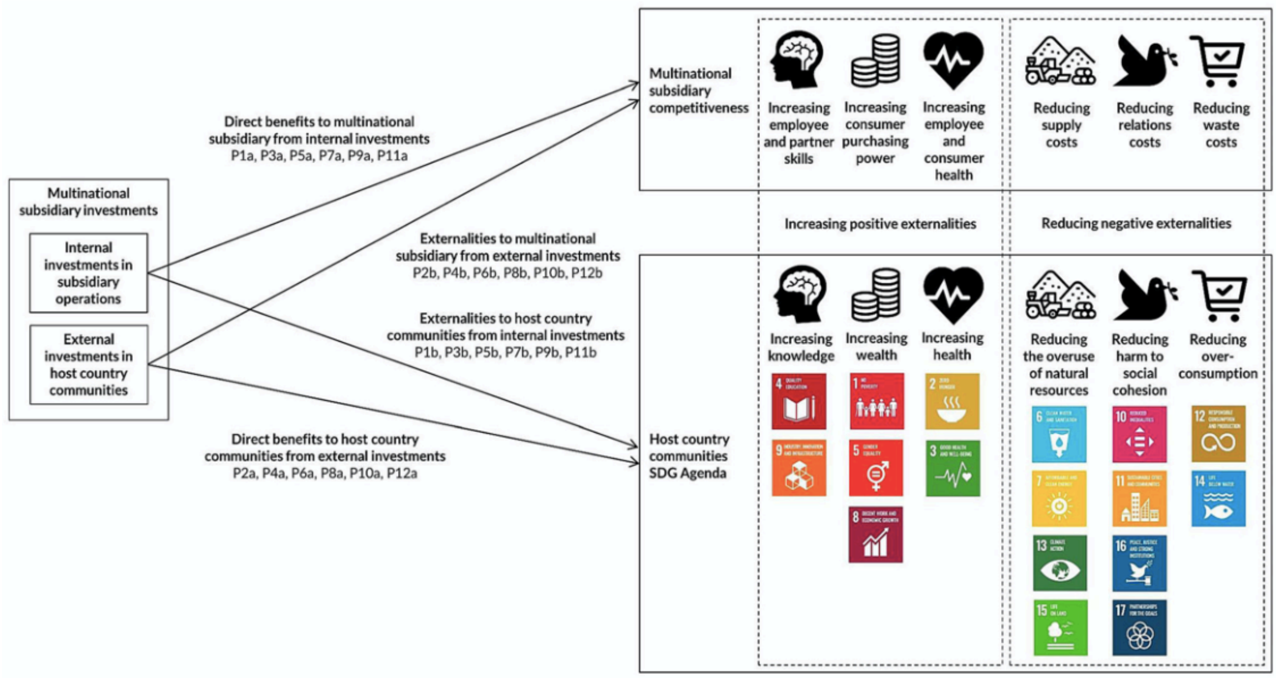
Figure 4: Translating SDGs into actionable goals for multinationals to address externalities. Note that the use of the SDG icons is permitted under the United Nations Department of Global Communications



Source: Ivan Montiel et al., "Implementing the United Nations' Sustainable Development Goals in international business" in Journal of International Business Studies (2021), 52, 999-1030.

Externalities are categorized as positive or negative depending on whether other parties pay for or bear the expenses of a firm's actions. Positive externalities occur when third parties' profit from a firm's activities without having to pay for them. The desire to mitigate negative externalities, particularly for the environment, and resulting financial penalties and reputational loss in host countries has motivated multinationals to address sustainability concerns. Positive externalities include the technical spillovers that multinational corporations have on their host nations through staff mobility, supplier and distributor training, and competitive imitation. However, managers are typically advised to limit these positive spillovers. The value chain is the second component for turning the SDGs at the national level into actions that global corporations can really take. An economics-based model called the "value chain" divides business operations into two broad categories: primary activities that directly contribute to the generation of value and secondary activities that provide support for the former. The life cycle of goods and services has been added to and improved upon inside the value chain over time. The extended producer responsibility, which suggests the five actions of supply, production, distribution, use, and disposal, is one of these enhancements. As Figure 4 represents, the SDGs are positioned throughout the extended value chain suggesting a linkage between the goals related to increasing knowledge to supply and production activities as those linked to increasing wealth to the production and distribution activities; SDGs related to increasing health to the distribution, use, and disposal activities; SDGs associated with reducing the overuse of natural resources to the supply and production activities; those connected with reducing harm to social cohesion to the production, distribution, and use activities; and goals related to reducing overconsumption to the use and disposal activities, (Montiel, et al., 2021). This model aims to highlight the main initiatives and investments that multinational corporations can make to achieve each goal. The third component of the framework examines the internal and external investments made by multinational corporations in host nations to support the accomplishment of SDGs. Depending on where they are made, we divide multinational investments into internal and external categories. Internal investments are those that the host-country subsidiary makes in its key stakeholders. These internal investments produce immediate returns for the multinational company and have the potential to indirectly increase favorable externalities or decrease unfavorable externalities in the communities of the host country, thereby advancing the SDG goal. Alternatively, multinational external investments are those made in the host nation's communities that are aimed at auxiliary stakeholders. Governments, non-governmental groups, and international institutions are frequently involved in the creation of these investments. These foreign investments aim to deal with externalities and directly advance the SDG objective of the host nation while also indirectly assisting multinational corporations. Figure 5 summarizes the resulting framework and propositions:

Figure 5: Multinational subsidiary investments and host-country communities SDG agenda.



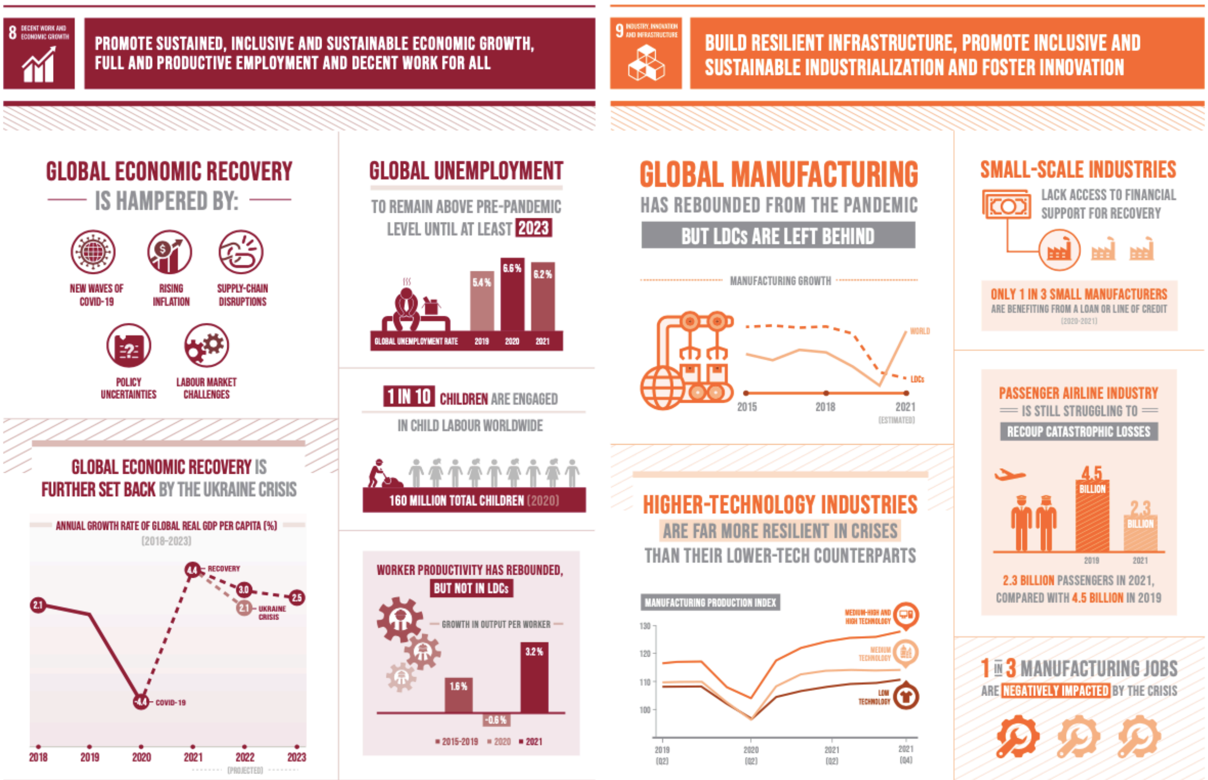
Source: Ivan Montiel et al., "Implementing the United Nations' Sustainable Development Goals in international business" in Journal of International Business Studies (2021), 52, 999-1030.

Multinational company executives may want to reconsider how their internal investments benefit local communities in order to increase and disseminate the positive externalities to the society. As a vital component of the firm's operations, they can also rethink investments with a strong influence on positive spillovers. Thus, the advantages to the multinational and the positive externalities that such investments bring to local communities are considered when evaluating investments in the activities of multinational corporations. Such expenditures might not yield a quick financial return, but they will benefit the company in the long run by enhancing its reputation and forging stronger social contracts with the community, which will support future prosperity. The model suggests categorizing the SDGs that are likely to encourage positive externalities into three broad topics in order to facilitate this investment: increasing knowledge, increasing wealth, and increasing health, (Montiel, et al., 2021). MNEs fundamental competitive advantage stems from their better cross-national capacity for knowledge creation, transfer, and application. The development and diffusion of knowledge can promote beneficial externalities for SDG 4 "Quality education: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all", and SDG 9 "Industry, innovation, and infrastructure: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation." (Montiel, et al., 2021). In addition to enhancing a company's competitiveness, internal investments in knowledge capacities in subsidiaries can be planned to have significant positive externalities for the community and contribute to the SDGs. Working with highly educated business partners and staff allows multinationals to reap more rapid rewards from internal investments from a strategic standpoint. Multinational corporations frequently work with local partners to determine the region's primary educational shortcomings and how to address them. They then collaborate to build schools and other educational infrastructure, such as scholarship programs in the host country, in order to establish the most beneficial educational programs. Such investments also benefit the company in terms of knowledge spillover, since educated and creative local communities tend to produce more intelligent and creative business partners and staff. Multinationals can boost prosperity and lessen inequality in their host countries because they are substantial organizations that manage resources across international borders. The three interconnected SDGs below all touch on the advantages of rising wealth: SDG 1 "No Poverty: End poverty in all its forms everywhere;" SDG 5 "Gender equality: Achieve gender equality and empower all women and girls;" and SDG 8 "Decent work and economic growth: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all." (Montiel, et al., 2021). Jobs directly combat poverty, especially among women who in 2020 will still not have achieved economic equality anywhere in the world and will consequently be more likely to live in poverty. Internal investments made by multinational corporations in their subsidiaries, such as putting in place local employment initiatives that offer respectable working conditions and benefits, can help the subsidiaries become more competitive while advancing society. Multinational corporations can improve working conditions in their host country operations and among their business partners throughout their global value chains, where they have indirect control, by embracing a diverse workforce in terms of gender and ethnicity. By prohibiting them as part of their supplier contracts and enforcing such contractual agreements in their worldwide value chains, multinationals may also stop irresponsible practices like child exploitation, unhealthy working conditions, and modern slavery. Moreover, even when equality may not be the norm in the host country, multinationals can secure equal benefits by actively elevating their female employees to leadership roles in subsidiaries, giving them access to a capable and underutilized workforce that supports their success. The performance of organizations and overall global growth can both be enhanced by greater gender equality. Multinational investments in host nations can assist develop healthier lifestyles as well as living conditions that support the health of its stakeholders. Two SDGs relating to health are advanced by these investments. SDG 2 "Zero hunger: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture." and SDG 3 "Good health and well-being: Ensure healthy lives and promote well-being for all at all ages." (Montiel, et al., 2021). Multinational corporations' internal investments in host-country subsidiaries can make significant benefits to the local populations' and their operations' health. In host countries where a basic public healthcare system is inadequate or nonexistent, multinational corporations might offer healthcare benefits and wellness programs to their employees and extend the same benefits to employees' families, especially their children. In order to improve understanding and best practices in health and safety, multinationals can also offer training programs for procurement teams, suppliers, and other staff members. For instance, to maintain worker participation and safety across their global value chains, multinationals can implement programs to examine the use of hazardous materials and to replace such products with safer alternatives within supply chains.

The Sustainable Development Goals Report 2022 shows how close the 17 Goals are to being achieved. Based on millions of data points contributed by more than 200 countries and regions, it is a collaborative endeavor between the Department of Economic and Social Affairs and more than 50 international and regional organizations. It shows that the 2030 Agenda for Sustainable Development is seriously jeopardized as a result of numerous, cascading, and intersecting crises based on the most recent statistics and estimations. Conflict, COVID-19, and climate change are the main issues. The availability of globally comparable data for SDG monitoring has significantly improved: from 115 indicators in 2016 to 217 indicators in 2022, according to the global SDG database. To properly understand the pace of development toward the achievement of the 2030 Agenda, disparities among areas, and who is being left behind, it is difficult to fully understand the data gaps that still exist in terms of geographic coverage, timeliness, and amount of disaggregation, (United Nations, 2022). National statistical systems have faced an unusual challenge as a result of the COVID-19 pandemic. In order to meet the need for data required for policymaking, it has also provided an opportunity to experiment with novel data collection techniques, investigate fresh data sources, and update ICT infrastructures. The significance of completely inclusive data was made clear throughout that procedure. Future developments in official statistics can be informed by lessons learned from the pandemic. During the pandemic, ICT infrastructure has been essential for enabling countries to conduct remote data gathering and training, as well as for storing data and promoting collaboration. In order to gather the crucial data for decisions during the pandemic, partnerships were established among governmental entities, academic institutions, local governments, commercial firms, and civil society organizations. The inclusivity, timeliness, and usage of the resultant data were all improved by this type of collaboration, which also encouraged new ideas and resources (United Nations, 2022).

For what concerns our analysis on respecting human rights in global value chains, the most significant data about the current situation are given by Goal 8 and Goal 9.

Figure 6: Summary Goal 8 and Goal 9 results for 2022



Source: United Nations, "The Sustainable Development Report 2022" (2022), pp. 15-16.

As shown in Figure 6, the situation is dramatic. For what concerns Goal 8, the COVID-19 pandemic halted progress toward providing adequate jobs for everyone and caused the biggest financial crisis in decades. While less developed countries continue to struggle with slow economic development and the effects of job closures on the labor market, developed economies are making a stronger comeback. Women, young people, and people with disabilities, the categories most impacted by the crisis in the labor market, are the last to recover. By the end of 2021, additional COVID-19 infection waves, mounting inflationary pressures, significant supply-chain disruptions, policy uncertainties, and ongoing labor market difficulties had all impeded the world economy's ability to recover. In 2022, it is anticipated that the Ukraine crisis will significantly slow global economic growth. Although recovery is still unstable and unbalanced, the world economy is gradually getting better. Real gross domestic product (GDP) per capita climbed by 1.4% globally in 2019, dropped by 4.4% in 2020, and then increased again by an expected 4.4% in 2021. Real GDP growth for LDCs was 5.0% in 2019, but due to pandemic-related disruptions, it was none in 2020. According to estimates, the real GDP of LDCs grew by 1.4% in 2021. It is anticipated to rise by 4.0% in 2022 and 5.7% in 2023, which is still significantly less than the 7% target set forth in the 2030 Agenda for Sustainable Development, (United Nations, 2022). In 2019, the informal sector employed 2 billion people worldwide, or 60% of all employment. Despite their poor quality and lack of social protection, these employments have historically served as a means of support for those who have been laid off from the official economy. This wasn't the case in the early stages of the pandemic because of COVID-19 containment efforts and mobility limitations. As in prior crises, laid-off employees and self-employed workers exited the labor force rather than going without a job or switching to an informal industry. By the beginning of 2020, 160 million children around the world—63 million girls and 97 million boys—were working as minors. The morals, safety, or health of over half of them are immediately at risk due to their work. Children currently engaged in child labor may work longer hours or in worse conditions as a result of COVID-19's additional economic shocks and school closures; many more children may be compelled to engage in the worst kinds of child labor due to employment and income losses among vulnerable families. According to the most recent data, a pandemic-driven rise in poverty would cause 9 million more children worldwide to be at risk of being forced into child labor by the end of 2022 compared to 2020. Data from Goal 9 represent that the COVID-19 pandemic has highlighted the value of technological innovation, industrialization, and resilient infrastructure in regaining control and reaching the SDGs. Global manufacturing recovered from an outbreak in 2021, but the recovery is still unequal and inconclusive. The recovery in LDCs has been slow and is still unsure; the crisis had a detrimental effect on nearly one in three manufacturing jobs (United Nations, 2022). Global manufacturing production increased by 7.2% in 2021, reaching its pre-pandemic level after falling by 1.3% in 2020, but recovery is still unequal across nations. The rapid distribution of effective vaccines and the extensive legislative support provided to businesses and households helped high-income countries. Contrarily, the recovery in LDCs has been delayed because of weak and unstable global demand, disruptions in global commerce, and stricter local economic regulations. As a result of protracted lockdowns and travel bans, approximately one in every three jobs in global manufacturing supply chains has likely been canceled, reduced in working hours or compensation, or been the victim of additional cuts. Globally, manufacturing jobs' percentage of total employment fell from 13.7% in 2019 to 13.1% in 2020 (United Nations, 2022). The effects have been most noticeable in middle-income countries, which have long used involvement in supply chains as a source of employment and economic growth. In 2020, the loss in manufacturing employment in middle-income countries reached 8.9%, compared to 3.4% and 3.9% in low-income and high-income countries, respectively. Some of the most severe consequences were felt in garment supply chains, which employ a substantial proportion of women. Despite a resurgence in 2021, worldwide manufacturing employment has not yet regained to pre-pandemic levels due to the weak and uneven character of the recovery. Fiscal stimulus and vaccination coverage were critical determinants of the strength of the labor market recovery in 2021 (United Nations, 2022). Moreover, Small-scale businesses were particularly heavily hit by the pandemic, and many went bankrupt. These industries are more sensitive to economic downturns than their larger-scale counterparts due to their smaller scale, fewer financial resources, and greater reliance on supply chains. Small informal firms have suffered the most, in part because they have been unable to obtain legal lines of credit or COVID-19-related government assistance, (United Nations, 2022).

2.2 United Nations Guiding Principles on Business and Human Rights

In the previous section, we have highlighted how human rights are tackled in the Agenda 2030 and at which point human rights are currently. We now focus on the main international guidelines for business for respecting human rights in the global supply chain. The 2011 United Nations Guiding Principles on Business and Human Rights (UNGP), which are based on the International Bill of Human Rights, lay the groundwork for an emerging multilevel and polycentric business and human rights governance system by defining a set of global standards that apply to all firms in all UN member states. The UNGPs have been incorporated into the OECD Multinational Enterprise Guidelines and the International Labor Organization Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy, which we will deepen later on. The UNGPs include an expectation of how businesses generate revenues rather than how they spend them. Companies are expected to follow the International Covenant on Civil and Political Rights at all phases of the value creation process. This contrasts with an emphasis on charitable actions that take place after the value creation process is complete, with the goal of distributing the results of successful business to contribute to long-term growth. The UNGPs specify the duties, responsibilities, and rights of various business and human rights players. They affirm the state's role as the principal duty-bearer for human rights protection, as well as its responsibility to prevent, investigate, punish, and redress corporate human rights violations. The UNGPs further state that enterprises must clearly commit to human rights by publicly declaring such a commitment, undertaking human rights due diligence, and establishing plans to address any negative human rights impacts of their commercial activities. Thus, the UNGPs describe the rights and obligations of human rights holders and responsibility bearers, as well as a clear division of labor and responsibilities regarding the roles of governments and states, as well as corporate organizations (Sinkovics, 2019). The important role of States is expressed in the first part of the UNGPs, specifically in Principle number 2, which states:

> *"States should set out clearly the expectation that all business enterprises domiciled in their territory and/or jurisdiction respect human rights throughout their operations."* (United Nations Human Rights Office of the High Commissioner, 2011)

Within these boundaries, certain human rights treaty authorities propose that home states take steps to avoid abuse abroad by business companies under their control. There are compelling policy reasons for home countries to clearly state their expectation that enterprises respect human rights overseas, particularly when the state is involved in or supports those businesses. The reasons include maintaining the State's own reputation and assuring predictability for business operations by giving coherent and consistent statements. Furthermore, Principle number 3 is an operational principle stating:

> "*In meeting their duty to protect, States should:*
> *(a) Enforce laws that are aimed at, or have the effect of, requiring business enterprises to respect human rights, and periodically to assess the adequacy of such laws and address any gaps;*
> *(b) Ensure that other laws and policies governing the creation and ongoing operation of business enterprises, such as corporate law, do not constrain but enable business respect for human rights;*
> *(c) Provide effective guidance to business enterprises on how to respect human rights throughout their operations;*
> *(d) Encourage, and where appropriate require, business enterprises to communicate how they address their human rights impacts*." (United Nations Human Rights Office of the High Commissioner, 2011)

Human rights guidance for businesses should specify expected outcomes and aid in the sharing of best practices. It should provide guidance on appropriate methods, including human rights due diligence, and how to effectively address issues of gender, vulnerability, and/or marginalization, while acknowledging the unique challenges that indigenous peoples, women, national or ethnic minorities, religious and linguistic minorities, children, people with disabilities, and migrant workers and their families may face. States should also ensure policy coherence as Principle number 8 declares:

> *"States should ensure that governmental departments, agencies and other State-based institutions that shape business practices are aware of and observe the State's human rights obligations when fulfilling their respective mandates, including by providing them with relevant information, training and support."* (United Nations Human Rights Office of the High Commissioner, 2011)

States must take an extensive approach to managing the economic and human rights agendas in order to ensure both vertical and horizontal domestic policy coherence. Vertical policy coherence requires states to have the policies, laws, and processes in place to carry out their international human rights law responsibilities. Horizontal policy coherence entails assisting and enabling departments and agencies that shape business practices at both the national and subnational levels to be aware of and act in accordance with the government's human rights duties. Lastly, Principle number 10:

"States, when acting as members of multilateral institutions that deal with business-related issues, should:

(a) Seek to ensure that those institutions neither restrain the ability of their member States to meet their duty to protect nor hinder business enterprises from respecting human rights;

(b) Encourage those institutions, within their respective mandates and capacities, to promote business respect for human rights and, where requested, to help States meet their duty to protect against human rights abuse by business enterprises, including through technical assistance, capacity-building and awareness-raising;

(c) Draw on these Guiding Principles to promote shared understanding and advance international cooperation in the management of business and human rights challenges." (United Nations Human Rights Office of the High Commissioner, 2011)

Greater policy consistency is also required at the international level, notably where countries engage in multilateral institutions dealing with business challenges, such as international trade and financial institutions. When states participate in such organizations, they retain their international human rights law commitments. Capacity-building and awareness-raising through such organizations can play an important role in assisting all States in fulfilling their duty to protect, including by facilitating the sharing of information regarding obstacles and best practices, so promoting more consistent approaches. Cooperation among states, international institutions, and other stakeholders can also be beneficial.

