THE CASCADING EFFECTS OF THE CORPORATE SUSTAINABILITY DUE DILIGENCE DIRECTIVE (CS3D) ON SUPPLY CHAIN SOCIAL ACCOUNTABILITY

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ABSTRACT

The European Union's Corporate Sustainability Due Diligence Directive (CS3D, or CSDDD) is a watershed in corporate accountability, shifting business practices from voluntary corporate social responsibility to binding obligations. This Paper analyses the CS3D cascading obligations down global supply chains, and social accountability, liability, and compliance implications. It analyses this Directive in the EU context against the international norms, including the UN Guiding Principles, OECD Guidance, and ILO core conventions, as well as the comparative laws - France's Duty of Vigilance law. The analysis then describes the substantive provisions of the CS3D (scope, defined duties, enforcement, and liability) and how they differ from previous regimes. In the cascade effects exploration, the paper narrates those obligations on parent companies can be cascaded to subsidiaries and can also be cascaded on suppliers and subcontractors, which can create more transparency but can cause burdens also. Liability risks (including civil remedies and penalties) are explained. Impacts on smaller businesses, in developing countries, and third-party suppliers are reviewed: disproportional compliance costs, trade distortions are warned by critics, and improved accountability on vulnerable workers by supporters. Case studies help to illustrate such dynamics – the Rana Plaza disaster in Bangladesh (2013) demonstrates why mandatory due diligence was called for by the civil society while Germany's Supply Chain Due Diligence Act (2021/2023) and France's Duty of Vigilance Law (2017) are compared with the CS3D's regime. The analysis also identifies criticisms and practical challenges (for instance, in measuring compound impacts and enforcing to avoid mere tick-box compliance). Finally, the paper recommends how to improve corporate incentive alignment with social goals (data, stakeholder, contracting), including compliance strategies from real-world cases. It is therefore concluded that while the CS3D presents a bold step toward holding companies accountable for supply chain harms, careful attention must be given to balance the framework's ambitions with feasibility and support for affected suppliers. The conclusion then considers "cascade effects" as a source of social accountability in the supply chain as well as a source of new corporate responsibility and global justice issues.

INTRODUCTION

More recently, global supply chains have been under increased scrutiny due to social and environmental effects. Voluntary corporate initiatives and voluntary social auditing were shown to be inadequate in preventing labor abuses following catastrophic events such as the 2013 Rana Plaza factory collapse in Bangladesh, [1]which killed over 1,100 garment workers. [2]This new paradigm is the incorporation of mandatory due diligence into corporate law. Under this approach, corporate entities are under legal obligation to identify, prevent, mitigate and remediate adverse impacts across their operations and supply chains. [3]This is evident in international standards such as the UN Guiding Principles on Business and Human Rights, the OECD due diligence guidelines, and national legislations[4]. The EU's Corporate Sustainability Due Diligence Directive (CS3D) is the latest and most comprehensive example of this trend. It is often described as the first "supply chain law" of such scale.

The CS3D therefore signifies a shift from the voluntary CSR to binding legal liabilities along global value chains. It imposes due diligence duties on large EU companies (and large non-EU companies operating in the EU) to assess and address human rights and environmental risks associated with their own activities, their subsidiaries, and (where related to their value chains) the activities of 'business partners. In practice, the Directive obligates firms to adopt these duties into their corporate governance, implement risk-based systems, engage with stakeholders, and create grievance mechanisms. Importantly, companies can be held civilly liable for damages resulting from their failure to comply. [5]

A cardinal and novel factor of the CS3D is its cascaded effect on supply chains. In other words, obligations put on an 'in-scope' company are expected to cascade or trickle down to its suppliers and subcontractors, and even indirectly to tier-2 and tier-3 vendors. [6]While only the largest companies are directly regulated, those companies will in practice demand compliance from their entire supply networks. These requirements will cascade down the supply chains even though smaller suppliers are not directly in scope. With this cascade or 'trickle-down'

[1] Human Rights Watch, *Bangladesh: Rana Plaza Collapse* (2013).
[2] John Ruggie, *Business and Human Rights: The Evolving International Agenda*, 101 Am. J. Int'l L. 819 (2007)
[3] U.N. Human Rights Council, *Guiding Principles on Business and Human Rights*, U.N. Doc. A/HRC/17/31 (Mar. 21, 2011
[4] Lieferkettensorgfaltspflichtengesetz [LkSG] [Supply Chain Due Diligence Act], July 16, 2021, BGBl I at 2959 (Ger.)
[5] Id. art. 22
[6] Directive (EU) 2024/1760, recital 33

effect, therefore, accountability extends across borders and corporate boundaries. However, this opens up further questions as to whether smaller players, such as local suppliers, will be able to handle an influx of information requests and ensuing contractual obligations.

This paper delves into these developments. Then, the paper will clarify what supply chain social accountability means within the context of international norms such as the UNGPs and OECD Guidelines (which focus on the responsibility of companies to be aware of and control risks associated with their value chains). It will then consider the legal framework of the CS3D itself – its essential provisions, scope, and legal effects. Cascading impacts on global supply chains, including liability risks to companies and indirect effects on third parties, will also be dissected in a distinct section. This will be followed by case studies in the EU (Germany, France), the US, and the Global South (the Rana Plaza context) on how these rules apply and compare against other regimes. Finally, the paper will deal with criticisms (including undue burdens on developing countries and SMEs) and outline actual compliance strategies. [7]This paper will therefore take a neutral stand, highlighting the directive's potential to enhance worker protections as well as emphasizing the risks of increased administrative burdens and trade disruptions.

BACKGROUND AND EVOLUTION OF CS3D

The Corporate Sustainability Due Diligence Directive (CS3D) owes its origins to mounting global initiatives towards binding corporate accountability, with the UN Guiding Principles (2011) [8]determining that states should impose on businesses the obligation to undertake human rights due diligence legally or regulatory. [9]

Within the EU, the idea of a comprehensive due diligence obligation started with a 2020 Commission proposal that aimed to harmonize the existing patchwork of voluntary guidelines and national laws by imposing EU-wide duties for human rights and environmental due diligence[10]. The European Parliament, Council, and Commission negotiated [11]the text over two years of the legislative process, with key policy debates focusing on the directive's scope

[7] European Commission, *SME Support Measures Under CS3D* (2023).
[8] U.N. Human Rights Council, *Guiding Principles on Business and Human Rights*, U.N. Doc. A/HRC/17/31 (Mar. 21, 2011)
[9] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on Corporate Sustainability Due Diligence, 2024 O.J. (L 1760)
[10] European Commission, *Study on Due Diligence Requirements Through the Supply Chain* (2020)
[11] European Parliament, *Corporate Sustainability Due Diligence* (Legislative Resolution, June 1, 2023)

regarding which companies and supply chain activities are covered, and the civil liability aspect, with civil society and trade union supporters pushing for strict rules and wide liability to deter abuses and business groups warning against onerous costs and extraterritoriality. [12]

The Directive was formally adopted on 13 June 2024, and entered into force on 25 July 2024, with the Council's official press release emphasizing that this was "the last step" in the procedure, and noting that the directive "introduces obligations for large companies regarding adverse impacts of their activities on human rights and environmental protection[13], not only in the company's own operationalization, but also in those of their subsidiaries and of their business partners along the companies chain of activities."[14] In other words, the EU legislature explicitly extended due diligence obligations down the value chain." The Council highlighted that affected companies – those with over 1000 employees and more than €450 million turnover [15]– would need to establish risk-based processes to monitor and remedy these impacts. Companies could be sanctioned for non-compliance; in the words of a Belgian minister quoted by Council, "the directive will give us the possibility to sanction those actors that violate their obligations." [16]