In terms of framing, the UNGPs allow for both negative framing in terms of compliance with international human rights standards, as well as positive framing by encouraging companies to not only contribute to the realization of human rights by avoiding abuse and violations but also to support human capability development (Sinkovics, 2019). This setting is well described in Principle number 13:

"The responsibility to respect human rights requires that business enterprises:

(a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;

(b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts." (United Nations Human Rights Office of the High Commissioner, 2011).

Business companies may have an unfavorable influence on human rights as a result of their own activities or as a result of their business relationships with third parties. A business enterprise's "activities" include both actions and omissions for the purposes of these Guiding Principles, and its "business relationships" include connections with business partners, entities in its value chain, and any other non-State or State entity directly linked to its business operations, products, or services. To do so, Principle number 15 highlights operational suggestions:

> *"In order to meet their responsibility to respect human rights, business enterprises should have in place policies and processes appropriate to their size and circumstances, including:*
>
> *(a) A policy commitment to meet their responsibility to respect human rights;*
>
> *(b) A human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights;*
>
> *(c) Processes to enable the remediation of any adverse human rights impacts they cause or to which they contribute."* (United Nations Human Rights Office of the High Commissioner, 2011).

Further details are explained in the following principles, especially Principle number 16 reports a fundamental characteristic for transparent policies: *"[...] Is publicly available and communicated internally and externally to all personnel, business partners and other relevant parties [...]"* (United Nations Human Rights Office of the High Commissioner, 2011). It should be actively communicated to entities with which the enterprise has contractual relationships; others directly linked to its operations, such as State security forces; investors; and, in the case of operations involving significant human rights risks, to potentially affected stakeholders. Internal communication of the statement and related policies and procedures should clearly define the lines and systems of accountability and should be accompanied by any necessary training for individuals in key business operations. Principle number 17 introduces the Human Rights Due Diligence:

> *"In order to identify, prevent, mitigate and account for how they address their adverse human rights impacts, business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed. Human rights due diligence:*
>
> *(a) Should cover adverse human rights impacts that the business enterprise may cause or contribute to through its own activities, or which may be directly linked to its operations, products or services by its business relationships;*
>
> *(b) Will vary in complexity with the size of the business enterprise, the risk of severe human rights impacts, and the nature and context of its operations;*
>
> *(c) Should be ongoing, recognizing that the human rights risks may change over time as the business enterprise's operations and operating context evolve."* (United Nations Human Rights Office of the High Commissioner, 2011)

Potential consequences should be addressed through prevention or mitigation, but real-world effects should be handled through remediation. Human rights due diligence can be integrated into larger corporate risk-management systems, as long as it extends beyond identifying and managing material risks to the organization to include threats to rights holders. Human rights due diligence should begin as early as possible in the development of a new activity or relationship, because human rights risks can be increased or mitigated at the stage of contract or other agreement structuring, and may be inherited through mergers or acquisitions. When a corporate firm has a high number of parties in its value chain, it may be excessively difficult to fulfill due diligence on all of them for damaging human rights implications. If so, corporate entities should prioritize human rights due diligence in general areas where the risk of adverse human rights impacts is greatest, whether due to the operating context of specific suppliers or clients, the specific operations, products, or services involved, or other relevant considerations. Conducting adequate human rights due diligence should assist businesses in addressing the possibility of legal claims against them by demonstrating that they took every reasonable precaution to avoid involvement in a suspected human rights violation.

The UNGPs lay the groundwork for an international BHR governance structure that may be employed to assist MNEs' involvement in sustainable development by identifying and defining the roles of states and business, as well as creating reference points in terms of expected behavior. The BHR governance approach can be used to examine the human rights consequences of IB activities including trade, FDI, various types of MNE foreign market entry or operation, or special organizational configurations like global value chains or the global factory. Together, the UNGPs and the BHR governance methodology can help businesses contribute to the attainment of the SDGs in a complementary way (Sinkovics, 2019).

As we have seen before[5], the COVID-19 pandemic had severe consequences on human rights and the ongoing discussion on the impact of COVID-19 on human rights centers primarily on the role of states and the measures they have been asked to take in order to deal with the pandemic outbreak without abandoning their duty to protect the human rights of individuals under their jurisdiction (Fasciglione, 2020). However, less attention has been paid to the private sector's equally vital role. The 2011 United Nations Guiding Principles on Business and Human Rights remind us of the corporate responsibility to respect (CRtoR) entrenched in the UNGPs' second Pillar. Insofar as corporate operations are concerned, this paradigm also applies to the human rights risks related to the COVID-19 emergency. The current dominant business model (based on the principle of shareholder primacy) includes two avenues for responding to the COVID-19 crisis: first, the application of "cash

[5] See Chapter 2 paragraph 2.1

reserves to engage in stock buy-backs," a simple and quick strategy for boosting the value of shares; second, the mitigation of costs and losses resulting from quarantine, taking advantage of the opportunity provided by the systems for manufacturing along global supply chains, to order the postponement of contractual payments, the cancellation of orders, or, even worse, the refusal to accept delivery of goods already produced. As a result, employers have opposed unions, rejected minimum wage increases, and generally jeopardized the rights of workers who work along supply chains (Fasciglione, 2020). Basically, a favorable environment for the violation of human rights has emerged. This takes effect for example, to migrant workers as well as those in "informal" economies who typically work without health insurance that could ease circumstances of transmissible sickness. This is also true in terms of the emergency measures put in place by states to halt the spread of the virus. These measures, in effect, prohibit working activities in production sectors deemed "non-essential" (e.g., tourism and hospitality), while allowing certain categories of workers to continue working in key sectors (health, transportation, and other basic services) because they are indispensable. With respect to the UNGPs, Principle 12 recognizes that some human rights may be more vulnerable than others in specific industries or contexts, and thus demand "*heightened attention*" in those circumstances. The COVID-19 dilemma creates settings that require such greater focus: rather than authorizing violations of human rights standards, these circumstances force a higher level of attention on corporate actors in terms of human rights respect. In fact, the risk of violation of the right to life, the right to achieve the highest attainable standards of physical and mental health, or the right to safe and healthy working conditions is much higher for these categories of workers than for other non-essential categories of employees (Fasciglione, 2020). It is worth noting that, in order to avoid liability under the second Pillar, business actors engaging in one of the three types of human rights detrimental impact must undertake the steps outlined in Principles 19–22. Significantly, business responsibility through linking plays a critical role in modern supply chain processes. Indeed, the COVID-19 crisis painfully displayed the vulnerabilities of today's global economy and unregulated global supply chains, as well as how the burden of the negative effects of company measures taken in response to pandemic spread is primarily borne by supply chain workers. The issue of the fabrication of gloves for healthcare personnel is a prime example of this situation. The spread of the pandemic has resulted in an increase in global demand for such healthcare devices, with greater pressure on manufacturing plants (for example, in Malaysia, the world's largest supplier of healthcare gloves). As a result, manufacturers have begun subjecting employees to extra shifts, risking breaking the conventional rule against forced labor, which is increasingly applied even to private actors' actions (Fasciglione, 2020). Indeed, corporate responsibility by 'linkage' is based on the fact that organizations at the top of supply chains have the ability to affect the operations of companies downstream due to their ability to fix prices and quantities of items requested. With regard to the COVID-19 crisis, such capacity to influence may imply for upstream businesses the responsibility to take the appropriate steps to avoid employees of their subcontractors and suppliers along the supply chain suffering adverse effects on their right to health or safety at work as an outcome of the pandemic. Corporate emergency responses to Covid-19 should guarantee that human rights are respected by taking a human-rights-based approach in accordance with internationally accepted best practices established by the World Health Organization, the ILO, and other international human rights institutions. The pandemic has highlighted the environmental and social unsustainable nature of today's wealth production and distribution system, the "transparency gaps" of the supply chain model, the inability of private-sector organizations to ensure human rights respect, and the limited effectiveness of voluntary standards to deal with corporate human rights violations. Addressing and systematizing these processes will be crucial in the post-pandemic society. As a result, the problem we face today is to consider how to re-formulate conceptions such as subjects, obligations, normative production, and more that will be required in order to "decodify" the inconceivable reality of the future. In this regard, COVID-19, like any other crisis, represents an issue for the international order, but also an opportunity to reclaim the value of human dignity and realize a world order producing and distributing those values alongside economic values (Fasciglione, 2020).

2.3 International Labor Organization declarations and OECD Guidelines

As mentioned above, UNGPs are integrated into other global conventions that try to regulate human rights respect in global value chains by MNEs, among the most important organization there is the International Labor Organization (ILO).

The Decent Work Agenda is the International Labor Organization's strategic answer to globalization. It underlines fundamental aspects of fair globalization in the workplace by categorizing approximately 200 international labor treaties under four headings: (1) full employment (including the establishment of new firms); (2) respect for basic worker rights; (3) social protection; and (4) social discourse. The Decent employment Agenda gained a significant boost in 2005, when the United Nations World Summit declared decent employment for all as one of the Millennium Development Goals (MDGs). For the first time, governments legally acknowledged full and productive employment as a critical tool for breaking the cycle of poverty, (Scherrer, 2020). Within it, the ILO Declaration on Fundamental Principles and Rights at Work and its Follow-up are present. It was first adopted in 1998 and amended in 2022. When it was adopted, the Declaration addressed freedom of association and the effective right to collective bargaining; the eradication of all types of forced and compulsory labor; the effective abolition of child labor; and the abolition of job and occupation discrimination. This Declaration was revised in 2022 by the International Labor Conference, which added a safe and healthy working environment as a fifth principle and right. The Declaration emphasizes the Organization's commitment to support its Member States, as well as their employers and workers, in accomplishing these goals. The provision of such help was contemplated in the follow-up, and it consists of two major components: regular reporting by Member States and social partners, and particular technical assistance programs aiming at improvement and remedy (International Labor Organization, 2022). The existing supervisory machinery already ensures the application of Conventions in states that have ratified them. For those who haven't, the Declaration is a significant new contribution. First of all, it recognizes that ILO members, even if they have not ratified the specific Conventions, have a commitment to observe "the principles concerning the fundamental rights which are the subject of those Conventions in good faith and in accordance with the Constitution." Following that, it attempts to attain this goal by adopting the ILO's unique Constitutional mechanism, under which States that have not ratified the core Conventions will be required to submit reports on progress achieved in implementing the principles embodied in them each year (International Labor Organization, 2022). This is explained in principle number 2:

> *"Declares that all Members, even if they have not ratified the Conventions in question, have an obligation, arising from the very fact of membership in the Organization, to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely:*
>
> *(a) freedom of association and the effective recognition of the right to collective bargaining;*
>
> *(b) the elimination of all forms of forced or compulsory labor;*
>
> *(c) the effective abolition of child labor;*
>
> *(d) the elimination of discrimination in respect of employment and occupation; and*
>
> *(e) a safe and healthy working environment."* (International Labor Organization, 2022)

Moreover, the ILO support to Member States is declared in sub clauses of principle 3:

> *"(a) by offering technical cooperation and advisory services to pro- mote the ratification and implementation of the fundamental Conventions;*
>
> *(b) by assisting those Members not yet in a position to ratify some or all of these Conventions in their efforts to respect, to promote and to realize the principles concerning fundamental rights which are the subject of those Conventions; and*
>
> *(c) by helping the Members in their efforts to create a climate for economic and social development."* (International Labor Organization, 2022)

The Declaration is commonly recognized as important for achieving the goal of decent work for all, and it also emphasizes the advice provided. Based on it, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration) provides guidance to multinational corporations, governments, and employers' and workers' organizations in areas such as employment, training, working and living conditions, and industrial relations. Because multinational enterprises continue to play a significant role in the process of social and economic globalization, applying the principles of the MNE Declaration is crucial and necessary in the context of foreign direct investment and trade, as well as the usage of global supply chains. The parties involved have the opportunity to use the MNE Declaration principles as guidelines for enhancing the positive social and labor effects of multinational enterprise operations and governance in order to achieve decent work for all, a universal goal recognized in the 2030 Agenda for Sustainable Development (International Labor Organization, 2022). The purpose of this Declaration is to encourage multinational firms to make good contributions to economic and social progress and the fulfillment of decent work for all, as well as to minimize and resolve the issues that their diverse operations may cause. The principles of this Declaration are intended to guide governments, employers' and workers' organizations in home and host countries, as well as multinational enterprises, in taking measures and actions and implementing social policies, including those based on the principles enshrined in the Constitution and relevant ILO Conventions and Recommendations, to further social progress and decent work. Some General Policies are reported in the first section, such as parties should uphold the Universal Declaration of Human Rights (1948) and the corresponding International Covenants (1966) adopted by the United Nations General Assembly, as well as the International Labor Organization's Constitution and its principles, which state that freedom of expression and association are necessary for long-term progress and should contribute to the realization of the ILO Declaration on Fundamental Principles and Rights at Work (1998), as amended in 2022 (International Labor Organization, 2022). It's important to note that in these fundamental principles is cited that "*Enterprises, including multinational enterprises, should carry out due diligence to identify, prevent, mitigate and account for how they address their actual and potential adverse impacts that relate to internationally recognized human rights* […]" (International Labor Organization, 2022). Hence, they should identify and assess any existing or prospective detrimental human rights consequences with which they may be connected, either via their own actions or as a result of their business partnerships, in order to assess human rights risks. As appropriate to the size of the firm and the nature and context of the operation, this approach should include significant engagement with potentially affected groups and other relevant stakeholders, including workers' organizations. This approach should consider the key role of freedom of association and collective bargaining, as well as industrial relations and social discourse as an ongoing process, in order to achieve the goal of the MNE Declaration (International Labor Organization, 2022).

Following the Decent Work Agenda, the Resolution concerning decent work in global supply chains was adopted in 2016. As already explained, supply chains can have both positive and negative impacts in the global economy, governments may have limited assets and capabilities to adequately monitor and enforce law and regulatory compliance. The cross-border expansion of global supply chains has worsened these governance deficiencies. With its mandate, experience, and knowledge in the world of work, as well as its normative approach to development and tripartite structure, the ILO is well positioned to address governance gaps in global supply chains, allowing them to fulfill their promise as development ladders (International Labor Organization, 2016). In clause 15 is reported that States are responsible for enacting, executing, and enforcing national laws and regulations, as well as guaranteeing that the fundamental principles and rights at work, as well as ratified international labor conventions, protect and apply to all workers, taking into account other international labor standards. Governments, businesses, and social partners all have varied but complementary roles to play in supporting decent work in global supply chains. Businesses have a responsibility to protect human and labor rights in their supply chains in accordance with the UN Guiding Principles, as well as to follow local laws wherever they do business (International Labor Organization, 2016). The following part lists a series of actions that governments should implement, among those is highlighted a connection between transparency in supply chains and human rights due diligence, which is important for our research question: "[…] *Stimulate transparency and encourage, and, where appropriate, require, by various means, that enterprises report on due diligence within their supply chains to communicate how they address their human rights impacts*." (International Labor Organization, 2016) and "[…] *In line with the UN Guiding Principles, business enterprises should carry out human rights due diligence in order to identify, prevent, mitigate and account for how they address their adverse human rights impacts. In order to account for how they address their human rights impacts, business enterprises should be prepared to communicate this externally. Business enterprises should establish operational-level grievance mechanisms for workers impacted by their operations in line with the UN Guiding Principles*." (International Labor Organization, 2016).

2.4 Calling for a binding Human Rights due diligence

Human rights due diligence ('HRDD') has developed as a crucial technique for addressing human rights abuses by businesses during the last decade, but its effectiveness in preventing such harms remains debatable. If there is no governmental mandate, the company's responsibility to protect human rights is regarded as a socially anticipated responsibility, and it remains mostly voluntary (McCorquodale & Nolan, 2021). In recent years, there has been a growing international consensus that existing mechanisms with a more voluntary nature are insufficiently effective in promoting responsible business activity, leading to the introduction of mandatory human rights due diligence (mHRDD) legislation. It is important to note that mHRDD is viewed as a vital component of a necessary "smart mix" of international, national, public, private, binding, and voluntary policies and instruments that, when combined, should be capable of effectively promoting human rights respect by the private sector (Lafarre & Rombouts, 2022). Whereas soft law has clear advantages, such as giving companies time to experiment with best practices and guidance and recognizing and stimulating the dynamic learning process, hard law can create binding obligations that directly impact corporate decision-making and create a level playing field for companies. While the benefits of soft law should not be overlooked, mHRDD legislative efforts are being developed to respond to the growing demand for required laws to establish changes in GVCs (Lafarre & Rombouts, 2022). The French *Loi au devoir du Vigilance*, enacted in 2017, was the first general compulsory initiative. Companies must create and implement a vigilance plan under this regulation that allows for risk identification and prevents significant human rights abuses coming directly or indirectly from the company's operations and its supply chain. Non-compliant companies may face an injunction, and the legislation also allows victims to sue for reimbursement for damages caused by noncompliance with this vigilance responsibility. However, unlike the UNGPs, which consider the entire GVC, the legally binding obligation to discover and mitigate adverse human rights and environmental impacts resulting from this French law is restricted to a company's own operations, affiliates, and subcontractors and suppliers with whom it has an "established commercial relationship." Furthermore, whereas the UNGPs do not restrict the range of companies, French legislation only applies to major corporations (Lafarre & Rombouts, 2022). Currently, pieces of national law attempt to directly apply features of the UNGPs and OECD Guidelines on HRDD. The Dutch Child Labor Due Diligence Act of 2019, the German Corporate Due Diligence in Supply Chains Act of 2021, and the Norwegian Transparency Act of 2021 are among them. Further examples of national and sub-national legislation relevant to HRDD that were enacted after the UNGPs include the Australian Illegal Logging Prohibition Act 2012, the UK Modern Slavery Act 2015, and the Australian Modern Slavery Act 2018, as well as some legislation in the Global South (McCorquodale & Nolan, 2021). The European Commission's proposal for a Corporate Sustainability Due Diligence Directive (CSDDD) of 23 February 2022 suggests coordinated corporate sustainability due diligence responsibilities for corporations with extraterritorial impacts and combines, to a considerable extent, the six HRDD phases in Articles 5-11. Likewise, to French law, the scope of obligation is confined to "established business relationships" and does not extend to the entire GVC. Furthermore, there is a strong emphasis on contractual assurances, such as independent third-party validation and designs contractual clauses, whereas it appears that the proposal does not fully recognize the importance of sectoral initiatives and other multi-stakeholder instruments that are central to the (voluntary) dynamic HRDD process (Lafarre & Rombouts, 2022). Lafarre & Rombouts (2022) carried out an empirical analysis using the human rights scores provided in the Refinitiv Environmental, Social and Governance (ESG) database to measure the effect of the French law on corporate human rights practices. The Refinitiv human rights score is one of the ten components that together form the Refinitiv ESG score, and it is based on a numerical scale ranging from 100 (good performance) to 0 (poor performance) (Lafarre & Rombouts, 2022). A non-exhaustive list of 265 French enterprises subject to French vigilance law, including their compliance with the law, was reviewed by the French NGO CCFD-Terre Solidaire (in collaboration with the NGO Sherpa). From 2018 forward, they selected and inspected companies that required to comply with French vigilance rules. For sixty-four of these large (listed) French corporations subject to legislation, the Refinitiv human rights scores were obtained for the entire 2014-2020 sample period. The aim of the results was to investigate if the French law had a positive impact on the human rights scores of the enterprises considered in the sample. The main outcomes indicates that the French law may have had an influence on the laggards in the sample: the human rights scores for the 10th percentile increased from an average of 25.00 in 2016 to 58.51 in 2018, implying that the average score for these firms more than doubled since 2016 (including a possible anticipation effect). Furthermore, the human rights score for the 25th percentile increased by roughly 16 points on average between 2016 and 2018. Conversely, the effect appears to be lower or even non-existent for enterprises with higher human rights rankings prior to the enactment of the French law (Lafarre & Rombouts, 2022). Their research concludes by suggesting legislators carefully consider the potential consequences of mHRDD regulations. Most initiatives focus solely on major corporations; this may imply to enterprises who do not come within the scope of these initiatives that they are not required to comply with any of the (voluntary) due diligence requirements. Furthermore, due to the unique benefits of soft law, other factors such as sectoral efforts and other multi-stakeholder mechanisms remain critical for a comprehensive approach to sustainable GVCs (Lafarre & Rombouts, 2022). A part of these hard law legislations, there have been a growing number of instances before domestic courts that have expanded businesses' responsibility in this area. These cases have demonstrated that a parent company does have a duty of care in relation to the activities of their foreign subsidiaries that have negative human rights and environmental consequences, for which they must provide a remedy; and that companies can have a duty of care where it is clearly foreseeable that a third party will suffer human rights harm as a result of their actions (McCorquodale & Nolan, 2021). In some cases, domestic courts have gone beyond the UNGPs to impose duties on enterprises in connection to the human rights implications of business, emphasizing the need to engage in prevention and drawing on international standards to support such arguments. They ruled in Milieudefensie v Royal Dutch Shell before the Dutch courts that 'the UNGP comprise an authoritative and globally accepted "soft law" instrument' and as such 'are adequate as a guideline in the interpretation of the unwritten norm of care' (McCorquodale & Nolan, 2021).

The degree to which businesses support the concept of HRDD, as HRDD (whether voluntary or statutory) tries to strike a balance between heavy business regulation on the one hand and deregulation on the other, by optimizing a mix of public and private regulation to achieve compliance. HRDD must not only be endorsed by business, but also implemented by them, for this co-regulatory paradigm to be effective. The state's participation is crucial, although it mostly serves as an orchestrator of private actors to encourage, and sometimes compel, cooperation. The European Commission assigned research on HRDD requirements throughout the supply chain, which revealed that a large majority (more than 75%) of the 350 business respondents to a survey indicated that any EU-level regulation on mandatory HRDD would benefit business by providing a "single, harmonized EU-level standard." It also demonstrated that one of the primary reasons for business support for HRDD legislation is that it might provide legal certainty, coherence, and uniformity. Surprisingly, this study found that the majority of businesses believed that implementing a non-negotiable norm would improve or facilitate leverage with third parties without affecting competitiveness or innovation (McCorquodale & Nolan, 2021). McCorquodale & Nolan (2021) reports three empirical research projects have been conducted to investigate the reality of corporate responses to the implementation of HRDD in practice. First, in a survey of over 350 enterprises conducted in 2018, 37 percent were engaged in dedicated HRDD, however only half of these covered the entire value chain of a business. Another 34% conduct due diligence only in specific areas such as health and safety, labor, non-discrimination and equality, the environment, land rights, and indigenous groups. Only 2.5 percent of the largest organizations did not conduct any type of due diligence. However, a substantial proportion of firms continue to fail to implement substantive HRDD as required by the UNGPs. Second, the Corporate Human Rights Benchmark ('CHRB') has published research that aims to offer a comparative snapshot year on year of the world's largest companies, looking at the policies, processes, and practices they have in place to codify their human rights approach and how they deal with serious allegations'. This includes 229 enterprises in five sectors: agricultural goods, apparel, automotive manufacturing, extractives, and ICT manufacturing. The overall finding was that just a minority of corporations indicate a willingness and commitment to take human rights seriously, and there is a gap between commitments and processes on the one hand and actual performance and results on the other. Even more striking were the results for HRDD, where a substantial proportion of organizations scored 0% in having and executing an HRDD process, and the lowest areas of development during the four years, pertaining to the human rights due diligence process. Third, the German government published its National

Action Plan ('NAP') to implement the UNGPs in 2016. As part of this NAP, the German government stated that it would not enact HRDD law unless at least half of all German enterprises with more than 500 employees have sufficiently incorporated the key aspects of HRDD into their business processes in a verifiable manner by 2020. According to the 2020 poll, only 13-17 percent of enterprises could show that they were adequately satisfying the NAP standards on HRDD. As a result, the German government introduced legislation in 2021, the German Corporate Due Diligence in Supply Chains Act 2021, to address firms' lack of action. All of this study shows that, while HRDD is an innovative concept, it is still in its early stages, and its potential to serve as a successful tool to avoid corporate human rights violations remains a possibility for the time being. In terms of gathering information to assist HRDD disclosures, empirical research reveals that supplier audit is one of the most frequently employed techniques used to uncover human rights hazards. A company's supplier compliance with human rights norms is verified through social audits. The UNGPs and other international standards addressed above consider social auditing, but it is assigned a relatively limited role and is referred to solely in the context of monitoring, noting that it may be one of a variety of instruments used to evaluate the effectiveness of a company's response to its human rights impacts. Since auditing is not designed to find the roots of issues. In terms of strategy, scope, and ambition, HRDD is significantly distinct from social auditing. As a result, businesses' continued dependence on social auditing indicates a very restricted view of HRDD and may result in superficial or self-legitimizing compliance-oriented solutions by enterprises to address and lessen the potential for harms (McCorquodale & Nolan, 2021).

Human Rights Watch has been tracking human rights violations throughout global supply chains in agriculture, the textile and footwear industry, mining, construction, and other industries for more than two decades, in every part of the world. The 2016 International Labor Conference, a global gathering of governments, companies, and labor unions to discuss labor-related topics, offers a once-in-a-lifetime opportunity to effect profound change. The International Labor Conference had, for the first time, focused on decent work in global supply networks. In the absence of legally enforced norms, it is extremely difficult to ensure that all corporations take their human rights due diligence responsibilities seriously. Voluntary norms, while important, are insufficient. Human Rights Watch urges governments, employers, and trade unions attending the International Labor Conference to seize the chance to start the process of adopting a new international, enforceable standard requiring governments to mandate businesses to conduct human rights due diligence in worldwide supply chains (Human Rights Watch, 2016). Too many of supply chain employees are subjected to abuses such as inadequate working conditions, including violations of the minimum wage; forced overtime; child labor; sexual harassment, exposure to hazardous substances, and other extreme occupational dangers; and punishment against workers who attempt to organize. Governments have an obligation under international law to protect worker rights, including the ability to protest and organize unions, but many fail to do so. Forced labor affects an estimated 21 million people worldwide. The Rana Plaza accident in Bangladesh in April 2013 brought to light poor working conditions and labor rights violations in factories producing for multinational textile and footwear brands. The eight-story Rana Plaza skyscraper was located outside of Dhaka, Bangladesh's capital, and housed garment companies employing over 5,000 people. Another 1,100 workers died and another 2,000 were injured when the building collapsed. Three years later, Bangladesh has witnessed tangible improvements in fire and building safety, but the garment and footwear supply chains continue to be afflicted by major human rights issues. Human Rights Watch, for example, has documented how many garment workers in Bangladesh and Cambodia face forced overtime, pregnancy-based discrimination, denial of paid maternity leave, and anti-union violations. Labor rights infractions are also common in Qatar, the United Arab Emirates, and other Gulf States, where construction workers have been subjected to severe abuse as part of supply chains for large-scale construction and engineering projects. These low-wage migrant workers are subjected to hazardous, and occasionally lethal, working conditions, and are frequently forced to work for abusive employers through the kafala (sponsorship) system. Passport confiscation is widespread, and many workers arrive with substantial debts from outrageous recruitment costs that might take years to recover. Migrant employees are unable to create or join trade unions, and there is often little or no recourse for abuse through the legal system. This confluence of control mechanisms can all too easily lead to human trafficking and forced labor (Human Rights Watch, 2016). A practical example is what occurred for the FIFA World Cup in 2022 help in Qatar. When arranging the 2022 World Cup in Qatar, the host country, FIFA, and FIFA's home country, Switzerland, should have been aware of the danger of human rights breaches. Indeed, despite recent advances, violations of human rights continue to occur. Some of the barriers to the respect and protection of workers' rights include a lack of regulation of private enterprises' accountability, the absence of regional human rights courts in Asia, and the difficulty encountered in seeking protection and reparation at the national level (Regueiro, 2020). The organization is logistically challenging and necessitates a huge workforce. The Qatari Supreme Council for Delivery and Legacy, founded by the Qatari government in 2011, oversees the stadium construction, which selects national and foreign contractors for each stadium. The workforce is made up of 85% non-Qatari males, 10% non-Qatari females, and 6% Qataris. The majority of foreign inhabitants in Qatar are from India (almost 25% of the overall population), Nepal (14%), Bangladesh (11%), the Philippines (10%), and Egypt (8.5%) (Regueiro, 2020). More in detail, the employer (Kafil) is responsible for the safety and protection of migrant employees under the Kafala system. The employee can only obtain a visa to enter the country and work if Kafil sponsors them. As a result, the legal status of those workers in Qatar—entry, residence, transfer, and exit—depends entirely on the employer. A migrant worker, for example, cannot change occupations without the consent of their sponsor. The practices that resulted from the system in question are considered modern-day slavery: forced labor as defined by the International Labor Organization (ILO) and human trafficking, as migrant workers were subjected to exploitation prior to, during, and after their entry into Qatar, as well as in the construction industry, with long working hours under extreme temperatures, low wages (or no wages if the employer decided to withhold large portions of salary for extra charges), and pay delays (Regueiro, 2020). Human trafficking for forced labor was the subject of a complaint submitted against Qatar on June 12, 2014, by Belgium, Libya, Jordan, Morocco, Sweden, the United Kingdom, Denmark, France, Canada, Pakistan, Kenya, and Tunisia, alleging a breach of International Labor Organization Conventions nos. 29 and 81. The aforementioned nations' ILO delegates underlined their worry over the condition of migrant workers in Qatar. The delegates emphasized the lack of effective complaint mechanisms, the inability of labor inspectors to enforce findings and fines, the legitimate fear of retaliation, and the arrest, detention, and deportation of potential trafficking victims for immigration violations and leaving their employers and sponsors. Qatari labor changes affecting migrant worker freedom of movement and labor dispute resolution resulted in the termination of the complaint procedure under Article 26 of the ILO Constitution in 2017. However, the status of migrant workers has not improved sufficiently, and major human rights violations continue to occur. Qatar, on the other hand, declared that the meaning of the word "trade unions" in Article 8 of the ICESCR[6] was "in accordance with the provisions of the Labor Law and national legislation." However, only Qatari nationals, according to Qatari national legislation, have the ability to organize organizations and trade unions, barring migratory labor (Regueiro, 2020).

Over 168 million children are participating in child labor worldwide, with 85 millions of them doing dangerous work that jeopardizes their health or safety. Corporations may benefit from and contribute to child labor in their supply chains, such as when minors harvest export commodities, mine rare minerals, process leather, and sew clothes. The worst types of child labor are forbidden under international law, yet numerous countries have failed to take meaningful measures to prevent it. Tobacco is an especially hazardous agricultural product for minors. Children who come into contact with tobacco plants are at risk of becoming severely nicotine poisoned. Human Rights Watch found

[6] International Covenant on Economic, Social and Cultural Rights (ICESCR)

hazardous child labor in tobacco production in the United States and Indonesia, interviewing several children who reported symptoms of acute nicotine poisoning, such as nausea, vomiting, headaches, and disorientation. This tobacco enters major cigarette producers' supply chains. In mining, many youngsters are exposed to mercury, a highly hazardous chemical that causes brain damage and other long-term health issues. Working in dangerous pits that frequently collapse endangers the lives of child miners. The countries where most children are involved in gold mining are Ghana, Mali, Tanzania, and the Philippines. Many firms risk contributing to the more than 12 million fatalities caused by hazardous environments each year through their worldwide supply networks. For example, about 150 tanneries in Bangladesh's capital Dhaka's Hazaribagh neighborhood expose employees and nearby inhabitants to untreated tannery effluent including chromium, sulphur, ammonium, and other chemicals that cause major health concerns. According to government officials, tannery association representatives, trade union officials, and nongovernmental organization personnel, no Hazaribagh tannery has an effluent management system to handle its waste (Human Rights Watch, 2016). To defend human rights, governments must effectively regulate commercial activities and enact and enforce stringent labor laws in accordance with International Labor Organization (ILO) standards. In practice, Human Rights Watch investigations has discovered that labor legislation loopholes, inadequate labor inspections, and poor enforcement frequently impair labor rights and other human rights. While authorities generally control corporate activity at the domestic level, their severity and effectiveness differ. Furthermore, governments have frequently failed to monitor or regulate the extraterritorial human rights abuses of firms based on their territory. In the absence of legally enforced norms, it is extremely difficult to ensure that all corporations take their human rights due diligence responsibilities seriously. A new global, legally enforceable norm on human rights due diligence in global supply chains would be a significant step forward in improving responsible business practices around the world. Where states have made human rights due diligence required, corporation transparency has improved. One example is Brazil, the world's second-largest tobacco producer, which has taken steps to enforce a ban on child labor in tobacco cultivation and hold farmers and firms in the supply chain liable for violations. Because tobacco production is harmful, Brazil has forbidden all work by children under the age of 18 in the crop and imposed penalties severe enough to discourage farmers from permitting children to work in this industry. Penalties under Brazilian law apply not just to farmers, but also to firms that buy tobacco, creating an incentive for the tobacco industry to guarantee that adolescents do not labor on farms in their supply chains. According to Human Rights Watch investigation, firms' contracts with farmers often included an explicit prohibition on child labor and financial penalties if children were found working. Companies also made it a priority to send instructors to landowners numerous times during the tobacco season to remind them that child labor is illegal. Recognizing that bans alone are not sufficient to stop child labor, Brazil has implemented social programs for low-income families to assist in relieving the financial need that causes parents to send their children to work (Human Rights Watch, 2016). Companies must be familiar with every connection in their supply chain in order to accurately analyze risks in their supply chain. In practice, companies frequently fail to gain a clear view of the human rights concerns in their supply chain. Some businesses do not even map out all of the actors in their supply chain. Enterprises should take actions to prevent or minimize human rights risks once they have recognized them. These may include regular unexpected inspections, contractual duties for suppliers, whistleblower protection, and other measures, based on the circumstances.

All too often, firms keep the outcomes of internal and third-party audits hidden or merely issue summary audit reports. Companies should make public their efforts in performing human rights due diligence. A serious issue of accountability arises from a lack of adequate public reporting. Companies improve their ability to forego and respond to labor rights violations in their supply chains by revealing the names and locations of factories producing for them. The disclosure of information by some brands in the garment and footwear section is a powerful first step towards greater transparency (Human Rights Watch, 2016).

Carmen Millàn San Martìnez (2021) conducted research on "Minerals from Conflict-Affected and High-Risk Areas" or "conflict minerals" which refer to a broad category of minerals that come from regions where there are ongoing armed conflicts, high levels of violence, or other risks to the safety of individuals. Since the UN Security Council identified the illegal trade in natural resources as one of the problems that can jeopardize international peace and security in 2010, numerous states and international organizations have attempted to adopt initiatives to address this problem (Millàn, 2021). For the first time, the UNSC discusses the requirement that individuals or organizations who take part in the mineral supply chains from conflict-affected and high-risk regions show proof that they have implemented due diligence to avoid providing direct or indirect support for illegitimate armed groups operating in those nations. Due diligence is thus presented as a comprehensive concept that aims to provide transparency and proper monitoring of minerals from the moment they are extracted from the mine until they reach the end users in the form of finished goods in the context of conflict-affected and high-risk mineral supply chains. In this way, the idea of due diligence goes beyond the typical strategy of merely risk management to emphasize transparency as a goal in regard to mineral supply chains in conflict and high-risk countries (Millàn, 2021). The USA was one of the first nations to put forth a proposal for a project involving due diligence in the mineral supply chains from conflict-affected and high-risk regions. The USA attempted to address the problem by concentrating on the conflict in the Democratic Republic of the Congo with the goal of increasing transparency and lowering international trade in minerals from this State's illegal mines. In 2010, the Dodd-Frank Act, also known as the Wall Street Reform and Consumer Protection Act, was adopted. The known section 1502 of this law addressed conflict minerals. According to this clause, certain international corporations are required to inform the SEC each year where the gold, tungsten, tantalum, and tin used in their products originated in order to determine whether the DRC or one of its neighboring nations supplied it. The only obligations placed on the business, if it determines in good faith that the minerals it uses to make its products don't originate in the DRC or one of its neighbors, are to provide the information to the SEC and to report its findings on the company's website. The corporation must take reasonable precautions, file a "conflict minerals report" with the SEC, and make the report publicly accessible on its website if it can be proven that the minerals are from the DRC or a neighboring nation. The company will specify in this report whether or not its finished products contain "conflict-free minerals from the Democratic Republic of the Congo", that is, whether or not they do not contain minerals that either directly or indirectly support or benefit armed groups operating in the DRC or neighboring countries. Later, the SEC made this need explicit by equating due diligence with that outlined in the OECD Guidance (Millàn, 2021). It should be noted that after a few years of Dodd-Frank Act implementation, multinational corporations have chosen to pay more for minerals with, a conflict-free stamp, making minerals from conflict-affected and high-risk areas less profitable for armed groups and, in turn, causing a decline in the amount of mines controlled by all these numerous groups. However, Section 1502 of the Dodd-Frank Act only requires multinational corporations to disclose the origin of their minerals rather than explicitly prohibits them from doing so, leaving it up to the companies whether or not to use minerals that, directly or indirectly, fund armed groups in the Democratic Republic of the Congo or in nearby nations, prolong the conflict, or violate human rights (Millàn, 2021). The OECD released its OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas in 2011, and it was last updated in 2016. Its goal is to support businesses in upholding human rights and avoiding inciting conflict through their mineral procurement methods. The OECD attempts to define terms like conflict-affected and high-risk areas, due diligence, and the mineral supply chain itself in the Guidance. Asserting that "Observance of this Guidance is voluntary and not legally enforceable" is the second responsibility of the Organization. The Guidance also includes two supplements and three annexes that provide specific advice on how to perform due diligence. Within the European Union framework, in order to establish a Community Regulation on due diligence in the mineral supply chains from conflict-affected and high-risk areas that is substantially comparable to the OECD Guidance, the European Parliament and Council adopted Regulation (EU) 2017/821 on May 17, 2017. This regulation lays out supply chain due diligence obligations for Union importers of tin, tantalum, and tungsten, their ores, and gold originating from these areas abandoning the idea of the self-certification system (Millàn, 2021). This Regulation aims to bring clarity and predictability to the supply practices of Union importers, as well as those of smelters and refiners who source from high-risk and conflict-affected regions. Referring to the Regulation, the rule defines due diligence in the supply chain as the collection of duties placed on Union importers of minerals with respect to their management systems, risk management, independent third-party audits, and disclosure of information with a view to identifying and addressing actual and potential risks linked to conflict-affected and high-risk areas to prevent or mitigate negative effects associated with their sourcing activities as stated in Annex II of the OECD Guidance (Millàn, 2021). The 2003 Kimberley Process Certification Scheme (KPCS) is a potential substitute for the present efforts on due diligence in the mineral supply chains from high-risk and conflict-affected regions. Although it is true that diamonds are a luxury good that Western consumers can choose not to purchase, we are dealing with two types of natural resources, whose extraction and production processes are very similar, which have the capability to produce significant benefits to countries. These resources are minerals from conflict-affected or high-risk areas, such as coltan, which are part of finished products, such as mobile phones and computers, considered today to be essential in the daily lives of Western consumers. Particularly in Sierra Leone, Angola, and the DRC, where armed groups operating in these countries have utilized these valuable minerals to finance his campaign of terror, the illicit trade in diamonds has been the cause of numerous human rights violations. Under the presidency of South Africa, the Kimberley Process, a process of open tripartite consultations with the leaders of the major countries involved in the diamond trade, as well as with industry and civil society, began in May 2000 to discuss ways to halt the trade in conflict diamonds and guarantee that diamond transactions do not finance violence by rebel movements and their allies seeking to undermine legitimate governments (Millàn, 2021). Using this System, the Participating Countries commit to implementing the KPCS in their respective internal legislation and to follow all shipments of rough diamonds designed for export with a certificate indicating the origin of the diamonds and ensuring that they have been handled in accordance with the provisions of the KPCS system in order to eradicate the presence of conflict diamonds from the production and distribution chain. A serious violation of these regulations results in the temporary inclusion of the offending State on a list of non-Participating countries, with the remaining members of the Participating countries obligated to avoid any shipment of rough diamonds imported or exported from a non-Participating country (Millàn, 2021). Despite the fact that it is a recommendation with no binding effects, an actual state of behavior has developed around it based on the expectation of the Participating States to achieve a certain level of effectiveness in accomplishing the objectives, and all Participating States have included the Core Document in their corresponding national laws through mandatory norms. Statistically, the KPCS has shown to be successful since it is believed that, as of November 2019, conflict diamonds that are not part of the Kimberley Process account for less than 0.2% of global diamond production and trade. Despite these developments, after several years of application, the doctrine has identified some limitations that call into question its effectiveness as a possible and feasible alternative to current initiatives on due diligence in conflict-affected or high-risk mineral supply chains because it focuses solely on diamonds with the potential to profit rebel groups. One limitation concerns terminology and as some researchers propose, the wider definition of conflict diamonds should be: “all diamonds that come from areas where diamond mining is based on the systematic violation of human rights” (Millàn, 2021). The second limitation is related to the legal status of the KPCS Core Document. This document is not an international treaty as defined in Article 2 of the 1969 Vienna Convention on the Law of Treaties, but rather a type of voluntary political settlement without binding legal force, an instrument of soft-law, leaving its proper implementation to the control of the Participating nations. The third limits regards the lack of means and resources for the proper execution of the Process, as well as the lack of homogeneity in national legislation, with the main result being a lack of efficacy of the control system that aids in identifying non-compliance (Millàn, 2021). Several reasons contribute to the better success of a system similar to the KPCS applied to minerals from conflict-affected and high-risk areas. First and foremost, we are dealing with an instrument whose recipients are sovereign governments, which are required to apply the Process through internal legislation, rather than a due diligence instrument whose targets are companies. Second, the certification scheme appears to be more precise and detailed than due diligence instruments, the primary problem of which is the imprecision of its characterization, which is seen as a preventive obligation rather than a basis for responsibility. Third, while the various initiatives on due diligence studied all suffered from the same limitation: the lack of an ultimate sanction for possible violations, a system similar to the KPCS would consider temporarily including the violating state on a list of Non-Participating States, which would result in a sanction. In terms of goal, the KPCS seeks to eliminate the existence of conflict diamonds in the manufacturing and marketing chain, whereas the initiatives analyzed solely seek openness in the process. Lastly, the most critiqued feature of initiatives such as the 2011 OECD Guidance is its lack of binding character, which leaves it up to firms to comply with its requirements. This might be addressed with a system similar to the KPCS since, while its Core Document is not legally binding, all national legislation enacted to implement it (Millàn, 2021).