In parallel, the Commission and Member States have further refined implementation, with the Commission notably adopting an 'Omnibus' package of delegated acts and guidance in February 2025 to ease reporting requirements and address business concerns, although these adjustments did not alter the core duties, with an industry group stating that 'the core requirement remains unchanged: companies must conduct risk-based human rights and [17]environmental due diligence across their value chains, meaning expectations will cascade through supply chains.' Overall, the CS3D is a culmination of years of EU policies on responsible business conduct, now making mandatory supply-chain due diligence part of EU law for the first time.[18]

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[12] BusinessEurope, *Position Paper on CS3D* (2023)
[13] Council of the European Union, *Corporate Sustainability Due Diligence: Council Gives Final Approval* (June 2024)
[14] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on Corporate Sustainability Due Diligence, 2024 O.J. (L 1760)
[15] Id. art. 2
[16] Id. art. 24
[17] Directive (EU) 2024/1760, recital 33
[18] Axel Marx & Jan Wouters, *Redefining Due Diligence*, 16 Eur. Foreign Aff. Rev. 1 (2021)

CONCEPT OF SUPPLY CHAIN SOCIAL ACCOUNTABILITY

"Supply chain social accountability" means that companies should be responsible for the social (and environmental) effects of not only their operations, but also, those of their suppliers and business partners.[19] Under this concept, businesses are accountable for ensuring decent working conditions and human rights protections throughout global supply chains supporting their products and services. The UN Guiding Principles on Business and Human Rights are an extension of the principle, which state that any corporate human rights responsibility should cover impacts "directly linked to their operations[20], products or services by their business relationships" even if the company was not directly responsible for the violation. In practice, this means companies are expected to be able to identify every actor within their value chains, to hold them accountable, and to devise mechanisms for preventing and mitigating harm related to tier-1 suppliers down to tier-n[21]. According to the SHIFT Project, adverse human rights impacts "can occur at any level of a supply chain", and companies need to map and evaluate risks beyond their immediate suppliers.

Academic literatures on sustainable supply chain focus on the social dimension (labor rights, community impacts, equity) besides the environmental. Sustainable Supply Chain Management (SSCM) research shows a paradigm shift: companies must integrate labor standards, fair wages, anti-discrimination, and community development into their supplier relationships (often under the broader rubric of ESG – Environmental, Social and Governance). For example, the degree of social capital, along with the transparency of supply chain activities, is found to reinforce socially responsible performance. However, social accountability remains an important challenge. Global trade data does not include social information (labor conditions, etc.), thus creating a massive 'accountability gap' vis-à-vis regulators and supply chain buyers concerning hundreds of millions of workers. Voluntary CSR and social audits have failed to prevent abuses as Rana Plaza and other tragedies have proved. Critics note an accountability gap, whereby violations can persist if companies are allowed to turn a blind eye to conditions in subcontractors' factories.

Against this backdrop, mandatory due diligence laws aim to formalize social accountability.

[19] U.N. Human Rights Council, *Guiding Principles on Business and Human Rights*, U.N. Doc. A/HRC/17/31 (Mar. 21, 2011)

[20] U.N. Human Rights Council, *Guiding Principles on Business and Human Rights*, U.N. Doc. A/HRC/17/31 (Mar. 21, 2011) princ. 13

[21] OECD, *OECD Due Diligence Guidance for Responsible Business Conduct* (2018)

They mandate that companies carry out specific steps (due diligence process) and introduce legal liability when the required steps are not taken. International frameworks such as the OECD Guidelines for MNEs describe due diligence as a multi-step process of integrating responsible conduct into policies, identifying and assessing adverse impacts in operations and supply chains, preventing/mitigating impacts, tracking performance, and communicating results. The ILO's core laboral conventions (e.g., Forced Labour Convention No.29, Worst Forms of Child Labours No.182) also implicitly underline this concept by obliging employers to ensure no forced or child labor is engaged at any point of their production process.[22] To sum it up, supply chain social accountability means that companies are to exercise due diligence responsibility to protect labor and human rights standards at every step of their value chain and CS3D is the EU's legal mechanism for enforcing such responsibility.