A wide range of literature had addressed Global value chains that govern our production and consumption systems. In doing so, they raise two issues for the achievement of human rights. The first issue reveals itself in the well-known "race to the bottom." The strategic advantage of multinational enterprises that coordinate value creation across transnational production networks is maintained through cost competitiveness, including bringing down supplier costs. Cost rivalry and price pressures on suppliers are driven not just by enterprises' need to stay in the market, but also by incentives set at the level of corporate elites, whose variable compensation is connected to financial performance. As discussed in the Chapter, one consequence of cost competitiveness is that government responsibilities to defend and fulfill human rights are undermined by policies aimed to attract investment, including the continuation of low salaries and flexible labor standards through labor market deregulation. The result is an increased vulnerability for workers and their families, who frequently end themselves laboring in poverty and without government protections for workers' rights at work. The second issue is that government solutions to race-to-the-bottom restraints are hampered by the legal-economic structures of global value chains themselves, which are fragmented. The production networks that handle global wealth creation are made up of distinct legal companies that operate in different jurisdictions, therefore no single regulator can adequately defend rights. At the same time, international organizations and norms have only a limited impact since they are based on the notion that the core of legal regulation of economic activity is the state, or their enforcement is minimal. Several approaches to the institutional challenges of making human rights principles a reality in global value chains have arisen. Perhaps the most well-known has originated in response to the effects of industrialization on labor. Many human rights violations stemming from global value chains affect labor rights. They are governed in general by human rights law published by regional or international human rights organizations, and in detail by the International Labor Organization (ILO), as deeply explained above in paragraph 2.3. A comparable but growingly significant shift has happened in terms of rising standards of responsible business activity. The advent of various types of corporate self-regulation under the general umbrella of Corporate Social Responsibility (CSR) coincided with the establishment of neoliberalism as the dominant ideological framework of economic policy-making (Buhmann, et al., 2019). This development came from detailed guidelines such as UNGPs and OECD Guidelines for Multinational Enterprises, deepened respectively in paragraphs 2.2 and 2.3 of this Chapter. In light of this, we will discuss the concept of CSR and Environmental, Social and Governance (ESG) standards in relation to the responsible conduct of businesses in Chapter 3. The UNGPs extended on one of the UN Framework's important contributions by defining 'human rights due diligence' as a management process for identifying and preventing human rights harm. This concept swiftly spread to the OECD Guidelines, business requirements such as the ISO standards for CSR, and national regulations in a number of states. 'Risk-based due diligence' was frequently used to apply due diligence to a variety of 'CSR' issues. The UNGPs-based due diligence technique varies from other types of business due diligence in that it focuses on identifying and preventing or mitigating harm caused by the corporation to society. The UNGPs' normative advances have resulted in a shared understanding of what constitutes how to be a responsible business. While human rights have long been a component of CSR, the UNGPs narrowed what was previously a very broad range of possibilities for firms seeking to engage ethically. Several nations have implemented the UNGPs' due diligence framework in conjunction with non-financial reporting regulation measures (Buhmann, et al., 2019). Buhmann et al. (2019) presented three articles that contributed to the literature on this topic. The first by Ashok Kumar emphasizes the emergence of big intermediaries in India's textile business, the increasing 'buyer-producer symbiosis,' and the effects these developments have had on worker agency, particularly mobilization to assert or safeguard workplace rights. The essay is a historical-sociological case study of workers' struggles at a major warehouse of Arvind Limited, an Ahmedabad cotton plant that has grown to become one of the world's leading denim makers. Kumar demonstrates how major corporations can arrange production processes to foster labor market dualism, undermining workers' structural power and undermining union organizing. Kumar cites a definite shift toward hierarchy in India's textile business, which he claims gives workers more leverage to fight for the application of socially normative frameworks that safeguard their rights and enhance their income and working conditions. Kumar defines spatial inflexibility' as a critical factor in improving workers' structural power and divides it into regulatory and market-based inflexibility (Buhmann, et al., 2019). The second by Opi Outhwaite and Olga Martin-Ortega explores the numerous types of supply chain monitoring that have emerged as a result of the prevalence of labor rights violations in global value chains. As forms of insufficient enforcement of human rights standards, approaches to self-regulation under CSR frameworks have tended to rely on in-house monitoring, social auditing methodologies, or multi-stakeholder platforms. It implies that innovations are attempting to add an aspect missing from traditional techniques, notably an independent voice of rights holders, particularly workers. Monitoring methods have tended to frame workers as passive individuals, thereby silencing or excluding workers from tasks such as ensuring a safe and healthy workplace or bargaining over working hours and wage levels. The essay proposes a framework for worker-driven monitoring that includes five key components: objectives, governance, design, training, inspection, and complaints and dispute resolution. These elements serve as the foundation for considering more effective forms of supply chain transparency in general, and monitoring strategies in particular, not least by highlighting the complex interactions between employers and workers, brands and suppliers, employees and their unions or local and global labor rights organizations, and all of these with one another (Buhmann, et al., 2019). The last contribution is by Katerina Mitkidis, Sonja Perkovic and

Panagiotis Mitkidis Katerina Mitkidis, Sonja Perkovic, and Panagiotis Mitkidis examine human rights inclusion in global value chains through the lens of contractual governance. Contracts between companies in a value chain are legally enforceable agreements that allow lead firms to hold supplier companies liable for contract violations, including infringement of social provisions such as child labor, working hours, or overtime compensation. Contracts, by allowing one party to demand compensation if they can establish an economic loss, become a potentially powerful tool for governing the conduct of business dealings, particularly between customers and their suppliers (Buhmann, et al., 2019).

Research focused on calling for mandatory HRDD or alternative methods essential to "sensibilize" governments to adopt mandatory legislation and MNEs to be responsible in their supply chain relations pointing out how much society is concerned with these topics. Binding legislation is certainly essential to improve firms' commitment and application of HRDD. As Buhmann et al. (2019) pointed out, "care on the part of business is precisely what is missing". Human and labor rights breaches in global value chains are numerous and ongoing. At times, business appears to have a limited understanding of the types of human rights hazards that develop in their value chains; at others, the simple conclusion appears to be that the power of selecting profit over people's rights remains uncontrolled. This special issue has attempted to shed light on some of the ways in which this reality may be changing (Buhmann, et al., 2019). The research gap stands in proposing innovative solutions that are effective and efficient both for governments and companies. This thesis aims to contribute to this gap, understanding how transparency can enhance HRDD by finding an effective and efficient way for companies to implement and for governments to make it enforceable.

CHAPTER 3

This third chapter will be the last one of the literature review before moving to analyze our qualitative study. The aim of this chapter is to find a bridge between the topics of global value chains and human rights principles with corporate responsibility. In the first section, we will introduce the concept of Corporate Social Responsibility and present the current literature on it. Then, in the second section, we will discuss the new approach to Environmental, Social, and Governance (ESG) reporting, focusing on the "S" pillar. Moreover, the third section will review the cooperation between MNEs and NGOs for social value creation and transparency.

3.1 Corporate Social Responsibility (CSR)

Today's Ethical Management, as an aspect of business behavior, frequently employs the CSR framework when tackling customer and supplier relationships, as well as environmental management and other ethical issues (Dathe, et al., 2022). CSR is defined as the transparent and accountable integration of social, environmental, and economic concerns into a corporation's values, culture, decision-making, strategy, and operations in order to build better practices inside the organization, produce wealth, and improve society. Sustainability has become increasingly crucial in recent years, to the point where any organization must implement sustainability features alongside operations management and organizations. There is a considerable requirement to link the CSR implementation process with the sustainability strategy in order to minimize negative consequences on the environmental and social components of sustainability (Dathe, et al., 2022). A. Carroll's 4-step pyramid, developed in 1979, is one of the most extensively used CSR models. Dathe et al. (2022) present Carroll's model on the social responsibility of businesses in four hierarchical levels, as shown in Figure 7:

- Economic responsibilities,
- Legal responsibilities,
- Ethical responsibilities,
- Philanthropical responsibilities;

Figure 7: Caroll's 4-step CSR pyramid

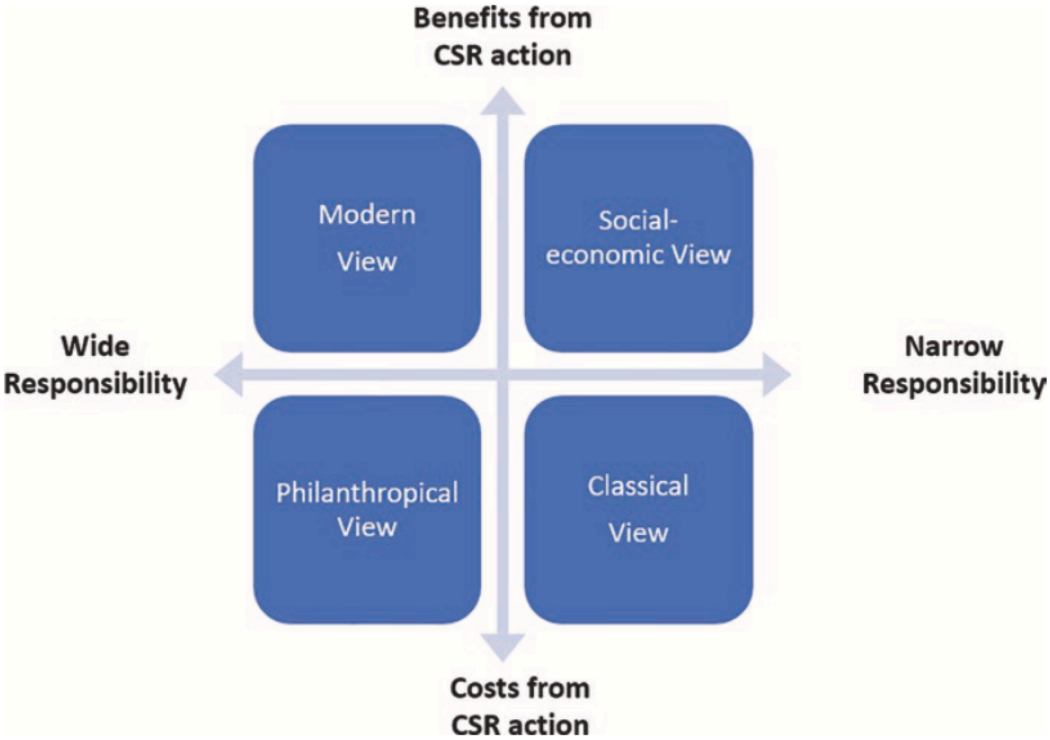
Source: Dathe T., Dathe R., Dathe I., Helmond M., (2022) "Corporate Social Responsibility (CSR) and Ethical Management". In: Corporate Social Responsibility (CSR), Sustainability and Environmental Social Governance (ESG), Springer, Cham, p. 108.

The society expects enterprises to be profitable over time. Once a firm is financially successful will it be able to deliver relevant products and services to the market, ensure employment, and contribute to society through tax payments. Corporate social responsibility is founded on economic accountability. Additionally, society expects businesses to avoid using illegitimate measures in their efforts to create value. Business organizations, like all other members of society, are governed by legislation and regulations. Ethical responsibility is an effort that goes above and beyond the legal requirements that society expects. When a corporation, for example, incorporates environmentally friendly technologies in the manufacturing process or assures good working conditions and fair compensation for employees in overseas production sites, it is deemed to have assumed its ethical obligation. Philanthropic duty is the greatest level of corporate social responsibility because it is voluntary. A firm can fulfill its charitable obligations by improving the quality of life for its employees and/or the local community (Dathe, et al., 2022). Carroll's pyramid has some limitations since it fails to address conflict of interests and does not offer a practical CSR strategy focusing on the different four components. Quazi and O'Brien, on the other hand, propose a well-defined strategic model called the Two-Dimensional Model. In this approach, CSR decisions in corporate practice are governed by two elements, regardless of the social context or market constellation:

- The understanding of CSR concept: broad vs. narrow responsibility,
- The benefits vs. costs of CSR activities.

As a result, possible CSR strategies can be classified into four categories (Dathe, et al., 2022), as shown in Figure 8.

Figure 8: Two-dimensional model of Quazi & O'Brien

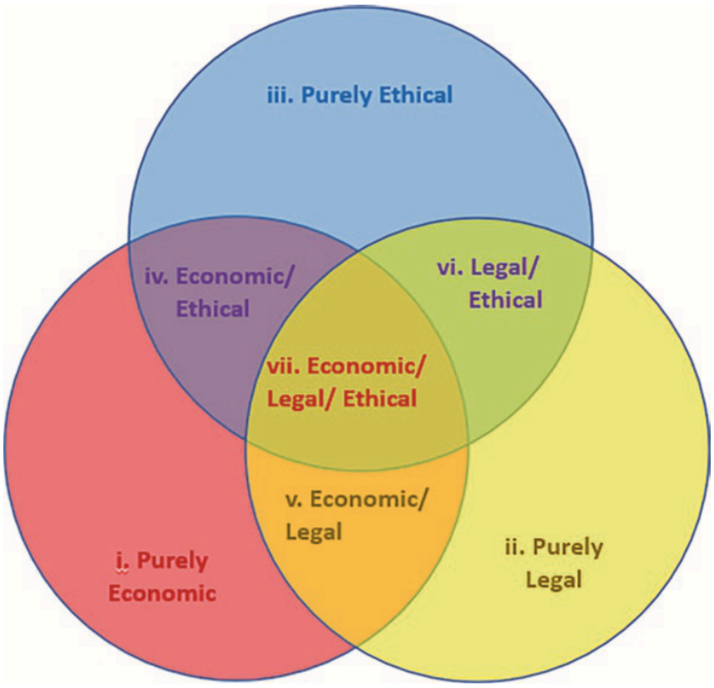


Source: Dathe T., Dathe R., Dathe I., Helmond M., (2022) "Corporate Social Responsibility (CSR) and Ethical Management". In: Corporate Social Responsibility (CSR), Sustainability and Environmental Social Governance (ESG), Springer, Cham, p. 110.

In the Classic view, the corporation has a limited concept of social responsibility, and the expenses of CSR operations outweigh the advantages in the strategic assessment, thus the emphasis is on economic factors. From the Socioeconomic view, the firm has a limited understanding of social responsibility, even though the benefits of CSR operations outweigh the costs in the strategic assessment, so CSR efforts are supposed to generate economic benefits. From the Modern perspective, the corporation understands social responsibility broadly, and the advantages of CSR operations exceed the costs in the strategic assessment. When developing the plan, the economic impact of CSR actions on shareholders is considered. The Philanthropical view consists in a business that has a broad concept of social responsibility, but the expenses of CSR initiatives outweigh the benefits in the strategic assessment. When developing the strategy, the entire impact of CSR actions on shareholders is considered (Dathe, et al., 2022). Although this two-dimensional approach is useful for strategy formulation based on corporate understanding of the CSR idea, it does not provide any opportunities to link the strategy to individual CSR activities (Dathe, et al., 2022). To overcome the limitations of Carroll's initial 4-step pyramid model, Carroll & Schwartz present a Three-Domain Model, which offers various other mixed types of strategic orientations containing 7 categories of CSR contributions, as shown in Figure 9 (Dathe, et al., 2022):

- Purely economic;
- Purely legal;
- Purely ethical;
- Economic-ethical;
- Economic-legal;
- Legal-ethical; and
- Economic-legal-ethical.

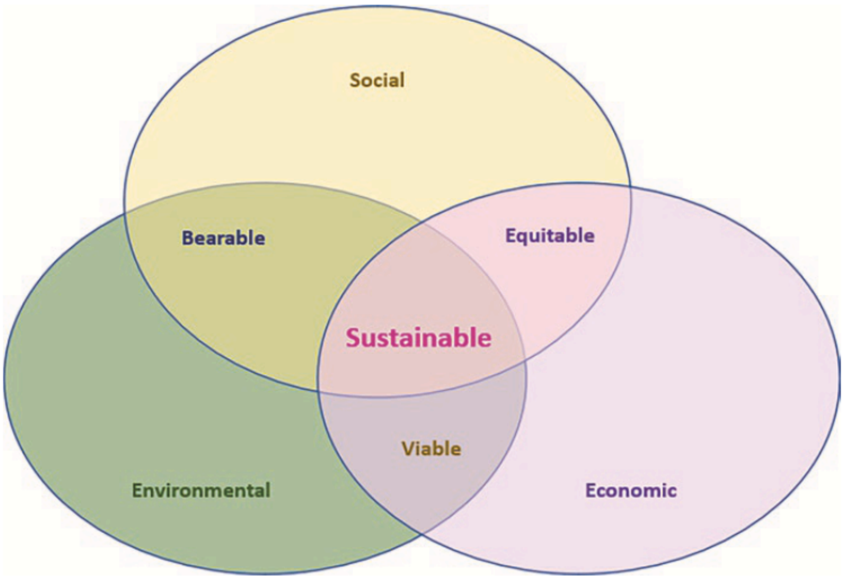
Figure 9: Three-domain model by Carroll and Schwartz



Source: Dathe T., Dathe R., Dathe I., Helmond M., (2022) "Corporate Social Responsibility (CSR) and Ethical Management". In: Corporate Social Responsibility (CSR), Sustainability and Environmental Social Governance (ESG), Springer, Cham, p. 111.

To be sustainable, society expects firms to follow sustainable business practices. The Brundtland report of the World Commission on Environment and Development (WCED) defines sustainability as a social development strategy that fulfills the needs of the present without sacrificing future generations' ability to meet their own needs." Elkington's three-pillar model ("triple bottom line") represents a shared understanding of the idea of sustainability. It illustrates the best approach to sustainability as a healthy balance of environmental, economic, and social aims. In practice, corporate strategies can be divided into seven groups based on their emphasis on the three fundamental aspects (Dathe, et al., 2022), as shown in Figure 10.

Figure 10: Three-dimensional model of Sustainability



Source: Dathe T., Dathe R., Dathe I., Helmond M., (2022) "Corporate Social Responsibility (CSR) and Ethical Management". In: Corporate Social Responsibility (CSR), Sustainability and Environmental Social Governance (ESG), Springer, Cham, p. 112.

The term Corporate Social Responsibility has several synonyms used in literature; the expression "Corporate Citizenship (CC)" had sometimes been used to describe the social role of business. Overall, this expression in the literature contains a variety of content peculiarities. In a broader sense, corporate citizenship is equivalent to the philanthropic level of corporate social responsibility. In others sense it is used equivalently as CSR. In a larger sense, CC is considering the supplementary challenge of major businesses possessing dominant political power (Dathe, et al., 2022). Within this latter concept, we can identify three rights which goes under the umbrella of the political elements: social rights (the rights of individuals to participate in society), civic rights (freedom from abuse and interference, freedom of speech, right to property, etc.) and political rights (the right to vote, the right to hold public office or in general, the right to participate in the civil political process) (Dathe, et al., 2022). The value system of CSR incorporated the Ten Principles of the UN Global Compact into integrity-based strategies, policies, and procedures. Companies are not only fulfilling their basic responsibilities to people and the environment but also laying the groundwork for long-term success

(Dathe, et al., 2022). The United Nations Global Compact is a framework for businesses based on ten pillars in the areas of human rights, labor, the environment, and anti-corruption. Companies are grouped together with UN agencies, labor groups, and civil society under the Global Compact. The framework establishes a global vocabulary for corporate responsibility as well as a structure for all enterprises, regardless of size, complexity, or location. Joining the UN Global Compact is a significant, public step toward transforming our planet via principled business (Dathe, et al., 2022).
A new branch of research tries to generate ties between collections of literature with monodisciplinary tendencies related to the human rights effect of advanced and emerging multinational corporations (MNCs). In particular, to close the gap between CSR studies and the business-human-rights discussion, but also to the IB, general management, and GVC/GPN literature (Sinkovics, et al., 2015). The aim is to solve the issue of CSR studies originating from an inadequate definition of the terms "social" and "responsibility". Furthermore, it can be used to compare the human rights impact of advanced and rising multinational corporations. The majority of CSR-related IB studies concentrate on the commitments made by firms to tackle social and environmental issues in the pursuit of legitimacy and/or the business reasons for doing so. The GVC approach provides an in-depth analysis of global industries from two opposing perspectives: top-down and bottom-up. While some studies focus on the governance practices of leading organizations, others use a bottom-up approach that focuses on supplier upgrading. Upgrading studies typically focus on the role of governance in either economic or social upgrading, or both. The primary questions are whether it is possible to increase both the amount and quality of The Global Production Network employment (Sinkovics, et al., 2015).
R.M Locke explores the underlying complexity of voluntary regulation and its impact on worker fairness. He contends that when voluntary labor norms are founded on a solid institutional and regulatory framework, they are more likely to succeed. He also analyzes and delineates the boundaries of corporate buyer-imposed norms of conduct. One of the private compliance model's erroneous underlying assumptions appears to somewhat coincide with what has become known in the development literature as "CSR as a business tool." The concept of "CSR as a business tool" is based on the assumption that there is a self-perpetuating loop in which global companies can prevent or respond to a legitimacy crisis by implementing measures that address specific environmental and social challenges (Sinkovics, et al., 2015). Attention to these concerns is especially important, as there is a growing chorus demanding greater involvement from firms in the form of "CSR as a development tool." The concept of "CSR as a development tool" emphasizes the importance of corporations serving as public policy instruments by playing a vital role in implementing state-led development policy initiatives targeted at poverty reduction. This is also consistent with the expanding political CSR literature, which advocates for companies to take on political duties in order to fill the regulatory void

in global governance. Such involvement would have to extend beyond the activities now covered by GVC/GPN studies. Although CSR practice in Western civilization has advanced to the point where there is substantial evidence for its institutionalization, firms are typically involved in CSR activities that are of strategic value rather than benefit to society and the environment. This finding corresponds to the distinction between "CSR as a business tool" and "CSR as a development tool." While CSR as a business case or business tool may have some good societal impact, its primary focus is on using CSR to create value as defined by dominant market logic, such as better competitive positioning or profitability (Sinkovics, et al., 2015). Some researchers have established the concept of corporate social performance (CSP), which is the examination of business operations in terms of their social relevance, to provide a mechanism to identify whether firms' actions and policies have a good or negative development impact. However, evaluating social performance is a difficult endeavor, particularly because the social significance and validity of any business action are inextricably linked to firms' drive for legitimacy and, in turn, depend on how legitimacy is conceived. In general, legitimacy can be defined as the social acceptance of businesses and their operations. S. P. Sethi proposes three criteria for measuring CSP in an attempt to account for variances in the meaning of legitimacy. Social obligation refers to business behavior that is mandated by law and driven by market forces. Corporate social responsibility encompasses the behavior mandated by current society's values, conventions, and expectations. The third category, social responsiveness, includes corporate behavior that predicts future societal requirements caused by detrimental side effects of business activities and avoids such side effects from reaching catastrophic proportions (Sinkovics, et al., 2015). To this end, if CSR is to become a credible and normative notion, it must incorporate the question of human rights at its core. On the other side, he encourages scholars involved in business and human rights discussions to look beyond the non-violation of human rights to find methods for firms to be part of the solution rather than the issue. This latter part includes discussions about the more profound moral dimensions of corporate human rights duty. It is also suggested that the emphasis move from corporate action in the realms of ethics and beneficence (or legitimacy) to corporate activity in the world of justice. As a result, while the negative responsibility of not violating human rights applies to everybody, the positive duties of safeguarding and realizing human rights become collective responsibilities. As a result, the "social" aspect can be characterized as the protection and realization of core social and economic human rights, while the "responsible" component can be interpreted as individual actors' capability-based restorative obligations (Sinkovics, et al., 2015). Broadly, social value creation can be defined as the process of creating something of value for society. The concept's breadth is also mirrored in its application in several fields of literature. The term is frequently employed in the context of positive externalities. The second most popular usage is distinguished by

an attempt to quantify it in monetary terms. This is arguably related to the fact that, while the term is widely used, there have only been a few attempts to conceptualize it. This is also true for more specialized literature streams, such as the previously mentioned topics of social upgrading, CSR, business and human rights, and mutual value creation (Sinkovics, et al., 2015).
According to several definitions, social value is the social impact that an individual, organization, or project has on the community in which it operates. While the SDGs are a global call to action, social value is a more local, individual, and practitioner-focused means of making a positive difference. One of the primary goals of many social value initiatives is to improve job opportunities and conditions (Raiden & King, 2021). There are three major social value drivers:

- Legislation and regulatory frameworks that control the built environment are becoming increasingly conscious of and demanding of social value.
- It is smart business practice to try to capitalize on the opportunities offered by client-led demand for value-based business transactions.
- The reason for ethical commercial decision-making is compelling: social value is the right thing to do.