LEGAL FRAMEWORK AND KEY PROVISIONS OF CS3D

The CS3D (Directive 2024/1760) establishes a binding due diligence responsibility for large companies. Its scope is based on company size and turnover, with roughly 6,000 EU-based firms with over 1,000 employees and €450 million in net turnover (globally) "in-scope," as well as around 900 non-EU companies that meet the turnover threshold in the EU market. Micro-enterprises and SMEs lie outside direct scope in most cases, although the Directive offers mitigations measures to ensure small suppliers do not carry the full burden (discussed later). Its application extends to the company's own operations and those of its subsidiaries, wherever they are based, as well as to adverse impacts in the value chain by business partners. "Business partners" extend beyond the direct suppliers to include the distribution, transport, or storage downstream partners of the company's products.

There are key definitions set out in Article 3[23]. For example, an "adverse impact" is defined as an impact on human rights or the environment that results from failure to meet international standards (for example, ILO conventions or UN treaty obligations). Workers and local communities, as well as the environment, are the affected parties. The Directive does not establish new rights but demands adherence to the existing international norms (for example, ILO labour standards, environmental conventions).

The primary responsibility is to adopt and implement a due diligence policy and processes.

[22] International Labour Organization, *Declaration on Fundamental Principles and Rights at Work* (1998).
[23] Id. art. 3

Thus, according to Article 5[24], an in-scope company is required to embed human rights and environmental due diligence into its corporate policies and management system. In practice this calls for organizational procedures, board oversight, and resources for due diligence. [25]Also, there is a requirement for risk analyses and prioritization of the most salient risks in the supply chain (Article 5) based on the concept of "salience," with a close link to the [26]UNGPs. [27]The Directive then calls for preventive and remediation measures: where actual impact has occurred (or is at risk of occurring) on people or the planet as a result of the company's operations or those of a business partner, such appropriate steps must be taken. This entails calling off activities responsible for the harm, coming up with alternative measures to neutralize the effects or shifting business to other suppliers. A concrete example, if child labour is found in a supplier's factory, the company must act to end it – first by prevention (e.g. requiring the factory to comply with labor law), and, if the violation is confirmed, by eliminating or mitigating it (e.g. ensuring children are removed from hazardous work and supported).

Finally, the Directive mandates monitoring and reporting (Article 19): companies must regularly review their due diligence implementations and report to the public on how they mitigate risks (including data on the impact and measures taken). The Commission may make guidelines and delegated acts regarding digital tools, reporting templates, and other procedural matters.

An innovative element is civil liability (Chapter 7 of the Directive). The victims can sue for damages against a company for failure to comply with due diligence obligations. The company becomes liable for damages in such cases. The Directive also urges member states to institute penalties (fines) for breaches. This introduces legal risk to companies, such that they do not only suffer reputational or market risks, but litigation costs if, for example, a worker injured in a supply-chain accident manages to connect the harm to the company's negligence, in monitoring its supplier.

Finally, the Directive includes specific provisions for climate change: large companies are required (Art 7) to have a climate transition plan aligned with the Paris agreement. This means

[24] Id. art. 5

[25] U.N. Human Rights Council, *Guiding Principles on Business and Human Rights*, U.N. Doc. A/HRC/17/31 (Mar. 21, 2011)

[26] Directive (EU) 2024/1760, art. 6

[27] Id. art. 5

that they are required to integrate climate risk into their strategy but as a "best efforts" duty rather than an absolute obligation. Finally, there are provisions amendments designed to address climate change specifically: large companies must (Article 7) have a climate transition plan consistent with the Paris Agreement 2050 target and intermediate goals, thus obliging them to integrate climate risk and strategy, albeit as a "best efforts" not an absolute obligation. [28]In early 2025 an EU "Omnibus" review reduced or clarified some obligations (raising size thresholds, narrowing certain duties) to ease burdens, but the fundamental elements above remained.