There is likely the most significant barrier that stands in the way of realizing the full potential to attain social value and the SDGs. That is, in sum, a mindset that either matches well with social value concepts or does not. This perspective is known as social value orientation, and it explains why people with 'prosocial' social value orientations embrace and support the concept, as well as why and how it might be difficult to gain commitment from those who are motivated by competition or individualism. Thus, social value orientation is a notion that describes the motives that people bring to corporate social interactions and how they are frequently larger and more diverse than pursuing personal outcomes or rational self-interest (Raiden & King, 2021). People with a 'prosocial' social value orientation are more inclined to altruism, collaboration, or equality. Altruists are driven to assist those in need. Members of this category have a low level of self-interest. They are willing to forego their own success in order to assist others to succeed. Individuals with a proself social value orientation focus on individualism, maximizing their own results with little or no consideration for the outcomes of others, or they focus on competition, maximizing their relative advantage over others' outcomes. People with a prosocial social value orientation are more sensitive to social conventions and evaluate moral difficulties, whereas individuals with an individualistic social value orientation judge moral dilemmas in terms of strength and power. The distinctions in how prosocial individuals compared to those with an individualistic social value orientation perceive and handle circumstances extend to routines and decision-making concerns. (Raiden & King, 2021).

Going back to multidisciplinary studies of CSR, a wide range of research focused on supply chain management in relation to human rights protection and, in a broader sense, to corporate social responsibility. The Rana Plaza disaster has shifted global concern to the unsustainable social and environmental circumstances of multinational companies' suppliers. This tragedy resulted in a policy shift for global organizations and a substantial increase in stakeholder awareness. Consumers, non-governmental organizations (NGOs), governments, and, increasingly, financial institutions are demanding transparency throughout the whole supply chain and have begun to demand full traceability of product materials and components (Sardà & Pogutz, 2018). Firms have begun to examine these risks, employing strategies ranging from standard risk management and insurance procedures to cross-organizational collaboration with suppliers in order to develop long-term robust supply chains. These strategies have progressed to the point where competitors in multiple sectors have joined forces with NGOs[7] and agencies to design and implement programs to address environmental and social issues at the early stages of the supply chain, where natural resources are cultivated or extracted (Sardà & Pogutz, 2018). When talking about sustainable supply chain management, one important tool is the code of conduct, which is established to ensure that a company's suppliers embrace and incorporate a set of procedures in order to conform with the main company's environmental and social values and standards. Supplier codes of conduct, in any case, are just a partial solution to long-term supply chain management. They must be included into a documented supply chain policy and linked to the overall sustainability strategy in order to be effective (Sardà & Pogutz, 2018). Sardà and Pogutz (2018) identified four main steps for developing and implementing a sustainable procurement process. These four stages correspond to increasing supplier engagement and a greater opportunity to influence their environmental and social choices:

- *Setting expectation*: The primary level of engagement is the formulation and communication of the focal company's goals in terms of environmental and social sustainability through the enactment of a sustainable procurement code of conduct. Some existing guidelines and international standards can be used to inspire the creation of a code of conduct, such as the UNGC, the OECD Guidelines for Multinational Enterprises, and the ILO Declaration on Fundamental Principles and Rights at Work. Finally, businesses ought to integrate codes of conduct into their purchase orders, requiring suppliers to commit to them in the contract as well as in the social and environmental needs and specifications.
- *Monitoring and audit*: To evaluate the effectiveness of a sustainable business practice, the focal company must create a system of monitoring and auditing the portfolio of suppliers.

[7] See Chapter 3 paragraph 3.3

Supplier self-assessment, for example, is clearly less expensive than an on-site audit and might be seen as a useful strategy to begin with in order to clearly set expectations. Self-assessment techniques, on the other hand, can yield erroneous data when no additional verification system is in place. On the other hand, supplier evaluation can be carried out by on-site audits at the facility or headquarters levels. Internal audits are undertaken by corporate employees, while third-party audits are performed by independent groups such as auditing firms, NGOs, trade unions, and others.

- *Remediation and capacity building*: When the buyer and supplier's expectations are clearly defined and legally formed, the focus firm should employ remediation and capacity building to engage the supplier in steps to improve its conduct. Remediation entails working with the supplier to develop an actionable strategy to address compliance issues. Capacity building attempts to strengthen the supplier's knowledge and capabilities in order to improve environmental and social performance.
- *Partnership*: The final phase in this process is to form a meaningful partnership with the suppliers in terms of sustainability. Establishing similar sustainability targets or producing collaborative inventions are two examples.

Transparency in corporate sustainability relates to how much information about the company, its goods, its supply chain network, and sourcing locations is made available to its stakeholders. As a result, major corporations must know who created their products and components and must reveal this information publicly. One of the cornerstones of transparent supply chains is partnership and cooperation with stakeholders and competitors along the supply chain, which is provided by new technology. The other element of transparency is collaboration throughout the supply chain (Sardà & Pogutz, 2018). One example is H&M, which was recently ranked in the top three of 100 companies examined by the Fashion Transparency Index[8], a ranking released annually based on how much information companies disclose about their suppliers, supply chain policies, and practices. In 2013, H&M announced that it was the first firm in the sector to make the whole supplier list public, including 56% of Tier 2 suppliers. Furthermore, it believes that this commitment would help to differentiate the product and that better-educated consumers will put more pressure on corporations to act sustainably (Sardà & Pogutz, 2018). Traceability, which is defined as the ability to identify and trace the history, distribution, location, and application of products, parts, and materials, to ensure the reliability of sustainability claims in the areas of human rights, labor, the environment, and anti-corruption, is complementary to transparency. To ensure traceability, a system must keep track of and

[8] See Chapter 3 paragraph 3.4 and Chapter 4

follow the products, their ingredients, components, and pieces from the point of origin until the final distribution as finished products. To summarize, traceability ensures that the quality and sustainability promises connected with raw materials, transformation, and manufacturing, assembling, distribution, and transportation are fulfilled throughout the supply chain (Sardà & Pogutz, 2018). Sardà and Pogutz (2018) recognized three types of supply chain traceability models:

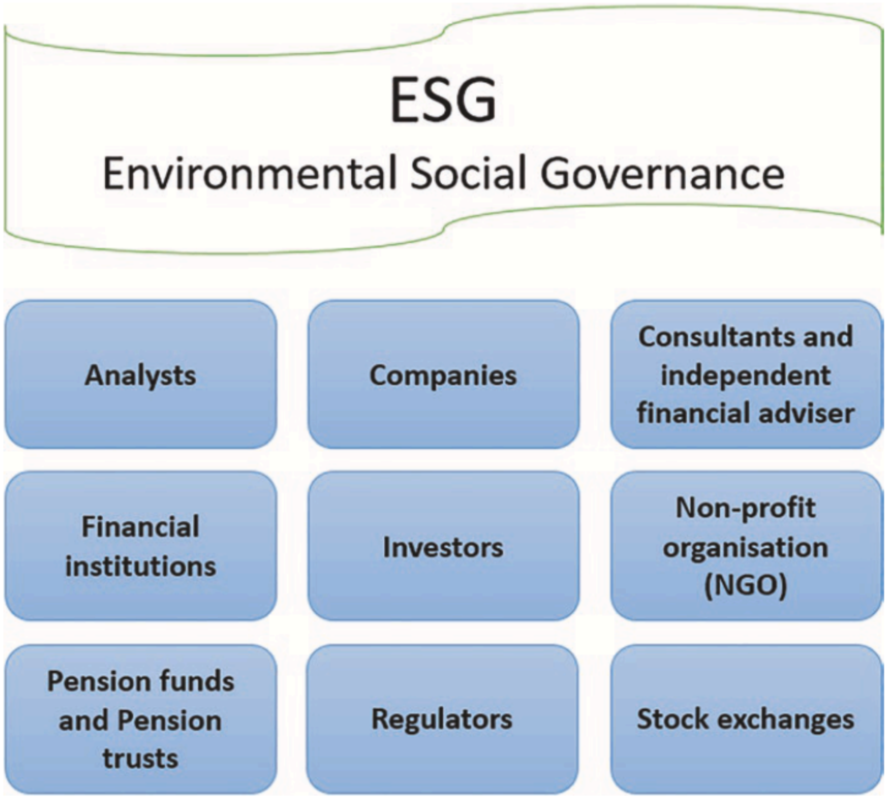
- *Product segregation*: This strategy entails physically separating certified materials and products from non-certified ones at all levels of the supply chain. Product segregation is further classified into two models, bulk commodity, in which certified materials and products from multiple manufacturers can be mixed and sold together, and identity preservation, in which certified materials and products cannot be mixed in order to preserve the identity of the specific farm, plantation, or production site where the material originated.
- *Mass balance*: The granted and non-certified items may be blended in this scenario. However, certified volumes are tracked, and the amount entering the supply chain must be identical to the quantities sold as certified at the conclusion of the supply chain.
- *Book and claim*: In this situation, the certified materials at the start of the supply chain are linked to the sustainability licenses. The certificates can be sold by the entity that got them through a trading mechanism.

Transparency and traceability respond to rising customer demand for product sustainability and what is within the products they buy, as well as stakeholder pressure to reduce corporate environmental and social impacts. In the coming years, emerging technologies may enable corporations to increase their ability to trace each component in their product portfolio, knowing the exact provenance and the social and environmental footprint connected with the production of each individual product (Sardà & Pogutz, 2018).

3.2 Economic, Social, and Governance (ESG)

When quantifying the sustainability and ethical impact of a corporation or enterprise, ESG refers to environment, social, and governance. It is a general expression that is mostly used in capital markets, where it originated. Investors frequently use ESG to evaluate company conduct and predict an organization's future performance, and consequently its worth. It discusses the three primary considerations that socially responsible investors consider before investing in a firm. ESG makes sense because a firm that cares about its people, customers, and the environment outperforms its rivals and is more likely to be successful and resilient than one that does not (Brown & Brown, 2021). The E in ESG, or environmental criteria, refers to the energy an organization consumes, the waste that it generates, the resources it requires, and the effects of an organization's operations on the world and living beings. The S in ESG, or social criteria, tackles a company's interactions and reputation with people and institutions in the communities where it runs its business. The G in ESG, or governance criteria, refers to the organization's system of direction and control. Governance criteria extend to the operating system of practices, controls, rules, and procedures that the firm uses to manage itself in order to make optimal choices. It encompasses ethics, openness, and going above and beyond the spirit of the law (Brown & Brown, 2021). We are facing the ESG era for several developments in history. The first is the emergence of environmentalism, which is fueled by both research and the perspectives of corporate and private activists. Businesses, political groups, and people have all attempted to raise environmental awareness. The second stream started with socially responsible investing (SRI), which was sparked by a few minor actors in the financial sector, such as union activists pressing investors to do SRI. The third avenue is governance reform, which began with a series of significant company failures in the early 1990s (Brown & Brown, 2021). To analyze a company's social duty, ESG is considered part of a more formalized and well-known concept of Corporate Social responsibility. Furthermore, it is a component of the CSR framework for sustainable and ecological behaviors in relation to business values, etiquette, and investment decisions. It provides a comprehension of the companies' quality of corporate social responsibility and how those companies are implementing and living up to their voluntary criteria. The United Nations Principles for Responsible Investing standard was designed to emphasize this. Organizations must sign this document to demonstrate their commitment to working against corruption, bribery, and money laundering (Dathe, et al., 2022). The Environmental Social Governance Storyline originated by previous UN Secretary General Kofi Annan, who began the United Nations reform in 2003 and composed a message to more than 50 executives in early 2004 asking them to join forces to improve the ESG topic and raise awareness for protecting our planet through integrating Corporate Financials. As a first result of Kofi Annan's endeavor, a paper titled "Who Cares Wins" by Ivo Knoepfel was published. The paper "Who Cares Wins" connects markets, particularly financial markets, to a changing world, environmental behaviors, and corporate finance industry recommendations. The overarching framework is a guideline for the specific incorporation of environmental, social, and governance factors into asset management and brokerage methods. The 2004 ESG proposal consists of nine aspects for better investment decisions and societal sustainability, as shown in Figure 11:

Figure 11: Nine proposed elements of collaboration making ESG successfully



Source: Dathe T., Dathe R., Dathe I., Helmond M., (2022) "Corporate Social Responsibility (CSR) Versus Environmental Social Governance (ESG)". In: Corporate Social Responsibility (CSR), Sustainability and Environmental Social Governance (ESG), Springer, Cham, p. 124.

Employees are encouraged to think about Environmental Social Governance opportunities, influence, and trends on a regular basis and to apply what they learn in their everyday operational job. Companies' primary role is to develop, investigate, comprehend, analyze, and disseminate information on Environmental Social Corporate Governance. Institutions have committed to investing in entities and personnel to promote Environmental Social Corporate Governance leadership in investment and research. To promote the overall environmental and social development in the investment branch, brokers and asset managers must invest in ESG Key Performance Indicators (KPI) and Key Quality Indicators (KQI) to measure the success, failure, and trends of the respected ESG strategy by the invested companies. To summarize, the voluntary initiative is widely recognized around the world, and an increasing number of companies are adopting ESG as a standard to persuade investors to invest in their own company (Dathe, et al., 2022). Corporate Social Responsibility (CSR) is a term used to describe the Environmental Social Governance (ESG) both are tools that help corporate firms and Non-Profit Organizations NGOs present a positive image in the world while also emphasizing their claim to make the world a better place from a societal standpoint. Companies, according to this argument, are working on social and environmental issues both inside and externally. Companies, stakeholders, and financial analysts now use both phrases interchangeably. CSR is a tool for holding companies accountable, whereas ESG is a tool for measuring work and efforts. The comparison demonstrates that CSR is not quantifiable for stakeholders outside of the individual corporations. Supporting community social programs is beneficial to society and assists businesses in developing long-term relationships in the areas in which they operate. However, financial analysts who are numbers and data-driven are looking for a comparable tool like ESG that allows them to compare carbon emissions in tons on different companies in the same industry or branch of operation. CSR and ESG, on the other hand, engage our society in such a way that both activities benefit our society, people's well-being, and our climatic ecology (Dathe, et al., 2022). The following Figure 12 summarize the comparison:

Figure 12: CSR vs ESG

Source: Dathe T., Dathe R., Dathe I., Helmond M., (2022) "Corporate Social Responsibility (CSR) Versus Environmental Social Governance (ESG)". In: Corporate Social Responsibility (CSR), Sustainability and Environmental Social Governance (ESG), Springer, Cham, p. 135.

The 'S' factor in ESG encompasses a wide range of issues, including human rights, modern slavery, corporate security, diversity, employee relations, supply chain sustainability, customer relations, and data protection. Social refers to policies concerning industrial accidents, anti-discrimination, privacy, third-party risk, disclosure, corporate social responsibility, customer relations, and product safety in the context of due diligence and compliance within organizations. 'Social' is specifically included in the concept of sustainability under European law. According to the European Commission, ecological and socioeconomic concerns are frequently interwoven, as climate change has the potential to exacerbate existing imbalances. Respect for human rights, together with social and environmental factors, is clearly mentioned in the preamble of the Regulation on Sustainability Disclosure in the

Financial Services Sector (Praktijk, 2020). The variables 'clients & supply channels' and 'third parties' that are significant for financial institutions' risk tolerance analysis have common ground with human rights due diligence and supply chain management, which are both part of the domain Social in ESG. As a result, the social domain, and more specifically the respect of human rights by businesses, has become an important aspect of sustainable finance. Because of the comprehensive scope of the transition to sustainability, rules and 'track books' will be required in practice (Praktijk, 2020). This has compelled firms to provide openness in both information and data surrounding any activity that may have an impact on the environment. With increased openness in global supply chains as a result of regular and intense coverage by social media and NGOs acting as protectors for society, more investment in reporting on sustainability factors is required. The sustainable business encourages stakeholder-oriented management, which incorporates all shareholders', consumers, and local communities' perspectives and beliefs, with a clear focus on limiting negative impact and enhancing social considerations on ESG issues (Baid & Jayaraman, 2022). Currently, a number of socially oriented investors have set the goal of matching their investments with their social benefits (value alignment) in addition to optimizing returns. Some investors additionally desire the companies in which they invest to provide more social effects as a result of their investment (social value creation) (Baid & Jayaraman, 2022). The amount and scope of an organization's contribution to society-the community that grants it permission to operate from the perspective of the populations it touches-comprises social license. The unwritten agreement we have with all of our stakeholders to function is known as a social license. In general, social license is fed by three streams or overriding issues: social responsibility, social rights, and social justice. Social license as a term or notion has its origins in the mining industry. It emerged from within the sector in the mid-1990s, as mining firms began to respond to social risk. Their attempts to gain social permission in the areas in which they operated were concentrated on three themes: legitimacy, credibility, and trust. Social license, like a contract, is always two-sided. There is a give-and-take reciprocity that occurs. It is a transfer of value between the enterprise and the community (Brown & Brown, 2021). A disastrous explosion occurred in early December 1984 at a pesticide plant managed by Union Carbide, a prominent private sector corporation, in Bhopal, Madhva Pradesh, India. There had been claims about pollution eight years earlier, in 1976. An employee died in 1981 as a result of a pesticide leak. The group resided on the rim of a volcano, according to investigators. Between 1982 and 1984, there were numerous more serious accidents that resulted in deaths and poisonings, and in one case, an employee had burns covering more than 30% of his body. The explosion on the night of December 2, 1984, resulted in the release of a highly toxic gas, which spread throughout a heavily populated area. Over 2200 individuals perished instantly. The eventual death impact was little less than 3,800. However, over

500,000 individuals were hurt, with 4,000 of them chronically so. Union Carbide said the explosion was a sabotage attempt. The Indian government and others in the community stated that slack management and inadequate pipe maintenance were to blame. According to the company's history and later inquiries, it was undoubtedly the latter. There was no written agreement, no formal promise under which the corporation could be held accountable. Their unwritten agreement with the community said that if there was a leak, a siren would sound in the community, alerting residents to vacate the area. Employees made multiple incorrect decisions the night of the accident. When they returned from tea, the pressure had passed the point of no return. They chose not to disturb or alarm the residents in the neighborhood, so they shut off the siren as soon as it began to ring. The cost of such decision to the community is nearly incalculable. The worst of their conduct, however, was to violate that unwritten social agreement; they violated their relationship with the community. The Bhopal disaster is regarded as a turning point in social license (Brown & Brown, 2021). On June 26, 2014, a historic moment occurred in Canada in terms of human rights. The Court determined that Aboriginal title is a beneficial interest in the land over which the Crown retains jurisdiction. Natural rights provided by Aboriginal title include the right to select how the land will be utilized; the right to utilize, inhabit, and own the land; and the right to use and manage the land, including its natural resources, proactively. The Court did, however, establish a procedure by which the Crown can override Aboriginal title if it believes it is in the public interest. However, the Crown cannot act alone in this regard. It had to conduct consultation and accommodation. That key decision validates what social license means today in terms of social rights. If you wish to build a mine or lay a hydro line on Indigenous property, you must participate in meaningful consultation with the people who have natural title to the area. The company's ambitions do not require the title holders' approval. However, serious consultation is required (Brown & Brown, 2021). The legitimacy theory in literature clarifies the reason corporations voluntarily reveal ESG information. It claims that ESG disclosure is aimed at acquiring a better understanding of the social and environmental repercussions caused by the firm's operations. This has given rise to socially responsible investment, which has grown rapidly globally during the last two decades. Because of their tendency to invest in socially responsible funds, companies are now more eager to provide ESG information. Firms' financial information disclosure is well structured through multiple national and international accounting standards, but the disclosure of non-financial data referred to as ESG remains unstructured and without any established standards, as ESG is still in its infancy for organizations and academics. To achieve sustainability, a firm must think about and act on all three elements of the triple bottom line (TBL), which include increasing profit, reducing environmental impact, and boosting the well-being of stakeholders and society. The social component of sustainability is difficult to achieve due to the complexity of supply chains, and the three dimensions of sustainability add to the complexity; the difficulty of quantifying social performance in comparison to other dimensions makes it the most ignored element of the triple bottom line; business drive to implement social aspects is lacking; and there is a lack of transparency in the social performance of sub-tier suppliers (Baid & Jayaraman, 2022). One of the most important concerns that firms should consider is viewing ESG as a strategy rather than a compliance activity. Moving forward, a firm can begin their ESG journey by raising awareness among internal and external stakeholders, which will lead to participation from various discussions of the social side of the ESG parties. Eventually, compliance actions are carried out, and with ongoing communication, these activities take the form of established practices inside the business. The plan is a long-term commitment including stakeholders ranging from top management to operations and establishing an ESG culture throughout the firm (Baid & Jayaraman, 2022). Any supply chain can experience ESG concerns. It is critical for all organizations to have a comprehensive framework in place to identify and manage concerns in their supply chain, as well as active governance, risk management, and remedial activities. Transparency about the risks associated with particular forms of supply is becoming increasingly crucial since it acknowledges the issue and the scale of the task that a buyer faces. ESG has mainly concentrated on environmental outcomes, but with increasing expectations from financial investors and a changing landscape, the requirement of social outcomes for financial purposes has become more important than in the past, impacting not only business strategy but also operations and a greater value chain orientation. The ESG strategy requires that, in addition to managing an organization's own social and environmental effects, the entire supply chain-from contractor to supplier to extended supply chain-be managed because supplier performance influences the buying organization's performance and reputation, as well as its ESG factors (Baid & Jayaraman, 2022). At its center is an effective framework for the social impact of the supply chain, which, if developed properly, can meet the organization's ESG objectives. The social components of ESG are recorded in a framework of measurable dimensions and cross-cutting topics aimed to aid organizations in their path to accomplish ESG objectives. Pursuing this goal necessitates concentrated efforts along six social dimensions (Baid & Jayaraman, 2022):

- Health and well-being: Health and well-being are positioned at the core of enterprises and are increasingly viewed as a primary goal for organizations. Suppliers should achieve this through demonstrating action to support worker health and well-being, including mental health. The gradual effects of this can then be observed through sub-tier suppliers, personnel, and communities when the contract is delivered.
- Ethical business practices: With ESG factors driving investment globally, the reputational risk of a supply-chain crisis is considerable. Due to lost visibility down the supply chain, building

elaborate intricate supply chains that require speed, better pricing, and convenience has resulted in a compromise of ethical corporate standards. Achieving ESG right entails working to increase supply chain visibility and adhering to ethical business standards. Many steps must be made in order to move toward an ethical supply chain, including simplifying operations, competent planning, insight into the supplier base, and additional elements. Organizations of all sizes have begun to consider ethical supply chains, and the journey to ethical practices begins with obtaining visibility into the supply networks.