Overall, the CS3D is a far-reaching legal framework that forces companies to integrate social and environmental responsibility in their corporate governance and operations. It is based on certain international standards (UNGP Principle 17, OECD Guidelines, ILO Conventions), which it enshrines into EU law.[29] Its key provisions – mandatory risk management, chain-wide scope, reporting and liability – establish a strong framework of accountability for supply chains. That then paves the way for an analysis of the impact of these rules on global supply networks, which is the focus hereinafter.

CASCADING EFFECTS ON GLOBAL SUPPLY CHAINS

The rule that obligations "cascade" down supply chains is the defining feature of the CS3D. In addition, the expectations cascade down supply chains (i.e., obliging companies covered by the law only to push requirements down their supply and subcontracting chains, as well as downstream distributors). This cascading is both explicit and implicit.

Explicitly, the Directive encourages companies to seek contractual assurances from direct business partners – clauses in supply contracts whereby a supplier agrees to ensure certain social and environmental standards. Article 10(2)(b) states that companies shall "ensure that the responsibilities of companies are shared and allocated appropriately" with partners, and in particular seek contractual assurances in relation to due diligence. In simple terms, the Directive requires firms to flow the duty down to the direct suppliers. However, the shared responsibility also means that under the EU legal framework, the company remains liable (and

[28] Id. art. 7

[29] International Labour Organization, Convention Concerning Forced or Compulsory Labour (No. 29), June 28, 1930.

the duty on the prime company can never be fully delegated).

In practice, firms frequently incorporate social clauses in contracts. According to the Oxford Business Law Blog, the CS3D thus seeks to "enable obligations to cascade through value chains via commercial agreements so that 'multiple tiers of suppliers and buyers' can be enforced upon". The same goes for those garment suppliers making such assurances to the major retailer – they demand the same contractual assurances from their own suppliers of the raw materials. This contract-based chain linking is one way the directi6ve's reach is multiplied beyond direct regulated firm.

In a more general sense, the "cascading effect" refers to market and reputational pressures that operate on all tiers of the chain. This 'cascading effect' is more broadly the market and reputational pressures on all tiers of the chain, and even if a small factory in India or Vietnam has no legal duty under EU law, it will be asked to comply by its buyers. Industry observers recognise that "companies can expect requirements to cascade through supply chains… even if [suppliers] are not directly in scope". Stated differently, the very fact of the CS3D's existence results in cascading market and reputational pressure for larger buyers to verify documentation and force compliance down every link in the chain. As a result, smaller firms implement various voluntary measures to continue their operations. This creates a domino effect that can extend the Directive's impact in reality far beyond the EU.

However, liability and enforcement issues arise in cascading obligations. The CS3D mandates an EU parent company is liable for impacts in its supply chain regardless whether or not penalties are accorded to its suppliers at home[30]. For example, if a worker gets harmed working with a non-EU supplier, that person can seek damages at the EU company on the basis that, had it monitored its supply chain, the incident would not have occurred. [31]Such legal uncertainty as to how a company can control or account for remote contractors is a concern among some critics. This is achieved by the fact that liability is tied to failure of the due diligence process rather than results[32]. If a company can show a proper risk assessment has been conducted and reasonable steps such as trying to get assurances or even terminating non-

[30] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on Corporate Sustainability Due Diligence, art. 22, 2024 O.J. (L 1760)
[31] Robert McCorquodale et al., *Human Rights Due Diligence in Law and Practice*, 2 Bus. & Hum. Rts. J. 195 (2017)
[32] Claire Bright, *Creating a Legislative Level Playing Field in Business and Human Rights*, 21 Bus. & Hum. Rts. J. 1 (2020)

compliant suppliers, it may offer a defense.

Still, the expansive reach is obvious. The Council's press release explicitly states that companies are responsible for ensuring compliance "along their chain of activities" and that liabilities may arise for impacts caused "by their business partners in their chain of activities." So, an adverse impact in a far-away supplier factory causes duties to be levied on the international buyers. Academics note this could prompt companies to reorganize supply chains, for instance, shifting the sourcing of supplies to countries where compliance is more established or suppliers can more easily be held accountable. Along these lines, the law's indirect (and arguably "extraterritorial") effect may be to create knock-on business impacts globally to avoid regulatory risk.

Empirical studies on cascading due diligence (mostly under the indirect effects or trickle-down effects) prove both positive and negative. On the positive side, cascade can achieve a wider range of improvements, which means that suppliers in developing countries might have new incentives to improve labor standards or raise investments in safety measures to sustain competitiveness. On the negative side, the SMEs and smallholders raise concerns about bearing unsustainable costs. The Verfassungsblog commentary warns, "If a large company simply pushes its obligations further down without support, smaller suppliers could be flooded with auditing demands or cut off from trade altogether (an "irresponsible exit").

The CS3D itself attempts to mitigate this risk: it explicitly acknowledges the problem of "cascade" in its preamble and text and introduces protective measures ("fair and reasonable" terms for small suppliers in contractual assurances, conditions under which companies can abruptly terminate relations, etc.). Third, the authorities and companies need to provide support for vulnerable partners (e.g., capacity-building, or even financial aid if a small-to-midsize enterprise (SME) could not comply without going bankrupt).

To sum it up, CS3D's design ensures that the due diligence duty is not only limited to the company's headquarters or direct footprint. Instead, the duty "cascades" down the value chain through a mix of contractual mechanisms and market pressure. This is a potential cascade of social accountability on the supply chains with EU buyers enforcing standards on external suppliers. Finally, the universe of liability is enlarged too, so that companies are expected to exercise vigilance against harms wherever it occurs in the chain. Chapter 3 considers living case examples of the above provisions in the EU, US and Global South respectively by way of case studies.

CASE STUDIES AND COMPARATIVE ANALYSIS

Rana Plaza (Bangladesh) : The 2013 Rana Plaza [33]collapse is exemplary of the worst supply-chain results and helped to catalyze mandatory laws. The disaster happened although some branded firms had voluntary CSR policies and audits in place – highlighting the limits to 'tick-box' approaches. In the aftermath, the Bangladesh Accord (2013) was instituted as a binding multistakeholder agreement on factory safety, and an oft-cited success of enforceable standards. The Rana Plaza case demonstrates the importance of activists and unions opting for law instead of voluntary codes.

The disaster, "highlighted the failure of voluntary corporate responsibility initiatives," and resulted in the Accord, which has removed tens of thousands of safety hazards in factories (ECCHR; In CS3D parlance, Rana Plaza exemplifies the human cost of neglecting due diligence and grounds the Directive's rationale for mandating a systemic oversight on every link in the chain.[34] Global South equity concerns are illustrated in that developing-country suppliers encountered extraordinary losses with little recourse from global brands. The CS3D aims to fix such gaps by giving victims (in theory) avenues of remedy via EU courts, as well as by incentivizing companies to keep their entire chain safe.

France (Duty of Vigilance Law) : France's 2017 Duty of Vigilance Law applies to French companies with more than 5,000 employees in France (or 10,000 worldwide, including subsidiaries). It requires issuing an annual 'vigilance plan' that identifies risks and relevant measures to stop any severe impacts on human rights and the environment through the company's activities, those of its controlled subsidiaries, and established subcontractors and suppliers. In practice, these plans are produced by large French multinationals such as Danone, Total Energies, and Sanofi. The law provides enforcement tools, as NGOs and unions can ask courts to force companies to produce and improve the plans, with judges potentially fining companies for non-compliance. They can also file civil cases to claim damages when the harms were foreseeable and avoidable through improved due diligence. A series of French cases has notably put the law's "cascade" to the test. There have been a series of French cases which have tested the law's 'cascade', notably, plaintiffs have sued Carrefour for alleged abuse in its