- Economic equality: Promoting equity among suppliers and the longer supply network will aid in the development of company continuity and resilience. This will also encourage innovation and collaboration with a varied supplier chain in order to explore disruptive technologies.
- Equal opportunity: Shareholders are increasingly examining and demanding analyses of a company's leadership gender diversity and equity in order to decide how it will respond to ESG hazards and possibilities.
- Human rights and labor standards: Several investment decisions now include human rights considerations in their ESG policies and due diligence processes. Most human rights and labor standards issues arise from well-ingrained supplier bases, hence it is critical for firms to investigate within their logistics network.
- Law and regulations: A growing number of governments are putting pressure on businesses and financial institutions to report climate-related risks on a mandated rather than voluntary basis.

Defining and quantifying social dimensions is a difficult process, but it can make a significant difference by introducing a collaborative approach to stakeholder interaction, including suppliers. A long-term strategy focus on social elements provides a unique opportunity to assist firms in playing a purpose-driven role in society. As a result, reporting social aspects has been fragmented, output-driven, and incomparable across all regions and sectors. This shift has increased the pressure on organizations to reconsider how they address societal challenges and issues through their supply chain, produce transparency around non-financial parameters such as social factors, and evaluate it for their investors and shareholders to assist them make informed decisions (Baid & Jayaraman, 2022). Social impact approaches take into account the value and contribution to society's interest. There are several techniques for converting social effect into monetary value, the most common of which are CBA[9] SROI[10] and Wellbeing. CBA is the most widely accepted methodology for valuing social consequences in monetary terms. SROI is a CBA derivative that emphasizes stakeholder

[9] Cost Benefit Analysis

[10] Social return on investment

involvement in the measuring procedure. Well-being is still in its infancy, and it is based on individuals who experience social results. CBA is a weighing-scale method for determining social effect. It takes a welfare-oriented methodology and evaluates overall societal welfare. It assesses causality using experimental and quasi-experimental statistical approaches. CBA evaluates all of a project's good and negative outcomes (benefits and costs) and their effects on people's quality of life. The CBA approach can be used to determine whether a project improved social welfare. CBA is based on calculating monetary benefits and expenses, which results in a quantitative volume of social effect. Overall, evaluators follow the processes outlined below to undertake CBA. Engage stakeholders and explore all relevant resources to classify impacts and select measuring indicators. Detect both positive and negative changes and forecast their quantitative consequences using existing evidence. Using valuation methodologies to monetize has financial as well as non-financial consequences. Calculate the project's net present value, do sensitivity analysis to see how changing model inputs and assumptions change the results, and provide a recommendation, proving the basis on which the study can be deemed accurate and honest, and clearly communicate all findings. Verify the outcome by obtaining suitable independent assurance (Baid & Jayaraman, 2022). SROI is a monetization of an enterprise's social benefits and expenses in relation to its financial costs of operations. It relies on the monetary net present worth of these non-market effects. SROI entails calculating the monetary impact of policies and then collecting them at the social level. SROI was derived from social accounting and cost-benefit analysis, and it depends on seven principles: identifying important stakeholders, identifying the outcome and measuring the change, monetizing the changes, considering just what is material, not over-claiming, and transparency is essential, and only validated results should be trusted. The SROI evaluation procedure includes the following steps: selecting the measurement outcomes following stakeholder input, predicting or measuring the alteration in those outcomes, monetizing the change employing the methods indicated in the SROI guidance, and calculating the project's SROI (Baid & Jayaraman, 2022). The most contemporary thought process in social impact measurement is well-being valuing. The ability to measure the efficacy of a social intervention by how much it promotes people's well-being is enabled by well-being valuation. To accomplish this, the findings of big national surveys are evaluated to determine the impact of a certain element on a person's well-being. The amount of money required to raise someone's well-being by the same level is then determined through analysis. The main benefit of valuing well-being is that the values are consistent and robust. A significant benefit of the well-being valuation approach is that it provides information on the real experiences of individuals because we use data on self-reported well-being and life situations; this is opposed to other valuation techniques that depend on how people perceive their lives, which introduce psychological complexities and biases (Baid & Jayaraman, 2022).

3.3 MNEs & NGOs collaboration

The notion of a sustainable supply chain posits that businesses operating within a certain network of relationships go to great attempts to guarantee that the outcomes of their actions have no detrimental influence on the environment or society. There is a clear need to increase openness in these institutions in order to implement the concept of sustainability across single enterprises and supply chains. Transparency in the supply chain is defined as a two-way exchange of information and knowledge between the customer and the supplier. The transparency method is being attempted to be described directly as part of the sustainability idea. Transparency in the sustainable supply chain is referred to as the release of supplier names as well as information regarding supplier sustainability conditions. In its most basic form, transparency implies having access to information on the location of suppliers; in more advanced versions, it involves having access to a range of data about the product from raw material extraction to the end-of-life phase, including the quality of information. As a result, sustainable supply chains must also be transparent. Transparency is becoming increasingly important as a result of various stakeholder groups, including non-governmental organizations (NGOs). Non-profit organizations are viewed in society as actors who aid in the achievement of vital societal goals. They are agents of social transformation. Because of their nature and independence from other sectors, they can have an impact on company operations and decisions made in the private sector. The breadth and manner of activities are determined by each organization's access to funding, goals, and primary orientations (Rudnicka, 2018). Rudnicka (2018) research pointed out that interviewees indicated the biggest issues in nowadays supply chain are the absence of realization that the company is, to some extent, responsible for its supply chain, excess of intermediaries, lack of concern for the primary producer, shortage of environmental responsibility and neglecting the fact that resources are limited, a scarcity of innovative projects that will enhance environmental conditions in supply chains, deficiency of transparency or of knowledge, and thus an absence of a suitable strategy to address problems in the supply chain with consequent low earnings below the bare necessities of life and human rights violations. As the NGO reply points out, for improvements to be possible, additional stakeholders such as trade unions, employees, and industry organizations must also be involved. It is critical that businesses appreciate the importance of human rights in the supply chain. To establish the necessary and realistic solutions, every party involved must engage in consultations and dialogue. Equally vital is the ability to express your rights and exert pressure to alter conditions, methods, or procedures where practicable and reasonable. Customers, together with other stakeholders, are seen as crucial actors in potential changes. To begin, customers want diverse activities and tools to assist them manage social and environmental aspects more effectively. In addition, the implementation of legal measures encourages or requiring firms to reveal non-financial supply chain data. Next, establish CSR strategy tools that encourage more responsible production. NGOs and international projects can assist with this by providing appropriate knowledge through the work of their professionals (Rudnicka, 2018). NGOs can play a variety of roles in the change-making process for businesses. They may be in a confrontational position, with the primary purpose of demonstrating harmful corporate activity, publicizing the problem in society, and motivating people to take corrective action; consultation/knowledge sharing where the NGO, as an expert, shares competence with the company, identifies the most pressing issues and suggests potential solutions. Strategic collaboration in which businesses and non-governmental organizations collaborate, exchange resources and devise collaborative solutions. Indeed, NGOs are strategically involved (Rudnicka, 2018). Stakeholders in supply chain management can be classified into two categories: primary stakeholders (e.g., suppliers) and secondary stakeholders (e.g., NGOs). They were regarded as external facilitators of supply chain sustainability in several circumstances. According to several studies, NGOs are transnational social movement organizations (SMOs) with a propensity to intervene on global concerns such as international security. According to social movement theory, SMOs (for example, NGOs) can influence policy-making processes at the local, national, and worldwide levels. Firms function in networks, enabling them to create value that they could not create separately, according to the relational view (Peng, et al., 2022). In this context, multi-stakeholder initiatives (MSIs) conducted by NGOs in supply chains are defined as institutional and organizational change undertaken by diverse players from various sectors to carry out sustainable projects and achieve a shared objective. In general, firm-NGO collaboration attempts to collect tacit knowledge or acquire technology from partners. However, unlike firm-firm collaboration, NGO-business engagement helps both parties to establish reputation and legitimacy, which influences NGOs' competitive advantage and capacity to attract financial resources. Furthermore, utilizing this method draws more loyal clients, which leads to increased business revenues in the long term for organizations. Thus, by implementing a CSR accreditation in its supply chain, a company may be able to prevent a costly boycott by NGOs while also improving working conditions to reduce employee turnover. In contrast, NGOs' reputation and legitimacy suffer when companies' actions harm their image. Partnerships are frequently seen as win-win solutions that benefit both society and industry. As a result, several studies have considered such collaborations as an asset exchange for improving the outcome of joint aims (Peng, et al., 2022). The first kind of interaction is a business-NGO collaboration. The reason for this is that NGOs cannot influence corporate accountability on their own; however, they can when they work as part of a "team." Indeed, while many institutions are effective in their individual right, they cannot function without collaborating across many sectors. As a result, numerous NGOs and other civil society organizations are joining forces to persuade employers and governments to establish workplace social responsibility rules. NGOs frequently use corporations' market power to inspire the entire industry and influence customers' purchasing habits. In other words, corporations must follow the new models produced by NGOs in order to mobilize and modify their current practices. Given that enterprises must also comply with self-regulation rules set by private actors (NGOs), they are also attempting to expand beyond regulatory compliance by including green operations and supply chain practices, but have frequently discovered that necessary resources are absent in the firm's strategic core. As a result, supply chain resource mobilization frameworks must be addressed. Indeed, just like SMOs, the success of an NGO requires adequate resources such as money, facilities, land, labor, legitimacy, and technological knowledge. In global supply chains, for example, non-governmental organizations (NGOs) help disadvantaged suppliers in emerging markets modernize and meet new sustainable standards (Peng, et al., 2022). Rodrìguez et al. (2016) conducted research on NGO poverty alleviation initiatives in supply chains. The case study chosen was an international project conducted by a multinational NGO with activities in Latin America, Africa, and Asia, with the goal of alleviating poverty promoting economic development and involvement of the poor. The NGO received funds from a variety of sources, including government agencies, development groups, and international banks. The NGO formed its first private sector collaboration with an international business council, which the NGO approached with the goal of executing corporate ideas to aid the impoverished. As a result, the NGO launched a number of pilot programs with business partners. A multilateral bank financed the NGO a year later to execute a project to use Supplier Development (SD) programs to transmit the best production techniques to poor suppliers. In Ecuador, the project featured nine commercial ventures. Only seven of those initiatives, however, were SD programs. The remaining two programs focused at creating distribution channels to offer things to the underprivileged. To convince enterprises to execute the SD programs, the NGO used contacts from its affiliation with the International Business Council. Firms were sent to conferences to assess their supply networks and figure out how to include impoverished producers as suppliers. The ideal firm for the SD program was one that had a supply network with a large proportion of impoverished suppliers, was willing to invest money in SD programs, and was keen to form relationships with them. The NGO visited potential suppliers to learn about their socioeconomic status and any potential impediments to doing business with the purchasing firm, as well as to build relationships with the leaders of each community. The NGO then collaborated with each buying firm in the SD program design to address the reality of suppliers across every geographical region. Finally, the NGO and the purchasing corporations initiated a training program for each supply chain aimed at enhancing operational efficiency and developing tools to improve supplier-buyer interactions (Rodrìguez, et al., 2016). The research aims to discover the resources required from both the NGO and the purchasing enterprise in order to properly implement SD initiatives to alleviate poverty. During the SD implementation, the relational view and social capital theory were employed to drive data collecting on organizational features and inter-organizational interactions. In summary, the coding process demonstrated that when suppliers boosted their operational efficiency and lowered their coordination costs and transaction risks, poverty alleviation increased. When operational efficiency was enhanced but neither coordination costs nor transaction risks were lowered, the conceptualized poverty alleviation was medium. Finally, when operational efficiency did not improve and neither coordination costs nor transaction risks dropped, poverty alleviation was low (Rodrìguez, et al., 2016). In addition to tracking the SD program, the NGO served as a resource link between disadvantaged suppliers and purchasing corporations. We identified two processes via which the NGO bridged resources: (1) connecting between purchasing firms and funding sources; and (2) creating/strengthening links between poor suppliers and purchasing firms. Participating in SD programs for poverty reduction was deemed too risky by the managers of the purchasing corporations. The global bank's financial resources made the risk more bearable. A supplier stated that because they are a tiny business, they do not have the means to train 200 or 300 farmers. The NGO had the advantage of having access to financial resources to help accelerate the training program. The NGO had contacts that were leveraged to seek funding to conduct the SD initiatives because of its experience in fundraising. The NGO served as a link between purchasing firms and funding sources. When dealing with weak suppliers, this bridging capability decreased the buying firms' transaction costs. First, the purchasing firms were linked with funding sources, lowering the cost of arranging the training programs. Second, the bridge between buying corporations and poor suppliers lowered the coordination costs of seeking each other out in order to get into a cooperative buyer-supplier relationship (Rodrìguez, et al., 2016). The SD campaign involved a training program to improve the operational capabilities of the substandard suppliers in all six cases. One of the conditions for the multilateral bank sponsoring the project was that the training program be implemented by a third party. This did not preclude NGO and purchasing firm workers from participating in the training program. However, the funds could not be utilized to pay the employees of the purchasing company. In each case, the NGO and the purchasing corporation agreed which topics to include in the training program and who would run it. Field excursions and workshops were part of the training programs. The NGO resources were crucial in planning and establishing the SD program to suit the supply-market situation. The resources of the buying firm were essential in carrying out the transaction and protecting the value created in the buyer-supplier relationship. Each organization's resources have distinct objectives at different stages of the process; they are intertemporal complements that improve poverty reduction through supply management strategies (Rodrìguez, et al., 2016). Managers should examine the following factors while considering such collaborations based on our findings. First, seek out partners who can connect the firm to a pool of resources that it does not already have access to. Second, before embarking on any supply management program with inadequate suppliers, resources must be adapted to the local situation. Third, in order to successfully integrate substandard suppliers, invest in knowledge transfer protocols and logistical resources. Finally, use relational mechanisms based on procedural fairness to control buyer-supplier relationships (Rodrìguez, et al., 2016).

Among the numerous industries, fashion stands out as one that is reliant on globally distributed, complicated, and fragmented supply networks. The fashion industry is the world's third largest manufacturing industry, trailing only automotive and electronics, and is broadly defined as the industry that manufactures and sells clothing. Fashion is one of the most polluting businesses in the world, with low supply and high demand uncertainties, short product life cycles (particularly in the fast fashion segment), enormous product variation, and complicated and dispersed supply chains (Brun, et al., 2020). Transparency is difficult to maintain and improve, particularly in industries with globally scattered supply chains. Indeed, the underlying complexity of supply chains causes a shortage of visibility for the brand owner, resulting in poor public disclosure performance. In the fashion business, supply chain transparency is minimal; nonetheless, it is critical to guarantee that collaborative relationships with suppliers are strong antecedents. Assessment and collaboration are two strategies that can help suppliers improve their sustainability performance. The former is often based on power, whereas the latter is based on trust. Assessment (monitoring and evaluation) tries to oversee suppliers' outputs in relation to certain performance criteria via questionnaires, non-regulatory standards, or audits. Supply chain cooperation is a partnership process in which at least two separate parties collaborate to achieve common goals and mutual advantages. Collaboration can be vertical, with suppliers and customers, or horizontal, with competitors and third parties such as non-governmental organizations (Brun, et al., 2020). The capability of one firm to affect another in supply chain connections is referred to as power. Stakeholder pressure is a major motivator driving corporations to extend their sustainability. According to the institutional theory, three types of pressure exist: normative (e.g., customers and NGOs), coercive (e.g., government), and mimetic (e.g., based on competitor activities). Fashion firms have given voice to public sustainability efforts in recent years, such as Fashion Revolution's Transparency Index[11]. It demonstrates, in particular, that supplier engagement and collaborative activities are required to improve supply chain sustainability in general; yet, supply chain visibility and strong relationships are required to overcome issues associated with supply chain complexity on the path toward transparency. Whenever brands are able to recognize their source partners and deal with what really transpires across their chains, supply chain information may be released. Strong supply chain relationships, which enable trust-based information exchange procedures, require top management commitment and leadership (Brun, et al., 2020). Many fashion brands have made their supplier lists public. However, many businesses continue to reveal only their top-tier suppliers. Transparency must extend beyond tier 1 suppliers. Concerning the disclosure of tier-2 and beyond suppliers, it is crucial to note that, while many fashion brands give a supplier list, it is unclear what percentage of all their suppliers are included there, limiting a thorough transparency assessment. Second, in terms of supplier sustainability conditions, the disclosure of a supplier code of conduct, coupled with certain information about compliance audits, has become standard practice (Muratore & Marques, 2022).

Still, too many research questions are open in the topics covered in this Chapter, from ESG reporting, NGOs collaborations to the broader concept of transparency in global supply networks. The next step for organizations heading in this route will be to strike a balance between consistent social reporting criteria to boost openness and commitment, as well as the flexibility required to effectively respond to broader evolving community demands. To advance in the field of ESG measurement, a consistent and comparable method to social measuring and reporting that is robust and transparent must be accomplished (Baid & Jayaraman, 2022). The study of "nontraditional" supply-chain members is then a subject that deserves its own research and may also contribute to the sustainability of conventional for-profit supply chains. To achieve social sustainability, purchasing corporations supplement NGOs' resources with both financial and intangible resources, such as organizational capabilities and knowledge. For example, institutional forces, firm-NGO culture disparities, or organizational structure inconsistencies may need to be addressed. Future studies should look at the conditions that allow these organizations to pool their resources. Information technology has the potential to improve the transparency and openness of processes, allowing for procedural fairness in buyer-supplier partnerships (Rodrìguez, et al., 2016). For these reasons, transparency in the fashion industry supply chain will be the focus of Chapter 4, where qualitative research is analyzed to discover how it can be enhanced through an interview with an NGO.

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[11] See Chapter 4

CHAPTER 4

In the previous Chapters, the analysis focused on the existing literature review and the consequent research gaps of our main question, that is, "How to enhance transparency in global value chains through human rights due diligence". Chapter 4 will be the focal part of this thesis since it tries to find the answer to our inquiry. The center of the investigation was conducted by interviewing an NGO specialized in supply chain transparency with particular attention to respecting human rights. The chapter is organized in two parts. The first section is dedicated to presenting the case study, specifically, the NGO chosen and the most important projects they are conducting. The second part is about presenting the type of research and the methodology used.

4.1 Case study: Fashion Revolution

The NGO Fashion Revolution was identified as the perfect candidate to conduct this thesis research. Carry Somers and Orsola de Castro created Fashion Revolution in the aftermath of the Rana Plaza disaster in 2013. Through research, education, and lobbying, they have evolved to become the world's greatest fashion activism movement, mobilizing citizens, companies, and legislators. The vision of Fashion Revolution summarizes their day-to-day work, stating: "*A global fashion industry that conserves and restores the environment and values people over growth and profit*." (Fashion Revolution, s.d.). The organization's primary objectives are to abolish human and environmental exploitation in the global fashion industry, to provide safe, dignified working conditions, and to pay living wages to all individuals in the supply chain. Redistribute a more equal balance of power across the global fashion industry, become a larger and stronger labor movement in the global fashion industry, be a global fashion industry that works to conserve precious resources and regenerate ecosystems, spread a culture of transparency and accountability across the value chain, end throwaway culture and shift to a system where materials are used for much longer and nothing goes to waste, ensure heritage, craftsmanship, and local wisdom are recognized and valued (Fashion Revolution, s.d.). Their main activities are focused on three areas: Cultural change, Industry change, and Policy change. Cultural change can be achieved by engaging with the public and customers. Mainly by promoting public awareness and educating individuals about the global fashion industry's systemic difficulties; creating a varied movement, mobilizing communities, and bringing people from all around the world together to take collective action; assisting people in understanding the effects of their clothing and how they can have an impact on the global fashion business; collaborating with artists and activists to reimagine strong stories embedded in fashion culture; creating tools that allow people to use their voices to create changes in their personal and professional life; inspiring people to consume less, cherish quality, and care for their garments better; and creating a platform that allows for greater transparency and fewer obstacles between customers and producers, (Fashion Revolution, s.d.). Industry transformation can be achieved by conducting research that sheds light on the global fashion industry's social and environmental implications; highlighting areas where the fashion business is moving too slowly and advocating for speedier change; encouraging and fostering transparency and accountability throughout the supply chain; and consumer pressure can be used to persuade companies and shops to make adjustments, (Fashion Revolution, s.d.). While policy development through advocating for policy changes and influencing governments to play a more active role in better enforcing laws and regulating the industry (Fashion Revolution, s.d.). Fashion Revolution wants to be solution-oriented and action-oriented. Rather than making individuals feel guilty, they assist them in realizing that they have the ability to effect positive change. They promote fashion as a positive influence while also scrutinizing business practices and increasing awareness of the industry's most urgent issues. They want to illustrate that change is achievable and to support people who are working to make fashion more ethical, sustainable, and transparent. They refrain from targeting specific corporations because they feel that the industry's problems are larger than the acts of any single company. For what concerns boycotting in the garment supply chains, they received feedback from supply chain employees that boycotting might cause more harm than benefit. In many nations, one of the few pathways to financial independence for women is the textile and garment business. Workers want decent work and to be treated with dignity. What employees don't want is low income, long hours, or risky working conditions (Fashion Revolution, s.d.).

Every year, on the anniversary of the Rana Plaza disaster, Fashion Revolution organizes globally a *Fashion Revolution Week*, in which they remember the victims and call for action people, educators, journalists, and whoever wants to join the “revolution”. To do this, they provide free materials downloads to post on social media and to share with family and friends by asking the simple question: “*Who made my fabric?*”. The campaign started since fashion supply networks are notoriously opaque, allowing exploitative working conditions to persist while concealing who has the obligation and capacity to rectify them. Everyone needs brands to be more visible and accountable for their whole global supply chain, including processing plants and textile mills. The team is asking citizens globally to demand greater transparency from brands by using the hashtag #WhoMadeMyFabric, and also asking manufacturers to use the hashtag #IMadeYourFabric so that they can connect with the people who make the fabrics and raw materials we wear (Fashion Revolution, s.d.). There are several ways to engage in the campaign, especially for citizens and young people, for example, posting on social media tagging major fashion brands and the NGO, sending an email to firms and retailers, or writing a product review.

Among the biggest projects run by Fashion Revolution, is *Good Clothes, Fair Pay*, which consists of a grassroots campaign calling for living wage legislation across the garment, textile, and footwear sectors (Fashion Revolution, s.d.). The goal is to reach one million signatures from EU citizens by July 2023 in order to push for game-changing legislation that requires companies to conduct living wage due diligence in their global supply chains (Fashion Revolution, s.d.). This type of project combines policy change instruments with cultural change engaging from the beginning the civil society, being a bottom-up initiative. The European Citizens' Initiative (ECI) is a one-of-a-kind tool that allows citizens to directly petition the European Commission to propose legislation in an area of EU competence. A million signatures from EU nationals are required for the campaign. Anyone who is an EU citizen (holder of an EU passport or ID) can sign, regardless of where they live. If the campaign collects one million signatures, the European Commission is required to meet with the NGO, respond to the successful ECI with an official statement, and may request a debate in the European Parliament (Fashion Revolution, s.d.). The scope includes retailers and companies who want to do business in the EU, whether they are situated in the EU or elsewhere. It urges companies and retailers to implement, track, and publicly disclose a time-bound and target-bound plan to close the wage gap. It places a special emphasis on forcing brands to identify risk categories that are disproportionately impacted by low pay, such as women and migrant workers. The proposal includes measures like pricing, costing, and general purchasing methods to ensure that employees do not have to rely on excessive working hours to meet their fundamental necessities. This would be the first EU-level living wage law for garment workers worldwide (Good Clothes Fair Pay , s.d.). In detail, the key demands to the European Commission are for new legislation to supplement and expand on the EU's Sustainable Corporate Governance framework and the EU Adequate Minimum Wage Directive; compel companies to identify, prevent, and mitigate negative impacts on the human right to a living wage, as well as freedom of association and collective bargaining rights; alleviate poverty in the EU and globally, with a particular focus on the plight of women, migrants, and precarious workers, as well as the need to eliminate child labor; prohibit unfair trading practices that cause or contribute to actual or potential harms to garment and footwear sector workers, and promote fair purchasing practices; provide consumers with a right to information about brands in the garment and footwear sector; and enhance transparency and accountability of brands in the apparel and footwear sector (Good Clothes Fair Pay, s.d.). The main due diligence requirements for brands are to identify, prevent, minimize, and repair negative consequences on living wages, freedom of association, and the right to collective bargaining in the territories from which they source while taking the right to equal pay for equal labor into account. To track and report the success of the mitigating measures implemented during the due diligence process, including through a publicly released time-bound and target-bound plan that is evaluated on an annual basis. Involve all essential parties in the design and implementation of the due diligence processes for the undertakings. Adopt a risk management strategy that involves a review and required adjustment of purchasing methods, particularly those linked to price setting and product costing. Brands would be compliant solely if they have made all suitable and necessary efforts to prevent, reduce, and cure harmful effects on living wages, therefore actions such as joining initiatives and setting targets that do not provide proof of living wages being simpler to fulfill are insufficient (Good Clothes Fair Pay, s.d.). The obligations imposed by this Directive must be carried out in accordance with the proportionality principle enshrined in Article 5 of the Treaty on European Union, taking into account, in particular, the extent of the undertaking, the context of its operations, and the severity and likelihood of hazards associated to the upholding of the human right to a living wage, including wage theft, freedom of association, collective bargaining rights, and precarious employment. The ECI requests that the Commission identify which standards may be used to define living wages and that such living wage benchmarks be used in pay negotiations in the sector. To achieve transparency brands should render accessible via their websites an annual report on their strategy and implementation of their commitments (the material should be available for a period of ten years). While publicly disclosing the full names of all production units and manufacturing facilities in their production supply chain; the site addresses; the parent company of the business at the site; garment, textile, leather, and footwear categories made, including but not limited to apparel, footwear, home textile, and accessories; the number of employees at each location (less than 1000, 1001 to 5000, 5001 to 10000, or more than 10000); the weekly take-home pay for entry-level workers based on a normal work week of no more than 48 weekly working hours (excluding overtime) (Good Clothes Fair Pay, s.d.). Unfair trade practices are prohibited by the ECI draft legal act. These include: the buyer paying the supplier more than 60 days after the end of an agreed-upon delivery period, canceling orders without notice, changing or failing to provide complete information about the terms, demanding the supplier to compensate for damages arising after ownership has been transferred to the buyer, and the purchaser declining to agree on a production price in accordance with the due diligence obligations. Consumers have a right to information under the ECI regarding actual and anticipated detrimental effects relating to salaries and insecure contracting arrangements. A corporation must provide information to any natural or legal person who requests it. This covers both basic information and details about individual supply chain suppliers. Government contracts for clothing, footwear, and leather fabrics are included. The ECI requests that Member States take reasonable measures to ensure that economic operators comply with the due diligence requirements outlined in this Directive when performing public procurement or concession contracts (Good Clothes Fair Pay, s.d.). The ECI requests that the Commission compile an annual list of all garments, textile, leather, and footwear producing nations or parts of countries where the applicable statutory minimum wage at the cut-and-sew stage of production is less than the wage risk point and the minimum living wage. Firms that source from these locations may face increased scrutiny and sanctions from national authorities. Even if the minimum wage is higher than the wage danger point, the country should be placed on the list if it does not provide freedom of association and the right to collective bargaining. Member States will impose penalties on enterprises who fail to comply. The Commission will grant national authorities the right to exclude undertakings from public procurement, state aid, and public support schemes, including schemes relying on Export Credit Agencies and loans, as well as to use commodity seizure and other appropriate administrative sanctions. In the instance of very significant violations, Member States may apply criminal sanctions, including liability for the Directors of the undertakings. Member States would be required to enact binding norms at the national level.

In theory, Member States can choose how to implement the Directive's objectives, however the more precise the Directive, the less flexibility they have. Normally, the directive must be adopted by the Member States within a period of several years. Given that the Directive proposed is highly prescriptive, if the EU chooses to follow the guidelines given out, the EU will have a very uniform regulatory level. Members shall appoint a national authority to launch and execute investigations on their own or in response to complaints. Authorities will be able to make judgments and issue punishments if there are infractions. Each Member State will appoint one or more competent national authorities to monitor and enforce national law. The Commission will establish a website to facilitate information exchange between competent national authorities and the Commission, as well as a list of all national authorities accountable (Good Clothes Fair Pay, s.d.). More detailed information can be found on the dedicated webpage of the European Union[12]. Unfortunately, the campaign obtained more than 240,000 signatures, but it didn't collect the one million goal.

Every year, the Organization publishes a review, the *Fashion Transparency Index*, of 250 of the world's largest fashion brands and retailers ranked according to their level of public disclosure on human rights and environmental policies, practices, and impacts across 258 indicators and 5 key areas (Policies & Commitments, Governance, Supply Chain Traceability, Know Show & Fix, Spotlight issues such as decent work, gender & racial equality, sustainable sourcing & materials, overconsumption business models waste & circularity, water & chemicals, climate change fossil fuels & biodiversity) (Fashion Revolution , 2023). For the first time in seven years of presenting this Index, two brands earned 80% or higher in 2023. This year, Italian designer OVS got 83%, followed by Gucci at 80% and Kmart Australia and Target Australia at 76%. Since last year, OVS's score has

[12] European Citizens' Initiative, *Good Clothes Fair Pay*, https://europa.eu/citizens-initiative/initiatives/details/2022/000004_en, last access: 27 August 2023.

improved by 5 percentage points, Gucci's score has increased by 21 percentage points, and Kmart and Target Australia's scores have declined by two percentage points. Once again, worldwide progress on transparency in the fashion industry has been too slow, and brand performance varies widely. The global fashion industry's average score rises by two percentage points to 26%. Along with record highs, 18 prominent brands have a 0% rating this year, up from 17 brands last year. Overall, 71 of 250 brands (28%) received a score of 0-10%. This is a little improvement above the previous year's figure of 32%. After years of the luxury fashion industry stalling its feet on transparency, this year's top five movers are all luxury labels. Gucci (+21% point increase since 2022), Armani (+19% point increase since 2022), Jil Sander (+17% point increase since 2022), Miu Miu (+17% point increase since 2022), and Prada (+ 17% point increase since 2022) (Fashion Revolution , 2023). Notably, Jil Sander scored 0% previously so it's encouraging that the brand participated and improved its score. The bulk of the top movers in luxury have raised their rankings by publishing their supplier lists, which range from first-tier factories to raw material suppliers in some cases. After years of working for supply chain transparency with their allies, they can finally say that more than half of the biggest fashion brands (52%) in the Index currently disclose their first-tier supplier lists. The overall average score in the Traceability area is 23%, however nearly half (45%) of brands give little to nothing, scoring only 0-1% overall in the part. Brands cannot be held accountable if they do not know or disclose the places where their products are manufactured across their supply chain (Fashion Revolution , 2023). After the Covid-19 outbreak, when unscrupulous brand purchasing tactics caused unprecedented amounts of worker distress, there has been a greater emphasis on companies accepting responsibility for the consequences they are causing. Similarly, findings demonstrate that few large fashion businesses disclose evidence of fair working conditions with their suppliers. Only 12% of brands have a responsible purchasing code of conduct in place, and only one brand, Zeeman, has a standard, due-diligence-aligned supplier agreement template in place, including typical order and payment terms and conditions. Only 4% of brands identify the number of orders on which they apply retroactive revisions to previously agreed-upon payment conditions, and only 11% disclose a policy of paying suppliers within 60 days. The fashion business has a systemic problem with poverty pay, which is supported by a lack of openness and accountability. Only 1% of large brands report this year how many people in their supply chain receive a living wage, which is the amount of money needed to meet basic demands and set away some extra cash. Only 39% of brands share how they are putting these policies into practice, and only 15% of brands disclose the number or percentage of their supplier facilities that have autonomous, democratically elected trade unions. These low levels of commitment make it difficult to assess the impact on the ground (Fashion Revolution , 2023). Major brands must do thorough due diligence to identify their environmental and human rights issues throughout their supply chain. This year, 68% of brands publish how they undertake their due diligence on human rights, while 49% do the same for environmental issues. This improvement is a result of forthcoming regulations on due diligence, such as the Corporate Sustainability Due Diligence Directive (CSDDD) and the Corporate Sustainability Reporting Directive (CSRD) at the EU level. The disclosure of how brands consult affected stakeholders has seen the biggest growth in human rights due diligence (37% up from 26% last year) (Fashion Revolution , 2023). Driving systemic change depends on the public disclosure of reliable, thorough, and comparative data about the supply chains, business practices, and effects of the fashion industry on workers, communities, and the environment. Transparency is a means to an end; it is not the end itself. Without transparency, we cannot progress toward responsibility and have a good impact on the global fashion business. Transparency itself is not the goal of the Fashion Transparency Index. The goal is to encourage information disclosure so that people, activists, professionals, worker representatives, environmental organizations, policymakers, investors, and even brands themselves can use it to examine what the major players are doing, hold them accountable, highlight best practices, and work to bring about change (Fashion Revolution , 2023). The part of the Index with the highest score is still Policies & Commitments. Compared to governance data, supply chain traceability, and outcome and effect data, brands continue to be more open about their policies and commitments. It is fundamental to have transparent policies and promises, but it is also important for businesses to embrace meaningful transparency regarding their impacts and results. Overall, we see virtually little development in the section on governance. For instance, 58% of brands, up from 53% last year, provide the name or contact information of a board member in charge of handling human rights and environmental issues. Accountability at the board level is essential to ensuring that threats to human rights and the environment are taken into consideration at the highest level of decision-making. Labor and environmental activists, trade unions, and worker representatives can benefit from publicly available supplier lists because they show who is accountable when human rights and environmental violations are found in the supply chains of well-known brands and stores. Because they may share expertise and pool resources, organizations that source from the same facilities can collaborate with one another to find solutions to issues more rapidly (Fashion Revolution , 2023). The disclosure of how companies consult with affected stakeholders (37% up from 26% in 2022) and the identification of the most pressing human rights risks (52% up from 42% in 2022) have seen the biggest increases in human rights due diligence compared to last year. This year's results show once again how there is a general lack of transparency on working conditions above the top tier of the supply chain; 48% of big brands communicate their assessment findings in summary form without naming specific facilities. Currently, just 20% of brands report the results of their human rights due diligence, but 68% describe the process. Brands need to be held responsible for fixing violations found in the factories where their clothing is produced. The problem detected and how serious it is determining the appropriate solution. When problems are discovered in the facilities of their suppliers, more than half of large fashion companies (56%) outline the recovery procedure that is put in place. Sadly, only 22% of brands reveal the extent to which affected parties—such as employees, producers, farmers, and their trade unions—are involved in the rehabilitation process (Fashion Revolution , 2023).

4.2 Methodology

This section aims to justify the research question identified and to explain how research is conducted and with which tools and methodologies. In the previous Chapters, several research gaps were raised from the literature review. In summary, during the last years, it became urgent to address grand challenges such as those derived by the SDGs both in literature research and with practical actions that affect international governance, MNEs, and all communities. It's still unknown how far MNEs' adoption or endorsement of such standards and initiatives translates into substantive actions, particularly in improving their human rights practices and reducing business-related human rights violations. Moreover, international legislation is mostly non-binding creating a lack of enforcement where brands who have an interest in pursuing HRDD and internal policy can do so on a voluntary basis. The rise in community awareness of these topics led to finding a balance between consistent social reporting criteria to boost openness and commitment, as well as the flexibility required to effectively respond to evolving citizens' demands. It's fundamental to achieve transparency to fill these gaps, for these reasons, the research question developed is the following: "*How to enhance the Human Rights Due Diligence through transparency and traceability?*".

To tackle this demand, the research is a qualitative study. This decision came from the need to comprehend ethics in today's dynamic business world involves arriving at an understanding of the underlying judgments, assumptions, behaviors, and intentions of the people involved (Nair, 2021). Qualitative research is often used to gain an understanding and explanation of such complicated ethical occurrences. Qualitative approaches are employed in business ethics research to gain an understanding of the meaning, characteristics, and context of a phenomenon of interest (Nair, 2021). The first step in conducting such analysis was the literature review. Literature was searched in multiple online academic journals and presented in order to have a comprehensive understanding of the already existing research, case studies, and consequently research gaps. Here, the literature review is presented in the previous chapters (Chapter 1,2,3). Then, the second step was to identify the case study, which is an empirical investigation into an ongoing event in a real-life setting. It is important to underline that case studies have limitations. The generalizability of a case study's conclusions is seldom evident. A case study examines the actions of a single individual, group, or organization. The behavior of this particular analytical unit might or might not be indicative of the behavior of other similar entities. Case studies might be illustrative of what might be done in comparable organizations, but more investigation would be required to confirm whether the results of one study could be applied to other situations (Simon & Goes, 2013). Since our research question aims to understand how human rights due diligence is enhanced by transparency, the case study selected was the NGO Fashion Revolution, which focuses on the fashion supply chain practices, resulting in the world's greatest fashion activism movement, mobilizing citizens, companies, and legislators with the primary goal of abolish human and environmental exploitation in the global fashion industry, to provide safe, dignified working conditions, and to pay living wages to all individuals in the supply chain, spreading the culture of transparency (see Chapter 4, 4.1). To make our investigation more complete, a direct interview with Fashion Revolution was asked. It's a structured interview since it was conducted in written form and had a pre-determined set of open questions, specifically 11. The respondent was Mrs. Michelle Blair Gabriel who is an educator, researcher, social impact and fashion sustainability strategist and serves as the Graduate Program Director for Sustainable Fashion at Glasgow Caledonian New York College. She collaborates with Fashion Revolution USA and was put into contact with me through the Fashion Revolution USA Education section. The interview analysis was conducted via NVivo, a qualitative analysis software that permits coding and visualizing the results. The questions analyzed were 7/11, 4 of them were excluded since the respondent referred to the web pages of Fashion Revolution to find information. Firstly, a coding analysis was conducted on the interview text. It consisted of three rounds of coding, the first identifying the open codes where the meaningful sentences related to the research question have been labeled. The second step, axial coding, consisted of connecting similar open codes in order to remove redundant open codes and grouping them under a common theme. Finally, axial codes have been related to a core category, a selective code, producing a set of theoretical propositions. The coding process helped to organize the data for interpreting the results. NVivo was also used for data visualization, by creating codes hierarchy tables, interconnections between codes, and the most frequently used terms in a word cloud. In the following Chapter 5, the results and discussion are presented.

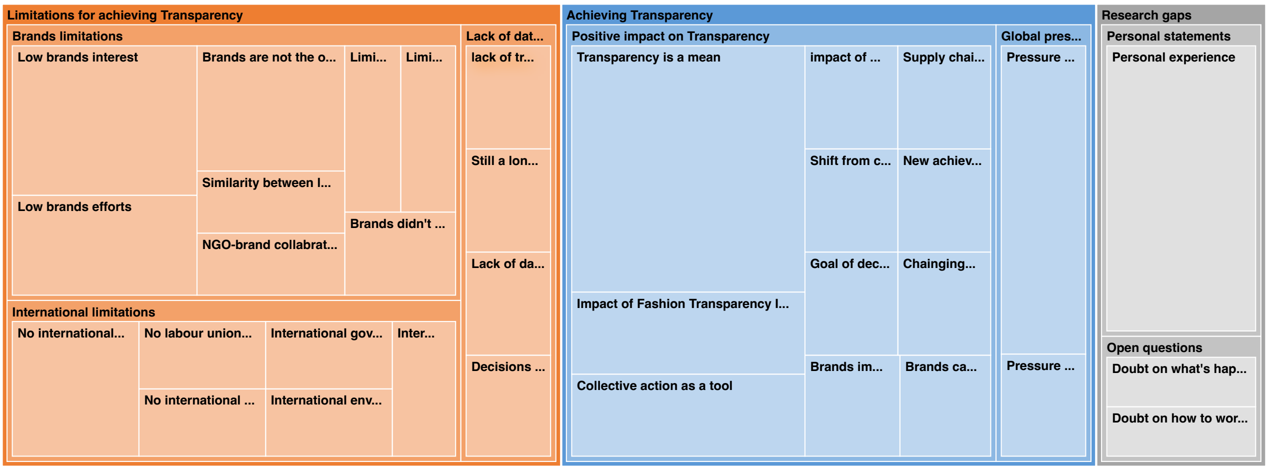
CHAPTER 5

Chapter 4 presented the case study and the methodologies used to conduct the qualitative study of this thesis. Chapter 5 aims to submit the obtained results and the following discussion, identifying the research gaps for future research.