[33] European Ctr. for Const. & Hum. Rts., *Ten Years After Rana Plaza: Workers File Complaint* (Apr. 24, 2023)
[34] Human Rights Watch, *Bangladesh: Rana Plaza Collapse* (2013).

tuna supply chain, arguing that Carrefour's plan did not tackle known risks in fish producers. French courts have overall been reinforcing those multinationals should not only consider their formal subsidiaries but also any subsidiaries de facto (entities it controls) and significant suppliers. This broad interpretation bears close resemblance to the CS3D's approach. However, enforcement remains slow as dozens of NGO notices and lawsuits have been filed, courts have tended to grant injunctions to create or improve plans instead of granting damages, and large monetary fines – which can rise to €30m in extremely grave failures – have not been extensive. In summary, France's experience shows strengths and limits of mandatory due diligence – it legally pushes companies to address their subcontractors, but also shows that compliance can fall short without vigilance.

United States (Proposals and Trends): The U.S. does not have a federal law similar to the CS3D. None, however, was as extensive as the CS3D, and instead, there were sectoral-specific acts, such as the Uyghur Forced Labor Prevention Act (2021), banning imports from the Province of Xinjiang without proof of the absence of forced labor and modern slavery disclosure acts in certain sectors (California's 2010 law [35]obliges retailers to disclose any forced labor in their supply chain).[36] Still, the "momentum" is growing. In 2023–2024, bills called the Corporate Sustainability Due Diligence Act were introduced to Congress. These proposals should resemble CS3D and require broad disclosures from large U.S. companies (e.g., > $1 billion in revenue) on risks related to human rights and environmental risks in supply chains. [37]For example, a 2025 draft would mandate annual disclosures that identify forced labor, child labor, land rights violations, and actions undertaken to alleviate them. While still under debate, this points to the convergence with the EU policy. For now, U.S. multinationals more often to comply with the global norms voluntarily or through investor's pressure. In practice, many large U.S. firms already assess supply chain risk under the OECD and UN frameworks. In this regard, the CS3D and other similar EU rules are set to make U.S. firms conform to the more stringent requirements or lose access to the market in the EU.

Global South Suppliers: A final view is on how companies in developing countries experience these laws. Most of the suppliers in Asia, Africa, and Latin America are small or medium-size company suppliers to the multinationals based in the EU. Although these suppliers have no legal duty under CS3D, the 'cascade' means they will be subject to new demands, ranging from

[35] California Transparency in Supply Chains Act of 2010, Cal. Civ. Code § 1714.43 (West 2010)
[36] Uyghur Forced Labor Prevention Act, Pub. L. No. 117-78, 135 Stat. 1525 (2021)
[37] UNCTAD, *World Investment Report* (2023)

audits and reporting to contractual clauses that require compliance. There is a risk, the Verfassungs blog analysis says, that buyers will place 'unmanageable expectations' on suppliers, or drop them altogether if compliance is hard.

Developing-country governments have voiced concerns: for instance, when the EU passed a deforestation-free supply chain law, countries like Brazil and Indonesia complained that it was a trade barrier. [38]Under CS3D, suppliers will either toe the line (pay living wages, do away with forced labor, desist from pollution, etc.) or lose their EU business. The Directive features certain 'supportive' measures (such as capacity building for SMEs) and a recognition of the 'shared responsibility' principle, but the challenge is still grave[39]. In essence, the case studies show that the CS3D pursues many of the same themes as national laws at transnational level. Germany and France led in legal due diligence in the EU, and their experiences, including litigation concerning duty of care and the challenges encountered by suppliers in practice, provide insights into the implementation of CS3D. The U.S. is making late advances with proposals, and the Rana Plaza story is a reminder of why such laws were globally demanded in the first place.

CHALLENGES, CRITICISM, AND COMPLIANCE BURDENS

However, there are still several major challenges to the objectives of Corporate Sustainability Due Diligence Directive (CS3D). Compliance burden, especially on small and medium-sized enterprises (SMEs), is among the primary concerns. With respect to the SMEs, they are indirectly affected, although the Directive does not target them directly, because it considers them as suppliers to bigger firms. The result is a 'trickle-down' effect whereby large firms pass on due diligence expectations to smaller partners, which may not have adequate capacity to implement the requirements effectively. The EU acknowledges and calls for proportionality of information requests, but concerns exist that SMEs face processing strain or outright exclusion from supply chains.

Complexity in implementation is yet another major issue. The global supply chains are multi-layered and opaque, thus making it difficult to trace and monitor activities beyond the immediate suppliers of a company. There are concerns regarding 'box-ticking' compliance,

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[38] Regulation (EU) 2023/1115 of the European Parliament and of the Council of 31 May 2023 on Deforestation-Free Products, 2023 O.J. (L 150)
[39] European Commission, *SME Support Measures Under CS3D* (2023)

where firms rely on contractual assurances rather than meaningful oversight. Such practices undermine the Directive's goal of substantive accountability.

Enforcement also poses practical problems. The CS3D relies on national authorities and courts, which can lead to inconsistent application among the Member States[40]. Enforcement also offers practical difficulties as the CS3D relies on national authorities and courts, leading to a patchwork of enforcement efforts across Member States; while victims and NGOs can bring claims, barriers such as legal costs, jurisdictional challenges, and procedural delays limit access to justice. Similar vigilance enforcement laws – e.g., France's Duty of Vigilance framework – experience enforcement focusing more on procedural compliance than damages payments. [41]

Critics further emphasize potential economic implications, especially to developing countries. There is a concern that developing countries that supply markets may be excluded or subjected to disproportionate regulatory burdens due to their inability to adequately meet high standards. There is a risk of such laws being imposed from outside without the necessary accompanying support. Ultimately, the effectiveness of the CS3D relies on whether companies treat the directive not just as a formal compliance obligation but as a means of genuinely addressing human rights and labor standards. Without such a shift, there is a risk of formalism of due diligence as opposed to a tool for change.

RECOMMENDATIONS AND CONCLUSION

Recommendations

To maximize the effectiveness of the approach toward CS3D compliance, companies should be proactive and structured. They must identify risks by mapping their supply chains using databases, industry tools, and emerging technologies.[42] The prioritization should be severity and likelihood of harm and not commercial value. Internal governance can be ensured by board of directors' oversight, development of policies and guidelines, and establishment of anti-CS3D compliance committees.[43] Contractual obligations with suppliers, while necessary, must be equitable and coupled with capacity-building support, particularly for SMEs. Last, direct

[40] Directive (EU) 2024/1760 of the European Parliament and of the Council of 13 June 2024 on Corporate Sustainability Due Diligence, art. 24, 2024 O.J. (L 1760).
[41] Claire Bright, *Creating a Legislative Level Playing Field in Business and Human Rights*, 21 Bus. & Hum. Rts. J. 1 (2020)
[42] European Commission, *Study on Due Diligence Requirements Through the Supply Chain* (2020)
[43] Shift Project, *Human Rights Due Diligence: Practical Guidance* (2021)

engagement of workers through grievance mechanisms and engagement with stakeholders can help identify and resolve issues promptly. Governments and industry bodies should complement private-sector efforts with support programs, sector-wide initiatives, and transparent enforcement.

Conclusion

This marks a paradigmatic shift in the global supply chain regulation, which requires corporate accountability beyond national borders. However, its success will be ascertained by substantive implementation rather than formal application. On the contrary, when regulators ensure consistency in enforcement, and companies conduct due diligence beyond legalistic compliance, the Directive can improve social and environmental conditions globally. Its big picture success will be tied to striking a balance between accountability and feasibility and ensuring that bona fide accountability mechanisms achieve positive results without placing disproportionate financial burden on smaller stakeholders.