5.1 Results

The analysis of the interview released by Fashion Revolution was conducted on NVivo. The first step of the analysis was the coding process. The coding rounds were three, with 44 codes and 156 references. Three final Selective codes were identified: Achieving Transparency, Limitations for Achieving Transparency, and Research Gaps. The following table represents the hierarchy between the codes:

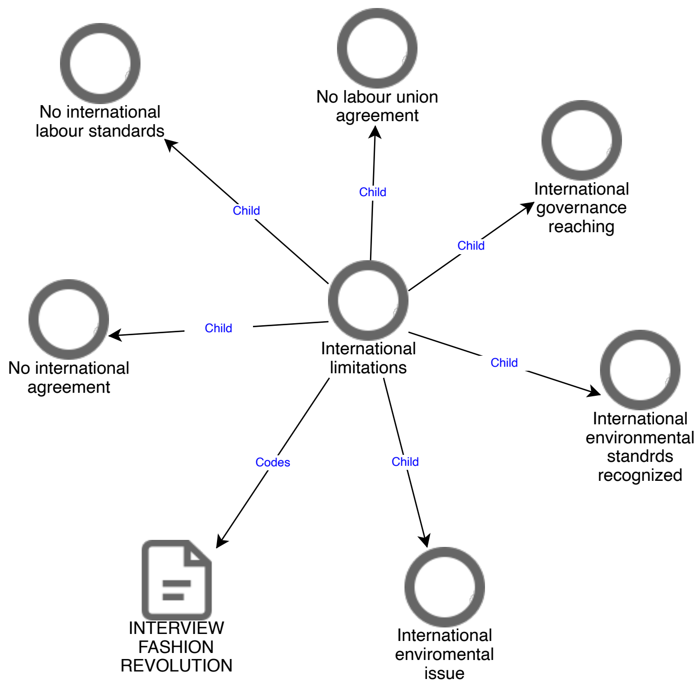
Table 1: Hierarchy between codes



Source: NVivo visualization

As represented above, within the limitations for achieving transparency there are brands and international limitations and lack of data and research. While achieving transparency comprehends the positive impact of transparency and the global pressures firms are subjected to on the topic. Before going into depth explaining the results derived from these categories, it's interesting to analyze the research gaps identified in the interview. The statements under these codes highlight the importance of transparency in the fashion supply chain since "we do not with accuracy and granularity know what is happening in the global fashion supply and value chain." This is why transparency is essential to drive change in supply chains, disclosing information on tier one and two suppliers, for example. The other doubt was on "how might other stakeholders be effectively petitioned to work towards the same goals when those closest to the issue do not themselves?" deriving from the lack of agreement towards international legislation and labor unions. Both are strictly connected to some results in achieving transparency and in the limitations. The former reminds of the impacts Fashion Revolution had on helping "the sector to provide transparent information about suppliers.", mainly thanks to the annual publication of the Fashion Transparency Index: "Since its introduction, many of those companies rated on the index have advanced their progression towards transparency", consequently "for the first time in 2023, more than half (52%) of major fashion brands disclosed their first tier supplier lists.". More detailed impacts of the Fashion Transparency Index can be found in Chapter 4 4.1. The latter reminds to the international limitations of legislation since "they are not universally agreed upon and are not treated as a space of shared understanding amongst all labor stakeholders." and "labor standards are not seen as universal and are seen as highly contextual, unlike emissions standards, for example, which tend to follow an agreed upon math to calculate and the goals set out in the Paris agreement tend to be seen as universally agreed upon goals for emissions reductions.", this highlights the need for more biding legislation and universal detailed due diligence practices. Chart 1 represents the international limitations identified:

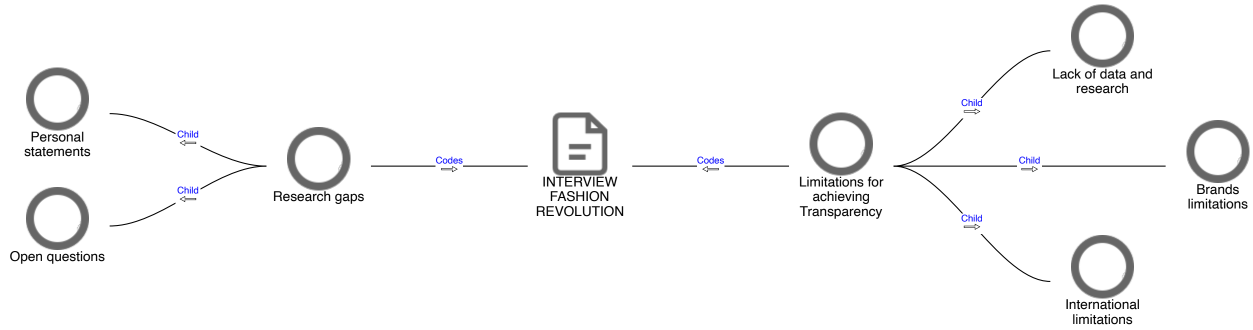
Chart 1: International Limitations Diagram



Source: NVivo visualization

The interconnection between the research gaps and the limitation in achieving transparency is represented in Chart 2:

Chart 2: Codes Comparison

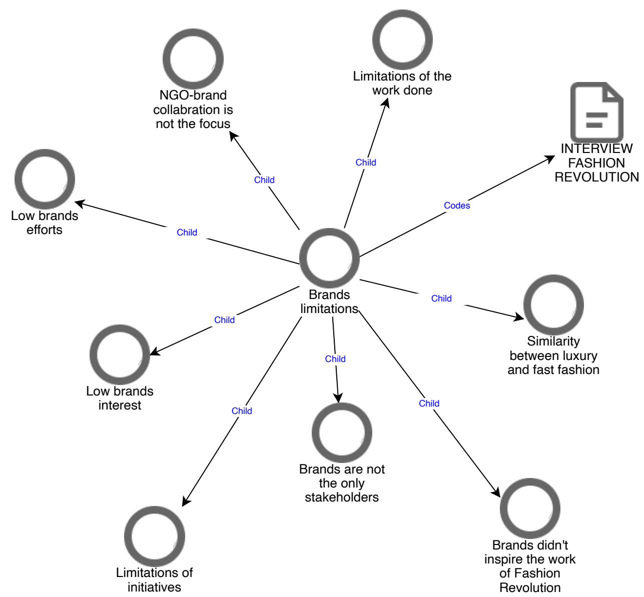


Source: NVivo visualization

Amongst the limitations to achieving transparency, there is the lack of data and research. As discussed in the previous chapters, several research gaps are present due to the poor research conducted on the topic, and the difficulty in finding quantitative data on supply chain transparency: "we are making decisions and pushing solutions without accurate evidence-based data.". However, International Business and Human Rights together is a slightly new field of study, especially in relation to lawful business activity in the context of management and IB research, so I believe more research is ongoing and would contribute to the discussion in the future.

Analyzing further the limitations, some come from directly to the brands and the sector, a summary is represented in Chart 3:

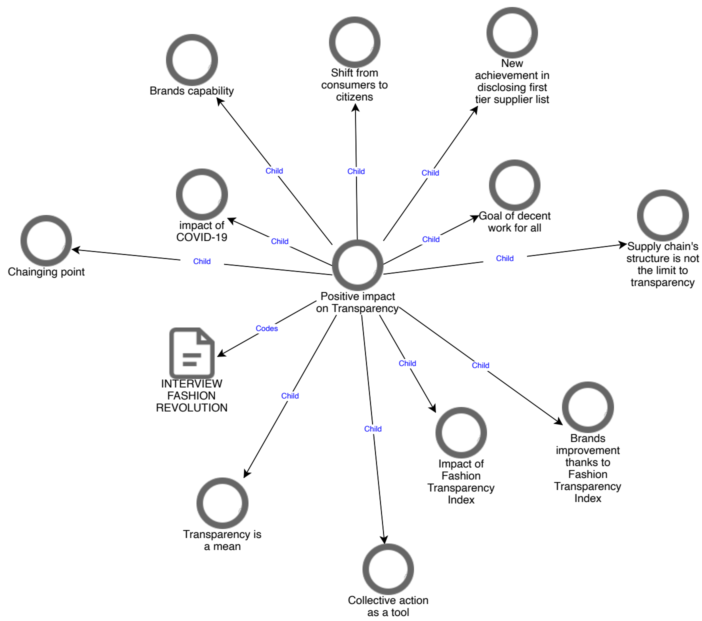
Chart 3: Brands Limitations Diagram



Source: NVivo visualization

The main limitations are the low brand interest and effort to comply with due diligence practices and being transparent in their supply chains. As reported in the interview, "Brands are doing almost nothing to advance transparency and should not be seen as interested in driving that change. [..] Brands are capable of transparency now, but are not yet interested.". The explanation of why brands lack effort in achieving transparency since "brands and companies have not done the work nor taken appropriate responsibility for their impacts", which is connected to the lack of enforceable legislation requiring human rights due diligence. Moreover, even though in public opinion fast fashion firms lack respectful actions on environmental and social issues, there is evidence that also luxury companies lack transparency, as the placement in the Fashion Transparency Index shows, since often factories are shared between them. Thus, "the structure of the supply chain is not the limitation to transparency […] it is the will of the brand or company which is the limitation.". Brands are not the only stakeholders in the fashion industry, so they aren't solely responsible for the lack of transparency, but collaboration between stakeholders is needed to achieve the goal. Even though brand collaboration is not the primary focus of Fashion Revolution, NGO collaboration is essential to achieve better control on the respect of human rights, since their aid is to the achievement of vital societal goals, thanks to their independence from other sectors, as presented in Chapter 3, 3.3. Although, incentives derived by the Index are tangible as pointed out by the interview: "Since its introduction, many of those companies rated on the index have advanced their progression towards transparency", the improvements of companies are discussed in Chapter 4, 4.2. Fashion Revolution identified several interesting means that might help to achieve transparency, as represented in Chart 4:

Chart 4: Positive Impact on Transparency Diagram



Source: NVivo visualization

The Rana Plaza disaster in 2013, was a changing point in seeing the problems of global supply chains. People gathered awareness on the issues of suppliers where several violations of human rights occurred systematically. Little was made in these years to achieve decent work for all, and the COVID-19 emergency enlightened "the world further to the specific issues of contracts, payment terms, and wages for garment workers.". Transparency is a tool, useful for achieving wider universal goals as those present in the Agenda 2030. This is the main result of our study, transparency should be the basis of data and information to help working to achieve the SDGs, implement HRDD, and let everyone be aware of the ethical implications occurring in global value chains. What could be helpful for companies to have an incentive to disclose data and information is to be subjected to global pressures. Due to the low interest, "brands require concrete pressure from governments and citizen action in the form of policy to force transparency.". For this reason, NGOs such as Fashion Revolution, aim to spread knowledge and awareness on the issue. Consumers started to see themselves not only as people who have the power to buy but as citizens who have the power to have global influence and make ethical decisions. As explained in Chapter 4, 4.2, one of the biggest projects of Fashion Revolution was the *Good Clothes Fair Pay* campaign, which tried to fill the main gap of not having binding legislation for HRDD and put global pressure on brands directly involving the population. The word frequency cloud partially confirms these results:

Chart 5: Word frequency cloud

Source: NVivo visualization

The words most frequently used are *Transparency* counted 15 times, which is coherent since it's our main topic, *Fashion* and *Brands* counted respectively 12 and 9 times, which are our main subjects the former as the sector investigated and the latter as the main party involved. Then, the most used verb is *change*, counted 7 times, highlighting the need for a change in the fashion supply chain and the approach towards transparency and human rights due diligence.

5.2 Discussion

The results presented above confirm the limitations found in the literature review, even though give interesting cues for future research and approaches.

The MNE's supply chains as we know them today, were boosted by globalization around the mid-80s, when developing countries, historically closed to trade liberalization, started to lower tariffs, and ratify bilateral investment agreements. This undoubtedly complicated the socio-economic environment, since big Western multinationals started to have a direct impact on developing countries. For MNEs reputation is an important factor that is tightly connected to outsourcing manufacturing abroad, so their reputation depends, not only on their direct activities but also on those of the businesses in their extended supply chains. Mostly, supply chains are outsourced in countries where there are weak labor and environmental regulations, risking violations, such as human rights ones, that negatively affect the living standards of the local community. For these reasons, monitoring the supply chain is important, but frequently as investigated by Short et al. (2016), cognitive biases and social influences that affect the monitors' ability to discover and cite infractions are likely to have an impact on the performance of monitors who repeatedly inspect a company. Since third-party monitors frequently have different incentive structures from the principals who hire them, this raises the possibility of agency issues. Transparency could be essential to prevent these risks since requires third-party auditors to publish their methodologies and practices on how monitoring is conducted and what is found in manufacturing plants. The main discourse that remains open is about international legislation. As presented in the literature review, international organizations such as the ILO and the UN, published detailed guidelines on how human rights due diligence should be conducted and how brands should behave ethically, but these are non-binding, so firms may adopt and follow these recommendations on a voluntary basis. This was confirmed by our research results, identifying non-binding regulations as a limit to achieve transparency, and as a real need to pursue change in human rights respect. Transparency is a mean to a bigger end, which could concretely help modify the brand's behavior in their supply chain mainly by disclosing tier 1-2 suppliers, the weekly wages, the internal human rights, and environmental policies, following the demands posed by the Fashion Transparency Index. NGO collaboration could be one solution to stimulate Companies' involvement in monitoring the supply chain and adopting human rights due diligence. Moreover, collaborating with associations can be beneficial for a firm's reputation, including these projects in their Corporate Social Responsibility framework and ESG reports. There are some examples of investigations that are conducted in collaboration with brands or NGOs along the supply chain providing interesting insights on how the value chain really likes and how it could be improved. As we saw in the study conducted by Rodrìguez et al. (2016), who conducted an investigation on NGO poverty alleviation initiatives in supply chains, the NGO's contacts and resources were crucial to achieving the implementation of the program[13]. The work of Fashion Revolution, as our results highlight, contributed to driving firms to be more transparent. For the first time in 2023, two brands earned 80% or higher scores, as well as top five movers are all luxury labels.

The literature review was found to be quite complete, but it lacks suggesting concrete actions to fill the gaps. Based on the results, some suggestions on how to enhance human rights due diligence may be presented. During the COVID-19 pandemic, civil society became more aware of grand challenges, particularly on what concerns social and environmental issues, so they are becoming more ethical customers. Brands are feeling this change in consumer behavior and are subject to this market pressure. Thus, the trend in the global economy is to be aware and take concrete actions to run an ethical business. Transparency could be the basic tool to achieve this through publishing more detailed CSR and ESG reports, including a dedicated part explaining the product's supply chain from tier-one suppliers to raw materials suppliers, as well as adopting and disclosing internal policies. Moreover, with the increasing development of new technologies, brands could include IT systems on their websites with which it can be followed the entire value chain of a particular item. Many brands are already using these instruments, but they are usually incomplete, reporting just the name and the address of the factory, which doesn't provide information regarding the actual state of labor standards. Since this is still a voluntary approach, also governments should intervene in increasing the actual legislation. Binding regulations are needed to force brands to be transparent in their activities. Countries should cooperate to enforce MNEs to be compliant with HRDD, both at an international and local level. Enforceable laws can be included in bilateral/multilateral trade treaties, in regional Trade Agreements, and within the European Union, with the supervision of international organizations such as the ILO and the UN. A fair control should be granted since developed economies may exert power over developing economies, causing inequitable agreements. NGOs may exercise pressure in order to drive change towards transparency. With their work, NGOs are likely to lobby with governments encouraging them to ratify binding agreements and help them with social

[13] See Chapter 3, 3.3

and economic projects. In this context, NGOs could collaborate directly with brands in their CSR framework but also provide a just supply chain monitoring not having economic interests with the parent company. Above all, a multiple-party collaboration between institutional actors, MNEs, and NGOs should be improved to achieve grand challenges such as ensuring human rights, labor rights, and good living standards in supply chains.
However, these remain open questions for future research on how the interest of brands, in adopting HRDD while disclosing public information on their supply chain, can be improved. Moreover, future literature could approach the issue by looking at it from a wider perspective, connecting CSR and ESG research to international legislation and NGO collaboration, since all fields tackle the lack of transparency in global value chains causing difficulties in avoiding human rights violations.

CONCLUSION

In conclusion, the literature review was confirmed by the results obtained by the empirical evidence gathered from the case study and of the following interview. Even though there are limitations on the topic, the results gave interesting clues for future research and approaches.

Globalization expanded MNE supply chains in the mid-1980s, when developing countries, which had previously been resistant to trade liberalization, began to decrease tariffs and ratify bilateral investment treaties. This has complicated the socioeconomic framework, as large Western multinational corporations have begun to have a direct impact on emerging economies. For MNEs, reputation is a key aspect that is inextricably linked to outsourcing production abroad, therefore their reputation is dependent not only on their direct activities but also on the firms in their extended supply chains. Typically, supply chains are outsourced to countries with weak labor and environmental laws, risking transgressions such as human rights violations that have a severe impact on the local community's living conditions. Because the released specific instructions on how human rights due diligence should be undertaken and how businesses can behave ethically are non-binding, the biggest debate that remains open is regarding international legislation. Our research findings verified this, citing non-binding rules as a barrier to achieving transparency, as well as a genuine need to promote reform in human rights respect. The main concept that raised is that Transparency is a mean to a bigger end, which could concretely help modify the brand's behavior in their supply chain which could become more ethical and compliant with Human Rights Due Diligence practices. What is needed is a multiple-party collaboration between institutional actors, MNEs, and NGOs that should be improved to achieve grand challenges such as ensuring human rights, labor rights, and good living standards in supply chains.

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APPENDIX 1

INTERVIEW FASHION REVOLUTION ITALY

Dear Fashion Revolution,

My name is Sophia Mallucci and I'm graduating in Global Management and Politics from LUISS Guido Carli University in Rome. My Master Thesis research project aims to comprehend how Multinational companies can enhance human rights due diligence through supply chain transparency; to succeed in this - ambitious - goal is fundamental for me your contribution.
The interview will consist of 11 questions concerning the various topics covered in the thesis and will be reported - through exact quotations and probably in full form - in my thesis. In consideration of the topics covered and the future publication, feel free not to answer some of the questions present or to ask for a reformulation of the same.
In any case, please let me know of any problems in this regard.
Thank you.

Question 1:
"Fashion Revolution is a global movement that aims to make fashion more ethical, pushing brands to be more transparent in their supply chain. Where does this movement come from and what are future development goals?"

MG: https://www.fashionrevolution.org/about/

Question 2:
"Moving to the more concrete side of the movement, what activities and events do you organize to make this reality known and raise people's awareness on the subject? What is Fashion Revolution Week about?"

MG: See "Campaigns" and "Events" at https://www.fashionrevolution.org/

Question 3:
"What can people and students like me do to actively promote and participate in this movement?"

MG: https://www.fashionrevolution.org/about/get-involved/

Question 4:
“Going a little more in detail, to date there are various guidelines on the introduction of due diligence in the supply chain by brands (e.g., UN Guiding Principles for Business and Human Rights, ILO Declaration on Fundamental Principles and Rights to Work). In your opinion, what are the strengths and weaknesses of these guidelines nowadays?”

MG: In my experience across research, the industry, and leading multi-stakeholder initiatives like the Fashion Act in New York State, the limitation of these initiatives is that while they might be put forth by seemingly overarching international institutions, they are not universally agreed upon and are not treated as a space of shared understanding amongst all labor stakeholders. Labor unions, for example, in both the international and US domestic context do not agree about MDD methods, approaches, or goals which leads to inconsistencies of approaches and alignment when seeking to advance labor issues in coalition. Labor standards are not seen as universal and are seen as highly contextual, unlike emissions standards, for example, which tend to follow an agreed upon math to calculate and the goals set out in the Paris agreement tend to be seen as universally agreed upon goals for emissions reductions. This lack of agreement has the effect of cooling MDD efforts as the pro-labor groups are not yet in agreement so how might others stakeholders be effectively petitioned to work towards the same goals when those closest to the issue do not themselves?

Question 5:
"Good clothes and fair pay" is a very innovative and unique initiative because it consists of a popular campaign involving all European Union citizens with the goal of bringing a proposal to the European Commission that requires big brands to implement specific due diligence for the supply chain. Where did this initiative come from? What are the specific legislative requests?”

MG: https://www.fashionrevolution.org/good-clothes-fair-pay/

Question 6:
“How important is it to be transparent throughout the supply chain? What concrete actions can brands do to implement the transparency of their products to guarantee the correct respect for human rights?”

MG: Transparency is the means to other ends. We cannot achieve greenhouse gas emission reductions, better wages, or reduce impacts of tier 2 suppliers, for example, without first achieving transparency as we do not with accuracy and granularity know what is happening in the global fashion supply and value chain. We are absent meaningful and accurate data collection and so we are making decisions and pushing solutions without accurate evidence-based data. Transparency would allow for that information which in turn would impact approaches. With transparency, targeted approaches to the unique challenges of unique regions are possible. Brands are doing almost nothing to advance transparency and should not be seen as interested in driving that change. Brands require concrete pressure from governments and citizen action in the form of policy to force transparency. Brands are capable of transparency now, but are not yet interested.

Question 7:
"The Fashion Transparency Index is very interesting." How far did this investigation motivate the included brands to increase the transparency of information? Are there any best practices from other companies that have acted as inspiration for your efforts and events?"

MG: The Fashion Transparency Index has had a significant impact on the transparency of the sector. Since its introduction, many of those companies rated on the index have advanced their progression towards transparency and for the first time in 2023, more than half (52%) of major fashion brands disclosed their first tier supplier lists. This would not have been a priority if the FTI had not successfully exerted pressure throughout the sector to provide transparent information about suppliers. The work of companies is not the inspiration for the FTI nor much of FR's work more broadly - it is because brands and companies have not done the work nor taken appropriate responsibility for their impacts (an action in economic terms referred to as externalizing) that FR and the FTI exists. Companies are not the only stakeholder in the fashion system and this work advocates for those other stakeholders in order to drive some change from companies. There is other relative info about impact of FTI here - https://www.fashionrevolution.org/about/transparency/

Question 8:
"How much do you collaborate with brands? Do you think the current trend is to improve transparency and respect for human rights in supply chains? How far is there still to go?"

MG: Collaborating with fashion brands is not the primary focus of the work at FR. I do not think that transparency and human rights are trends. These are tools and rights which FR helps to fight for so that the millions working in the fashion supply chain can have decent work and live with dignity and to help better steward the environment within an industry with a history of exploiting it and disproportionately contributing to climate change. While we have made great impacts and enormous strides, there is a massive journey ahead because we have barely scratched the surface of need for change for the sector.

Question 9:
"In your opinion, how much can popular initiative and youth awareness on these topics lead to effective change?"

MG: I believe collective action is the primary means to driving change within the current fashion system.

Question 10:
"How much has the way of approaching ethics in supply chains changed over time? In your opinion, what have been the most important changing points in recent years? How much has the Covid-19 pandemic affected this (both on the part of brands and consumers)?"

MG: I don't know if ethics or the approach have changed over time but I do believe transparency in many forms has allowed awareness to grow for the issues of the fashion system and thus allowed those pushing for change to evolve their approach. Rana Plaza in 2013 was an inflection point which led to the creation of Fashion Revolution and woke the world to the issues of the sector. COVID-19 enlightened the world further to the specific issues of contracts, payment terms, and wages for garment workers.

Brands and consumers are not the only stakeholders in the fashion system. What has happened post COVID-19, is that those that only saw themselves as consumers are shifting that perspective to see themselves instead as citizens with far greater power and impacts than when they were only consumes with the power to buy. Citizens have driven the successful adoption of governmental policy to help force brands to engage in more appropriate practices.

Question 11:
"Following your experience, what is the difference in approaching transparency in supply chains from luxury brands to fast fashion brands?"

MG: Both luxury and fast fashion supply chains lack transparency and both are in need of it. Both operate similarly and both contend with similar problems. The structure of the supply chain is not the limitation to transparency (and it isn’t vastly different from one end of the market from the other, especially because factories are commonly shared between brands), it is the will of the brand or company which is the limitation.